

CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

Money, as earlier stated, is a common denominator in which the relative values of goods and services can be expressed. When a person makes a payment to another person living in the same country, he uses any of the different forms of money currency in the country.

A person living in Dhaka can make a payment to another in Chittagong in taka or by cheque on any bank of the country. Such payments do not present any problems except those of transferring money from one place to another. But things are different when the debtor and creditor live in different countries. When a trader from Dhaka imports goods from a London merchant, the payment involves certain complications. The Dhaka man can pay in taka, but taka is of no use to London exporter, as this is not the legal tender in England. There must be some means of changing taka into sterling before payment satisfactory to both parties is possible. Obviously, the intervention of a third party is required to effect settlement as payment between export and import. So there is a need for foreign exchange mechanism. The banks which act as third party facilitate the transactions among the different parties involved in foreign trade. Acting as partners to exporters/importers, and working through their branches in commercial centers around the world, or through their banking correspondents, banks provide services that can sort out problems and expedite the flow of trade documents and payments.

Foreign exchange refers to the process or mechanism by which the currency of one country is converted into the currency of another country and thereby involves the international transfer of money. It is the means and method by which rights to wealth in a country's currency are converted into rights to wealth in another country's currency. In banks when we talk of foreign exchange, we refer to the general mechanism by which a bank converts currency of one country into that of another

1.2 ORIGIN OF THE REPORT

For any business school student only curriculum activity is not enough for handling the real business situation, therefore it is an opportunity for the students to know about the field of

business through the internship program. As internship program is a perfect blend of the theoretical and practical knowledge. This report is originated to fulfill the requirement of the assigned internship report on “Foreign Exchange Operation of United Commercial Bank Ltd”. In this regard an organization attachment at Nawabpur Road Branch of United Commercial Bank has been given to me a period of three months commencing from 1st February, 2010 to 30 April, 2010. During this period I learned how the host organization works with the help of the internal supervisor.

The internal supervisor assigned me the projects and shuffled me around to educate me about the operation of a bank.

1.3 SCOPE OF THE STUDY

United Commercial Bank Limited is one of the new generation banks in Bangladesh. The scope of the study mainly covers Nawabpur Road branch. The report covers the organizational structure; L/C process, import, export and remittance activities and performance of the bank. My report mainly focuses the foreign exchange operations of the bank. While preparing this report I haven't got support from the employees of foreign exchange department and I also used both primary and secondary data.

1.4 METHODOLOGY OF THE STUDY

This report is an exploratory and descriptive one in nature and has been administered by collecting both primary and secondary data. Personal interview technique was the elementary tool used to collect primary information. Access to the client's loan files provided me with the secondary information that I required.

1.5 SOURCES OF INFORMATION

Primary Sources:

Primary data is always known as survey data. This type of data is collected from the respondent. For this project Personal Interview with the employee of this bank and Customer or the Beneficiary has been conducted.

- Face-to-Face Interview with the manager and officers of Nawabpur Road Branch, United Commercial Bank.
- Interview with the customer.
- Officials Records of United Commercial Bank Ltd

Secondary Sources:

Data that were published for some other reasons is collected as internal and external sources.

Internal Secondary data: To furnish the report properly some papers has been collected form the officials of United Commercial Bank Limited. Information from annual reports, journals, newspapers, Different Books and other published documents has been used. The information mainly about modes of remittance services from the authorized officers who is the in charge of this division.

External Secondary Data: For better interpretation some data has been collected from Bangladesh Bank. Internet Browsing is also one source of external Secondary data.

1.6 LIMITATIONS OF THE REPORT

Although I have obtained whole hearted co-operation from employees of United Commercial Bank Limited. On the way of my study, I have faced the following problems that may be terms as the limitations/shortcomings of the study:

- 🌐 **Budgeted times for the Study:** The first obstruct is time itself. Due to the time limit, the scope and dimension of the study has been curtailed. United Commercial Bank Limited is a big organization. It is very tough to deal with this Bank within this short time. On the other hand due to short time I could not become able to conduct with all the customers who have opened L/C. The respondents are scared with different places.
- 🌐 **Data Insufficiency:** It was very difficult to collect data from such a big organization. Because of some divisional and confidential problem, I could not get enough information.

- **Lack of Records:** Sufficient books, publications, facts and figures are not available. These constraints narrowed the scope of accurate analysis. If these limitations were not been there, the report would have been more useful and attractive.
- **Poor Library Facility:** Most of the commercial banks have its own modern rich and wealthy collection of huge and various types of banking related books, journals, magazines, case studies, term papers, assignments, etc. But the library of United Commercial Bank Limited was not well decorated.

CHAPTER 2

Overview of United Commercial Bank Limited

2.1 Banking sector in BD

In 1971, Bangladesh, was East Pakistan, emerged as an independent country. It immediately nationalized the entire banks expanding 3 Foreign Banks. Six nationalize Banks were thus formed. In 1983 a new policy was implemented allowing private sector participation in the industrialization. As a part of this process, two national commercial banks were against denationalization and a number of private commercial banks were allowed to operate.

Particulars	Number of Banks
Nationalized commercial Bank	04
Privatized commercial Bank	30
Specialize Bank	04
Foreign Bank	12
Co- Operative Bank	01
Total =	51

Table 2-1: Schedule Banks in Bangladesh

Banks play a very important role in international trade. Now a day no country can thrive without international trade. Moreover, banks provide some other non-trading service, like factoring, issuing guarantee etc. which are very much supportive to modern business.

2.2 Historical Background of UCBL

As financial intermediaries commercial banks play an important role in the financial system and the economy. The importance of that in the development of the overall economy of country cannot be described in short. From the inception of the civilization the banking sector dominate the economic development of a country by mobilizing the saving from the general people and channeling those saving for investment and thus economic development and growth.

As a key component of the financial system, banks allocate funds from savers to borrowers in an efficient manner. They provide specialized financial services, which reduce the cost of



obtaining information about both savings and borrowing opportunities. These financial services help to make the overall economy more efficient.

The importance of commercial banks after the ravage of the liberation war to develop a better economy was severely needed and it is needed now and will be required in future also. Time to time Government of Bangladesh agreed to permit the private commercial banking in the country.

To fulfill the demand as well as to improve the commercial banking service in our country the United Commercial Bank Ltd. (Here in after UCBL) started its operation in 1984 after obtaining license from Bangladesh Bank with a target to play the vital role on the socio-economic development of the country. It was incorporated on June 26, 1983 as a public limited company under the Companies Act, 1913. The Bank obtained permission from Bangladesh Bank to commence business with effect from June 28, 1983. The promoters of the Bank comprised of seventeen persons from the private sector with long experience in business and industry.

The first branch opened by this bank is Motijheel branch 58, Motijheel C/A Dhaka. At present UCBL have 84 branches (including 4 proposed branches) except the head office.

The emergence of the UCBL is an important event in the country's financial sector at the inception of financial sector reform. The authorized capital of UCBL is tk. 1000 million and paid up capital of the same bank is tk. 230.16 million. The Chairman of the bank is Mr. Md. Jahangir Alam Khan. The bank has made a very good progress due to its visionary management people as well as its appropriate policy and implementation.

2.3 OUR MISSION

We aspire to be the most admired financial institution in the country, recognized as a dynamic, innovative and client focused company, which offers an array of products and services in the search for excellence and to create an impressive economic value.



2.4 OUR VISION

To be the bank of 1st choice by creating exceptional value for our clients, investors and employees



2.5 GOAL OF UCBL

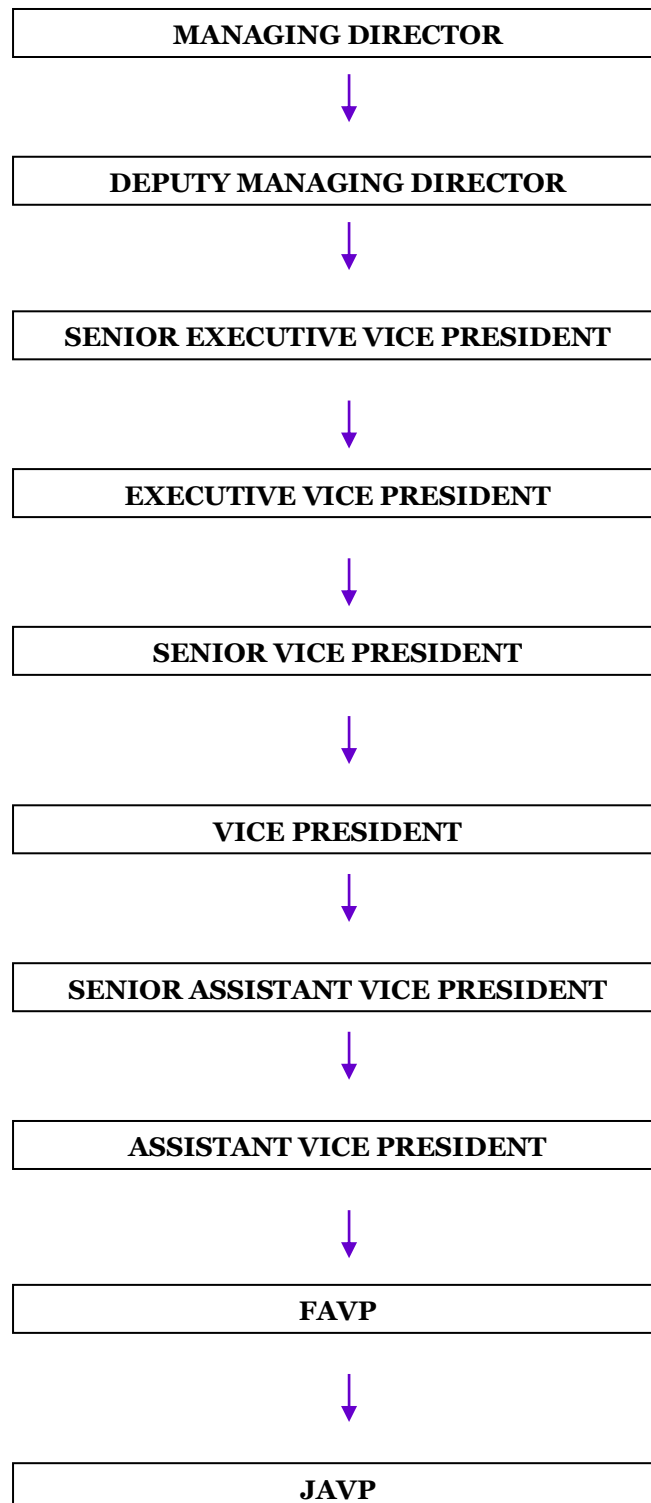
To exceed customer expectations through innovative financial products and services and establish a strong presence to recognize shareholders expectations and to optimize their rewards through dedicated workforce.

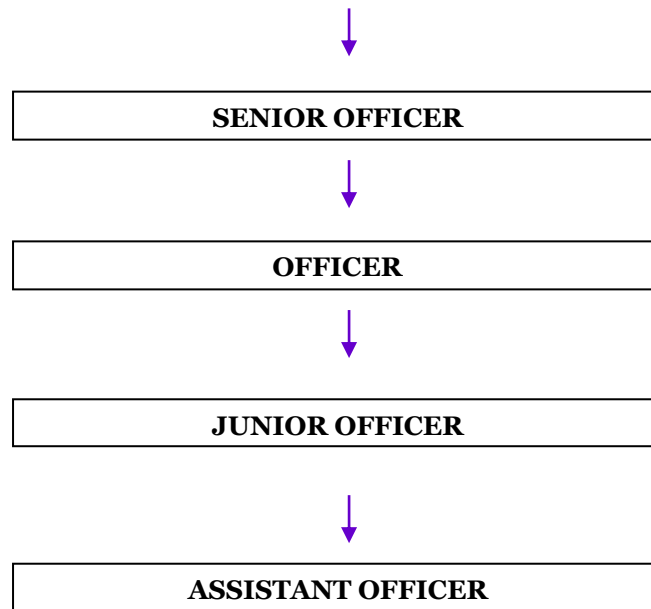
Long term goal:

Keeping ahead of other competitors in productivity and profitability.

Short term goal:

To attain budgetary target fixed in each area of business

2.6 Management Hierarchy:

**Table 2-2: Management Hierarchys**

2.7 Overall Performance of United Commercial Bank Ltd

Figure in crore

Sl. No.	Particulars	2004	2005	2006	2007	2008
1	Capital	138.94	197.00	262.04	366.20	N/A
2	Deposit	2097.99	2455.93	3300.06	4229.83	5451.65
3	Advance	1538.45	2021.06	2611.04	3757.03	4444.73
4	Operating Profit	90.22	120.24	135.16	212.72	255.09
5	Import Business	2438.59	2940.83	3985.33	6032.88	6000.88
6	Export Business	1047.30	1473.54	2080.35	2723.00	3650.04
7	Total Classified Advances	135.20	90.15	92.12	145.11	188.67
10	No of Profit Earning Branches	73	76	78	76	77
11	No of Branches Incurred Loss	7	4	6	8	7
12	No of Branches Achieved both Deposit and Profit Tgt.	21	22	27	4	27
13	No of Branches Achieved	30	36	29	6	10

	only Deposit Target					
14	No of Branches Achieved only Profit target	8	5	13	13	20
15	Total No of Branches	80	80	84	84	84
17	Foreign Correspondences	150	165	185	185	185
18	AD ratio	73.33	82.29	79.12	88.82	81.53
19	Ratio of classified advance	8.79	4.46	3.53	3.86	4.24

Table 2-3: Bank's Performance for the Last 5 Year

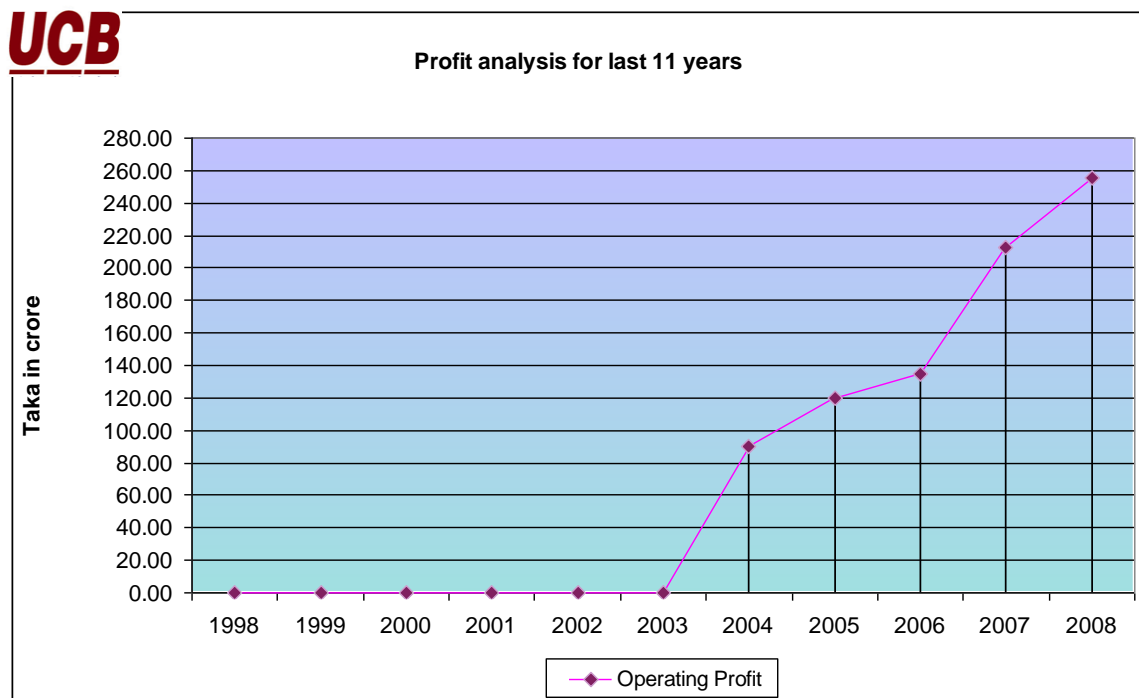


Fig 2-1: Profit analysis for last 11 years

United Commercial Bank Limited (UCBL), one of the first generation private sector banks in Bangladesh, commenced its commercial operations from June 1983 and capital market operation from 1986. Bank's paid-up capital as on 31st December 2007 stood at BDT 299.20 million and total capital reached at BDT 3,696.48 million. UCBL's paid up capital and statutory reserve became BDT 1,531.56 million at the end of December 2007 whereas regulatory requirement is BDT 2,000 million which is to be attained by June 2009. Bank's risk weighted capital adequacy (RWCA) ratio in 2007 became 9.28% against regulatory requirement 10%.



In 2007, net interest income growth of UCBL was 26.47% whereas investment and other income grew by 56.92%. Bank's cost to income ratio reduced to 39.30% in 2007 (2006: 44.24%). Pre provision profit of the bank significantly increased (52.80%) in 2007.

Net interest margin of UCBL was reduced to 5.05% in 2007 from 5.26% in 2006 but investment yield grew up to 7.61% in 2007 (2006:6.41%). Return on average Asset (ROAA) of UCBL has an increasing trend over the last few years. Still ROAA in 2007 was just below its peer group average. Bank's ROAA was highly dependent on profit margin rather than asset utilization. Hence any significant changes in net profit margin will proportionately affect bank's ROAA. UCBL's return on risk weighted assets declined to 2.05% in 2007 (2006: 2.15%) mainly because of higher growth in risk weighted assets which ultimately affected capital adequacy ratio. During 2007, UCBL also enjoyed higher growth in return on average equity (ROAE). Spread of UCBL was about 5.63% in 2007 compared to 6.39% in 2006.

By the end of 2007, UCBL's total assets were BDT 50,180.58 million, an increase compared to the previous year of 30.18%. UCBL's non-performing loan (NPL) ratio in 2007 increased to 4.92% from 3.53% in 2006. Gross NPL ratio increased mainly because of about 219.37% growth in fresh NPL generation despite 43.88% growth in loans and advances. It is to be mentioned that UCBL rescheduled BDT 139 million of its loan portfolio which is 57.95% higher than that of previous year.

SMA to total loans & advances ratio of UCBL was about 1.54% in 2007. which can be considered as potential risk for the bank. This figure was 1.09% in 2006. UCBL's loan portfolio in 2007 was dominated by local trade financing (37.38%) followed by import financing (26.48%). About 32.07% of the Bank's total loans and advances relate to the top 50 funded large loans in the last year.

UCBL has its customer base in 84 branches in six different districts. Deposit composition of UCBL was dominated by term deposit with 63% of total deposit followed by savings deposit (19%) and current deposit (8%). The bank lent more fund to the call market than it borrowed from the market in 2007. UCBL lent BDT 49,590 million to the call market whereas it borrowed BDT 35,670 million in 2007. UCBL's asset-liability maturity bucket shows that



except for 3 to 12 months time interval, the bank possessed positive GAP. All these depict UCBL's better liquidity position in 2007.

By the end of 2007, UCBL possessed sum of net positions in different currencies resulted in net assets position of BDT 762.83 million or 24.32% of core capital of the bank. UCBL's foreign currency portfolio highly concentrated with US Dollar with 23.70% of core capital. Any appreciation of BD taka can cause substantial losses for the bank. On the other hand, UCBL can gain in case of BD taka devaluation.

UCBL's interest sensitive maturity bucket indicates that the bank will be benefited on decreasing interest rates and will be suffered on increasing interest rate scenario.

UCBL has its strength in profitability and liquidity position. On the other hand, principal concerns of the bank are capital adequacy, gratuity provision shortfall, corporate governance as well as loan portfolio monitoring.

Credit Rating Agency of Bangladesh (CRAB) Limited has assigned A3 (Pronounced A three) rating in the long term and ST-2 rating in the short term to United commercial Bank Limited (UCBL).

Commercial banks rated in the long term A3 belong to 'High Safety' cohort. These banks are adjudged to be strong, characterized by good financials, healthy and sustainable franchises and a first rate operating environment. This level of rating indicates strong capacity for timely payment of financial commitments with low likeliness to be adversely affected by foreseeable events. Commercial banks rated in the short term 'ST-2' category are considered to have strong capacity for timely repayment with commendable position in terms of liquidity, internal fund generation and access to alternative sources of funds.

2.8 Branch Network

Sponsored by some dynamic and reputed entrepreneurs and eminent industrialists of the country and also participated by the Government, UCBL started its operation in mid 1983 and has since been able to establish one of the largest networks of 84 branches among the first generation banks in the private sector.

Bank's Name	Name of Region/Zone	No. of Branches
United Commercial Bank Limited	Dhaka	28
	Chittagong	28
	Rajshahi	09
	Khulna	07
	Sylhet	11
	Barisal	01

Table 2-4: List of Branches of UCBL

2.9 CREDIT RATING REPORT

Ratings History:

Long Term: **A1**

Short Term: **ST-3**

Date of Rating: **May 29, 2008**

Validity: **1 (One) Year**

2.10 CAMEL RATING

The CAMELS rating has been awarded to Commercial Bank Bangladesh after assessing the six strategic factors covered by the abbreviation, Capital Adequacy, Asset Quality, Management Quality, Earnings, Liquidity and Sensitivity to market risks.

In the CAMELS ratings, each bank is assigned a score of one (A) to five (E) for each factor. “If a bank has an average score less than two, it is considered to be high-quality institution, while banks with scores greater than three are considered to be less-than-satisfactory establishments.

Central bank, the regulatory authority of country’s banking sector has rated the positions of different banks based on the performances of 2008. The serial has been prepared on the basis of credit and asset management performance as well as local banks first then foreign banks. It is mentionable that the performance of United Commercial Bank is very good. So it is in the ‘B’ category of the rating.

CHAPTER 3

FOREIGN EXCHANGE OPERATIONS

3.1 MEANING OF FOREIGN EXCHANGE

Before going to the discussion about foreign exchange we should know what international trade is.

International Trade (IT) can be defined as either the buying (importing) or selling (exporting) of goods or services on a global basis. International trade is the exchange of goods and services across international boundaries or territories. Goods can be defined as finished products, as intermediate goods used in producing other goods or an agricultural products and food stuffs.

International trade gives rise to foreign exchange. International trade is transacted either in the currency of the exporter's country or that of the importer's country, or that of a third country acceptable to both the exporter and the importer.

The **term foreign exchange** has different connotations in different contexts. In terms of section 2(d) of the Foreign Exchange Regulation (F. E. R.) Act 1947, as adapted in Bangladesh, foreign exchange means foreign currency and includes instruments expressed in foreign exchange, all deposits, credits and balance payable in foreign currency as well as foreign currency instruments such as Draft, TC, Bill of Exchange, promissory note, and Letter of Credit payable in any foreign currency.

“Foreign exchange is the system or process of converting one national currency into another and of transferring the ownership of money from one country to another.”

“Foreign exchange is that section of economic science which deals with the means and methods by which rights to wealth in one country's currency are converted into rights to wealth in terms of another country's currency. It involves the investigation of the method by which the currency of one country is exchanged for that of another, the causes which render such exchange necessary, the forms which in exchange may take and the ratios or equivalent values at which such exchanges are effected.”

- Mr. H. E. Evitt,

The term “currency” as earlier stated includes not only such notes and coins as are legal tenders, but also bank balances and deposits in foreign currency and all instruments- credit instruments which are capable of being used as currency, such as bills of exchange, promissory notes, letter of credit, travelers cheques, drafts, airmail transfers, telegraphic transfers (TT) and all other instruments which convey to holder a right to wealth.

3.2 LEGAL BASIS OF FOREIGN EXCHANGE TRANSACTIONS

Foreign exchange transactions are performed under some legal regulations, as follows:

- Foreign Exchange Regulation Act – 1947
- Import and Export Control Act- 1950
- Customs Act-1969
- The uniform customs and practices for documentary Credit (UCPDC) – 1993 revision &International Chamber of Commerce Publication no – 500, is also an important law for settlement of terms and conditions between exporter and importer in international trade.
- Import Policy Issued by Ministry of Commerce
- Export Policy Issued By Ministry of Commerce
- International Rules Issued by International Chamber of Commerce (ICC)/ Uniform Rules and practices
- Different Foreign Exchange Circulars issued by Bangladesh Bank

3.3 FOREIGN EXCHANGE DIVISION OF UCBL

If the branch is authorized dealer in foreign exchange market, it can remit foreign exchange from local country to foreign country. This department mainly deals in foreign currency. This is why this department is called foreign exchange department.

Foreign Exchange Department is the international department of the bank. It deals globally. It facilitates international trade through its various modes of services. It bridges gap between importers and exporters.

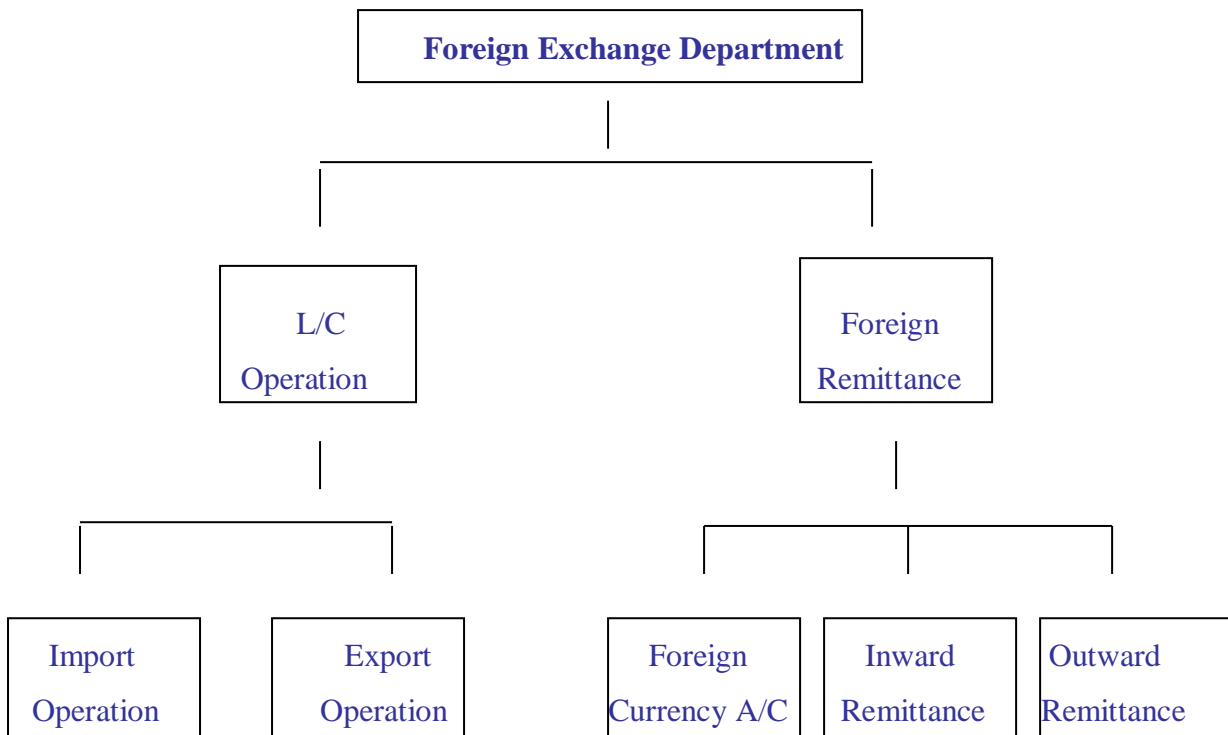


Fig 3-1: Foreign Exchange Division of UCBL

Foreign exchange department of UCBL Nawabpur Road Branch Dhaka has been divided into two sections:

- 1) L/C Operation
- 2) Foreign Remittance

The trade among various countries falls for close link between the parties dealing in trade. The situation calls for expertise in the field of foreign operations. The bank, which provides such operation, is referred to as rendering international banking operation. Mainly transactions with overseas countries are respects of import; export and foreign remittance come under the preview of foreign exchange transactions. International trade demands a flow of goods from seller to buyer and of payment from buyer to seller. In this case the bank plays a vital role to bridge between the buyer and seller.



In the UCBL Nawabpur Road branch there are four peoples are working continuously with great effort and teamwork there are quite efficient skill and talented the above jobs are performed in this department. The Bangladesh Bank and the respected JAVP of this section control them. There are more than 70 clients and 25 countries they are dealing with. They believe in teamwork and extreme hard work

3.4 FUNCTIONS OF FOREIGN EXCHANGE DEPARTMENT

Foreign Exchange Department performs many functions to facilitate the foreign exchange transactions. These are:

- Facilitating Import Trade
- Facilitating Export Trade
- Providing Funded and Non-funded Credit Facility.
- Provide Non Commercial Remittance
- Maintaining Foreign Currency Accounts
- Selling of Foreign Currency Bond
- Preparation and Submission of Statements

A total of 42 branches of United Commercial Bank have the license to carry out international trade functions. Each of these AD branches have foreign exchange department whose sole purpose is to carry outcross border transaction demanded by the customers.

3.5 MULTIPLE EXCHANGE RATES

The rates of exchanges are the price of one currency in relation to others. Rates are of basically three types.

- i. Currency rate
- ii. Pense rate
- iii. Cross rate.

Currency Rate: (Indirect Quotation):

Buy high sell low i.e. local currency fixed and foreign currency variable. India & London quoted this rate. In case of currency rates:

- Buy high
- Sell low
- Fore Buying in currency rate, higher discount is added and lower premium is deducted.
- For selling lower discount is added and higher premium is deducted.

Local currency fixed and foreign currency variable i.e. by & sell high. New York money market quoted this rate.

Pense Rate:

Foreign currency fixed and local currency variable i.e. buy low & sell high. New York money market quoted this rate.

Cross Rate:

Other currency rate to one another. There are two ways quotation in exchange rate i.e.

- (a) Buying Rate &
- (b) (b) Selling Rate

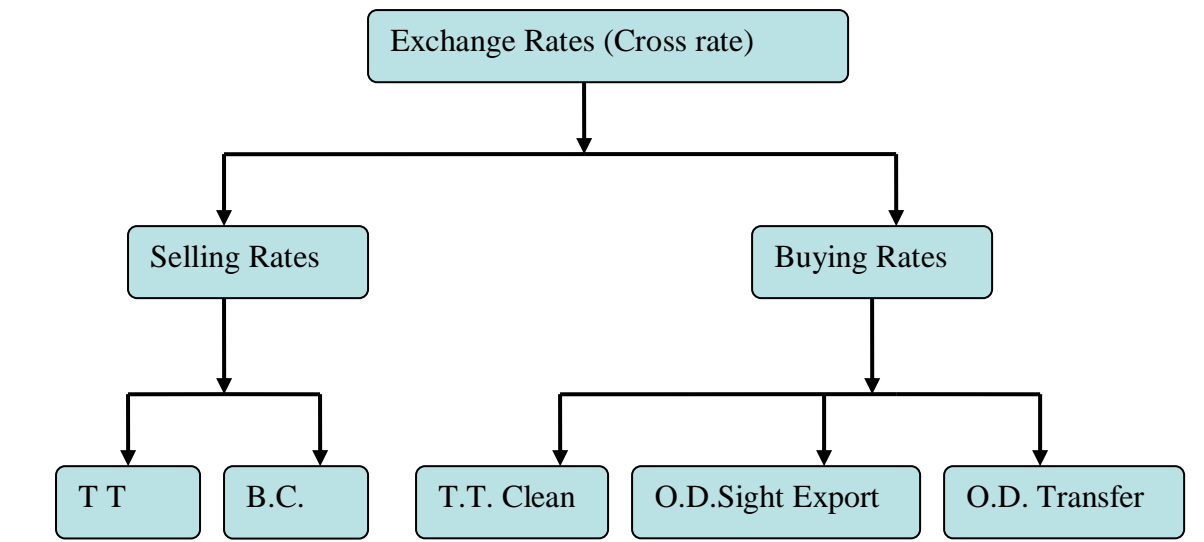


Fig 3-2: Flowchart (Exchange Rate)

3.6 EXCHANGE RATE RULES

There are different types of exchange rate rules. Those are given below:

3.6.1 In case of Pense Rate:

- i) Buying low
- ii) Selling High

3.6.2 In case of currency rate:

- i) Buy High
- ii) Sell Low

3.6.3 For Buying:

- i) In currency rate higher discount is added and lower premium is deducted.
- ii) In pense rate higher discount is deducted and lower premium is added.

3.6.4 For Selling:

- i) In currency rate low discount is added and higher premium is deducted.
- ii) In Pense rate lower discount is deducted and higher premium is added.

3.6.5 Basket of currency in our Country:

- i. US Dollar
- ii. Pound Starling
- iii. DM
- iv. Yen
- v. France Frank.

Our rate quoted based on US Dollar in the year 1986 January instead of pound sterling.

3.7 DETERMINANTS OF FOREIGN EXCHANGE RATES

The following theories explain the fluctuations in FX rates in a floating exchange rate regime (In a fixed exchange rate regime, FX rates are decided by its government):

(a) International parity conditions: Relative Purchasing Power Parity, interest rate parity, Domestic Fisher effect, International Fisher effect. Though to some extent the above theories provide logical explanation for the fluctuations in exchange rates, yet these theories falter as they are based on challengeable assumptions [e.g., free flow of goods, services and capital] which seldom hold true in the real world.

(b) Balance of payments model: This model, however, focuses largely on tradable goods and services, ignoring the increasing role of global capital flows. It failed to provide any explanation for continuous appreciation of dollar during 1980s and most part of 1990s in face of soaring US current account deficit.

(c) Asset market model: This model views currencies as an important asset class for constructing investment portfolios. Assets prices are influenced mostly by people's willingness to hold the existing quantities of assets, which in turn depends on their expectations on the future worth of these assets. The asset market model of exchange

rate determination states that “the exchange rate between two currencies represents the price that just balances the relative supplies of, and demand for, assets denominated in those currencies.”

3.8 METHODS OF PAYMENT OF UCBL

United Commercial Bank Ltd (UCBL) follows the following methods to make payments between countries.

3.10.1 Telegraphic Transfer (TT):

This is an instruction for transfer of money by Telegram, Cable or telex from a bank in one country to another Bank in different center. This is an instruction form the Importers Bank to the exporters Bank. The TT charge is realized by us from the partly as per Bank circular

3.10.2 Mail Transfer (M.T):

This transfer is the order to pay cash to a 3 party. This Transfer is sent by mail & the charge must be realized as per Bank circular.

3.10.3 Drafts & Cheque:

A draft is pay order issued by one Bank to another Bank or its branch.

3.9 THE STATEMENT AND RETUR OF FOREIGN EXCHANGE DEPARTMENT

- Daily Statement of the LIC opening position and foreign currency position.
- Weekly statement for onion, Garlic & spices etc.
- Fortnightly statement of IRC renewal to CC1&E.
- Fortnightly statement of LCAF copy to CCI&E.
- Performance report of foreign Exchange Business.

- Statement of FBN (Regular).
- Statement of Foreign Exchange Income Analysis.
- Statement of Outstanding Export Bills.
- Statement of Commodity wise.
- Statement of outstanding commitment. Statement of WES-7.
- Statement of Inward Remittance.
- Statement of Bangladesh Rank Return
- Statement of Customer liability
- BCD Circular-3 I statement.
- Statement of AID, Loan, Grant for L/C.

3.10 TERMINOLOGY USED IN FOREIGN EXCHANGE TRANSACTIONS

Acceptance

The drawer's acknowledgement of the liability on a bill of exchange in writing on the instrument itself. the signature of the drawer on the face of a bill with the word. Accepted signifies his assent that he will pay the bill on maturity. The drawer's signature on the face of the bill is sufficient, but usually the word accepted is seen. The date and place payable are usually indicated. In order to convert a proposal into a promise the acceptance must be absolute, unconditional and unqualified. An acceptance is either (i) general or (ii) qualified. A general acceptance assents without qualification to the order of the drawer. An acceptance to pay at a particular place only is a qualified acceptance.

Airway Bill

An Airway bill is a receipt for the good issued by Airlines or their authorized agents for carriage of the goods to a named consignee, according to the defined and agreed terms. Airway bill should bear carrier's stamp indicating the flight number and the date of departure/dispatch.

Air Consignment Note

It is similar to Airway bill.

Amendment

When the opener of a letter of credit desires to change or alter any of the terms of the credit, such as extension of validity period, increase in amount or change in description quantity value, unit price etc, such amendment may be allowed by the opening bank only after verification of corresponding amendment on the sale contract, and communication to the overseas branch or correspondent by letter cable or telex as instructed by the customer subject, of course, to the Exchange control regulations and subject further to the agreement of the advising bank and the beneficiary to the amendment.

At Sight

A term used in connection with a bill of exchange which becomes payable by the drawee at sight or on demand i.e. immediately on presentation to the drawee.

Authorized Dealers

Central Bank of the country (Bangladesh Bank being central bank of our country) does not deal in foreign exchange directly with the public. The day-to-day business of buying and selling foreign exchange is handled by the foreign exercise the powers conferred under the Foreign Exchange regulation Act 1974. Such banks who have been licensed by the central Bank i.e. Bangladesh Bank, to deal in foreign exchange are known as Authorized Dealers.

Bill of Entry

A written statement by a merchant or an importer concerning the nature and value of goods imported. The importer of goods is required to submit a Bill of Entry on Prescribed form at the time of getting delivery of goods from customs and payment of import duty. The bill of entry must contain full description of goods mentioned in the bill of lading received by the importer from the seller. Where the customs authorities are satisfied that the goods entered for home consumption are not prohibited goods and the importer has paid the import duty, an order permitting clearance of the goods for home consumption is passed.

Bill of Exchange

(Drawer, Drawee, Payee, Holder and Acceptor). A bill of exchange is an instrument which can be defined in legal term as a written unconditional order addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand at a fixed or at a determinable future time a certain sum of money to or to the order of a specified person or to the bearer of the instrument.

There are three parties involved in a bill of exchange, viz, Drawer, Drawee and Payee. The Person who gives the order and makes the bill is called the Drawer. The person who is directed to pay is called Drawee. The person to whom the payment is to be made is called payee. The drawer or the payee who is in possession of the bill is called the Holder. The holder must present the bill to the drawee for his acceptance and after it is accepted, the drawee is called Acceptor.

Bill of Lading

A bill of lading is a document signed either by the master of the ship or the owner or their agents acknowledging receipt of the goods for carriage to a stated destination from the specified ports of shipment with an undertaking to deliver the goods to the consignee in the like order as received on payment of a charge called freight. This bill serves three functions it is a receipt for the goods, it summarizes the terms of the contract of carriage and it acts as a document of title to goods.

Carriage Forward

The cost of carriage to be paid for on arrival at the destination.

Carriage Inward

The cost of carriage to be paid by the purchaser.

Carriage Outward

Another way of describing that the cost of carriage of goods will be paid by the seller.

Certificate of Origin

A certificate of origin forms part of the shipping documents when the importing country requires production of the certificate for clearance of the imported goods. This document is issued by a chamber of Commerce or Trade Association or any other competent authority confirming full details of the origin of goods, i.e. place where goods have been produced/ manufactured or packed. This document is essential in international trade and a required to be submitted by the exporter along with other shipping documents for negotiation in compliance with Exchange Control Regulations of imports from certain countries or to accord preferential treatment in tariff for imports from certain countries.

Days of Grace

Extra benefit of period given to since bills. Three days added on to the maturity date of a promissory note or a bill of exchange, which is not expressed to be payable on demand at sight or on presentation. Usually three days grace period is added on to the maturity date of a usance bill for the benefit of acceptor. It is however, competent for the parties to a negotiable instrument to disallow by contract, days of grace by any language to that effect such as without grace no grace etc.

Dollar Drain

When a country spends more dollars to meet its import obligations than it receives in payment for the export, its dollar reserves drain away.

Dumping

The sale of goods in a foreign market at a price that is below the price realized in the home market. The motive may be to enhance revenues off-load surplus stock and or capturing foreign markets.

General Agreement on Tariff and Trade (GATT)

This agreement was concluded in 1947 with the aim to maximize the growth of world trade by progressive reduction of tariffs, quota restrictions and import controls among the countries signing the agreement. GATT was especially interested in extending free trade. The organization has its headquarters in Geneva. However, in recent years GATT has been rather overshadowed in Western Europe by the growth of common Market and subsequently substituted by World Trade Organization (WTO).

LIBOR

LIBOR is the London Inter-Bank Offered Rate and represents the rates at which banks in London will lend currency to other banks for a given period of time. Funds in the market are available for any period up to five years, but most deals are for a period of less than one year. LIBOR is the base rate of interest in London market from which the bank fixes its own rate of interest to change on their lending.

LIBOR is considered a true reflection of the cost of funds to the banks, which thus use it as a base rate of interest.

Proforma Invoice

Pro-forma is from Latin meaning (in the form of) Pro-forma invoice is a form of quotation drawn up by the seller and sent to the buyer. It indicates the specifications price, delivery period and other terms of sale of a product. It may be termed as an invitation to the buyer to place a firm order for the goods to be supplied. This may form a legal contract if the buyer accepts the offer and terms and conditions as stipulated in the pro-forma invoice are followed by both the seller and the buyer.

SWIFT

Banks use the SWIFT system of transmitting messages widely. It is an abbreviation of Society for Worldwide Inter-bank Financial telecommunications, which is a co-operative organization set up in Brussels under Belgian Law. The Swift is a computerized message switch that undertakes quick transfer of funds transmission of Letter of Credit and other remittances worldwide. It has become most dependable and speedy system for international money transfer. The Swift network can also handle foreign exchange confirmation and reconciliation. The major advantage of the SWIFT is that it has a format requirement for messages. This allows banks to interconnect it to other computer systems, such as CHIP or US Fedwire and reduces settlement risks.

Uniform Customs and Practices for Documentary Credits (UCPDC)

This is a set of rules formulated by international Chamber of Commerce (ICC) to apply to all transactions in Letters of Credit carried out by banks. The purpose of the rules is to bring about uniformity in the form of letters of credit and the practice and procedures adopted by banks in handling the instruments. Banks all over the world handle letters of credit and

variations in forms and procedures and the civil and commercial laws of different countries may cause confusion in their dealings with one another. In order to provide common understanding about the interpretation of the terms and terminology a uniform code is very essential. Therefore, the and terminology, a uniform code is very essential. Therefore the international Chamber of Commerce formulated the Uniform Customs and Practice for Documentary Credits (UCPDC). This Uniform Customs and Practice is universally accepted and Letters of Credit transactions everywhere are subject to this set of rules. Revised version of UCPDC was made in ICC publications several times, which are still continuing whenever revision becomes necessary.

Usance

The period of time allowed to the drawee or acceptor for a bill to reach maturity for payment. The usance will depend on where the bill was drawn and where it is payable.

CHAPTER FOUR

Letter of Credit in Foreign Exchange Transactions

4.1 BUSINESS TREND (L/C POSITION)

UNITED COMMERCIAL BANK LIMITED

Nawabpur Road Branch

Particular	2001	2002	2003	2004	2005	2006	2007	2008	2009
No. of L/C	26	43	72	47	22	65	32	42	53
L/C Amount FC	396.00	332.00	1103.0	512.81	472.50	2278.58	729.84	856.23	951.5
Amount	-	-	-	-	-	32.79	16.49	36.21	42.21
Growth Rate		16.16%	232.23%	53.5 %	7.86%	-	67.9%	19.36%	

Table 4-1: Business Trend (L/C POSITION)

L/C Amount for the Year 2005, 2006, 2007, 2008, 2009

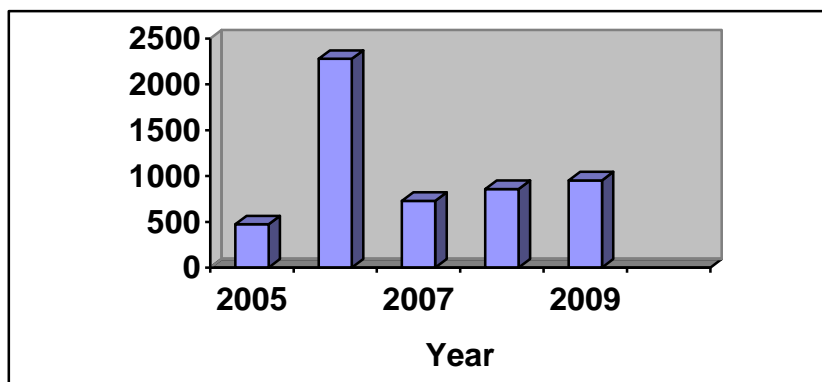


Fig 4-1: L/C Amount For The Year 2005-2009

4.2 WHAT IS A DOCUMENTARY LETTER OF CREDIT?

A letter of credit can be defined as a Credit Contract whereby the buyer's bank is committed (on behalf of the buyer) to place an agreed amount of money at the seller's disposal under some agreed conditions. Since the agreed conditions include, amongst the other things, the presentation of some specified documents, the Letter of Credit is then called the Documentary Letter of Credit.

All letters of credit contain these elements:

- a payment undertaking given by a bank (issuing bank)
- on behalf of a buyer (applicant)
- to pay a seller (beneficiary) a given amount of money
- on presentation of specified documents representing the supply of goods
- within specified time limits
- these documents conforming to terms and conditions set out in the letter of credit
- documents to be presented at a specified place

4.3 IMPORTANT FEATURES OF AN L/C

1. L/C number & date
2. Supplier's name & address
3. Applicant's name & address
4. Advising Bank's name & address
5. Amount in figure & words
6. Shipment date
7. Expiry date & place of expiry
8. Trade Terms (Inco-terms)
9. Description of goods
10. Shipment clause
11. Delivery clause
12. Country of Origin clause

13. Insurance clause
14. Bill Negotiation clause
15. Payment clause
16. B.L clause
17. PSI clause
18. Reimbursement clause

Other clauses as required as per Import Policy Order and as per contract executed in between buyer and seller.

4.4 TYPES OF L/C

Documentary Letter of Credits may be either-

- a) **Revocable or**
- b) **Irrevocable.**

a) **Revocable Letter of Credit:** A Revocable Letter of Credit is a credit which can be amended or canceled by the Issuing Bank at any time without prior notice to the seller.

b) **Irrevocable Letter of Credit:** An irrevocable letter of credit constitutes a definite undertaking of the Issuing Bank (since it can not be amended or canceled without the agreement of all parties thereto), provided that the stipulated documents are presented and the terms and conditions are satisfied by the seller.

An Irrevocable Credit can be either **Confirmed or Unconfirmed** depending on the desire of the seller.

- **A Confirmed Letter of Credit** is when a second guarantee is added to the document by another bank. In contrast,

- **An Unconfirmed Credit** is when the document bears the guarantee of the issuing bank alone and does not require the advising bank to add its own payment undertaking. This sort of credit is always preferred to Revocable Letter of Credit.

Some Other Special Types of Letter of Credit are as follows-

- a) Back to Back Credit
- b) Transferable Credit
- c) Anticipatory Credit

a)Back to Back Credit:

The Back to Back Credit is a new credit opened on the basis of an original credit in favor of another beneficiary. Under the back to Back Concept, the seller as the beneficiary of the first credit offers it as “security” to the Advising Bank for the issuance of the second credit. The beneficiary of the Back to Back Credit may be located inside or outside the original beneficiary’s country

b)Transferable Credit:

A Transferable Credit is one that can be transferred by the original beneficiary in full or in part to one or more subsequent beneficiaries. Such Credit can be transferred once only. Fractions of a Transferable Credit can be transferred separately, provided partial shipments are not prohibited.

c)Anticipatory Credit:

The Anticipatory Credit makes provision for pre-shipment payment, to the beneficiary in anticipation of his effecting the shipment as per L/C conditions.

Beside all the discussed varieties of Letter of Credit there are some other forms which are not commonly used nowadays; such as-

- Revolving Credit
- Red Clause
- Green Clause

- **Revolving Credit:**

The Revolving Credit is one which provides for restoring the credit to the original amount after it has been utilized. How many times it will be taking place must be specifically mentioned in the credit. The Revolving Credit may be either cumulative or non-cumulative.

- **Red Clause:**

When the clause of the credit authorizing the Negotiating Bank to provide pre-shipment advance to the beneficiary is printed/ typed in red, the Credit is called 'Red Clause Letter of Credit'.

- **Green Clause:**

The Green Clause which is printed/ typed in green is an extension of the red clause and such clause authorizes the Negotiating Bank to grant advance to the beneficiary for storage facilities at the port in addition to the earlier stated pre-shipment advances.

4.5 PARTIES INVOLVED IN L/C

There are a number of parties involved in a letter of credit, such as-

1. **Importer/ Buyer** is the person who requests /instructs the Opening Bank to open a L/C. He is also called Opener or Applicant of the Credit.

2. **Opening/ Issuing Bank** is the Bank which opens/ issues a L/C on behalf of the Importer. It is also called the Importer's/ Buyer's Bank.

3. **Exporter/ Seller/ Beneficiary** is the party in whose favor the L/C is established.
4. **Advising/ Notifying Bank** is that Bank through which the L/C is advised to the Exporter. It is a Bank situated in the Exporting Country and it may be a branch of the Opening Bank or a Correspondent Bank. It may also assume the role of Confirming and/ or Negotiating Bank depending upon the conditions of the Credit.
5. **Confirming Bank** is a Bank which adds its confirmation to the Credit and it is done at the request of the Issuing Bank. The Confirming Bank may or may not be the Advising Bank.
6. **Negotiating Bank** is the bank which negotiates the bill and pays the amount to the beneficiary. It has to carefully scrutinize the Documentary Credit before negotiation in order to see whether the documents apparently are in order or not. The Advising Bank and the Negotiating Bank may or may not be one and the same. Sometimes it can also be the Confirming Bank.
7. **Paying/ Reimbursing Bank** is the Bank as whom bill will be drawn (as per conditions of the Credit). It is nominated in the Credit to make payments against stipulated documents complying with the terms of the Credit. It may or may not be the Issuing Bank.

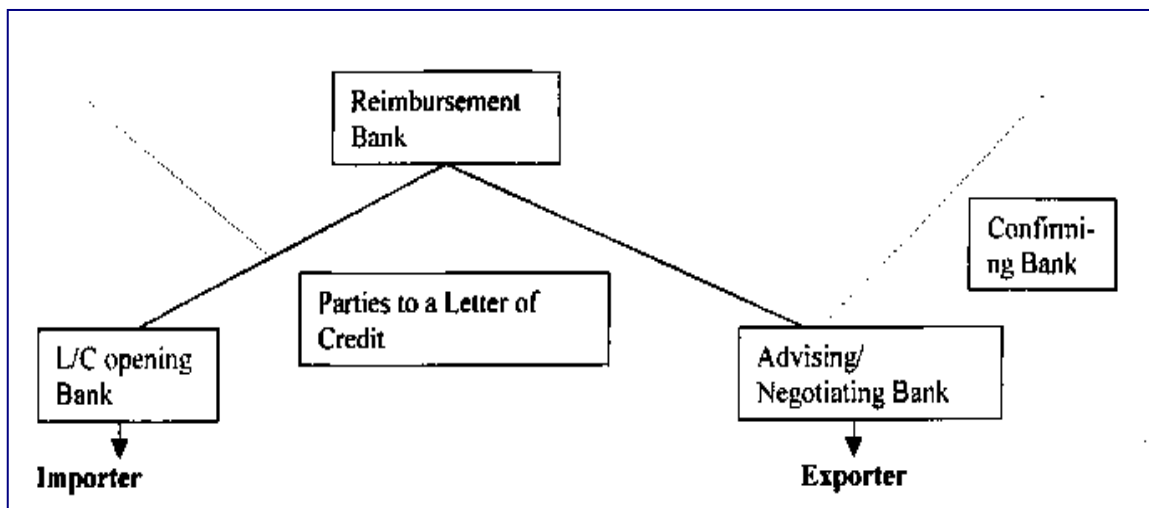


Fig 4-2: Parties of L/C

4.6 CHARACTERISTICS OF L/C

- 1) **Negotiability-** Letters of credit are usually negotiable. The issuing bank is obligated to pay not only the beneficiary, but also any bank nominated by the beneficiary. Negotiable instruments are passed freely from one party to another almost in the same way as money.
- 2) **Irrevocability-** The most commonly used irrevocable letter of credit may not be revoked or amended without the agreement of the issuing bank; the confirming bank; and the seller (beneficiary).
- 3) **Transfer and Assignment-** The seller has the right to transfer or assign the right to draw, under a letter of credit only when the letter of credit states that it is transferable or assignable.

4.7 USE OF LETTER OF CREDIT

Letters of Credit are commonly used to reduce credit risk to sellers in both domestic and international sales arrangements.

- Letters of Credit are often used domestically when dealing with a small, startup or growing companies, to protect against buyer risk. If the buyer is of unknown creditworthiness, then the seller has the security of the bank's payment undertaking.

International trade laws sound good and look good on paper, but are often difficult to enforce when dealing with a foreign party. So most international transactions are secured using a financial tool known as a Letter of Credit.

- To protect against country risk. The buyer may be willing and able to pay; but economic or political conditions in the buyer's country may prevent or delay payment. This is a real concern when dealing with less developed countries and/or countries with foreign exchange shortages. To protect against these risks, a **confirmed** letter of credit will be necessary - a bank in the seller's country will (for a fee) add its own payment undertaking to that of the issuing bank.

- Letters of credit are also used as part of exchange control or import control regimes operating in the buyer's country. In such cases the use of a letter of credit is mandatory, even if not required by the seller for security reasons

4.8 METHODS OF SETTLEMENT

Based on the method of settlement the documentary letters of credit can be opened in two ways:

- **Sight Letter of Credit** A Sight Letter of Credit is a credit in which the seller obtains payment upon presentation of documents in compliance with the terms and conditions.
- **Deferred Letter of Credit** A Deferred Letter of Credit is a credit in which the seller will be paid a fixed or determinable future time. The buyer is obligated to pay the face amount at maturity.

4.9 THE L/C PROCESS AND HOW IT WORKS

The stages in the use of a letter of credit are as follows:

- A.** Buyer and seller agree terms (price, specification, method of transportation, who pays for freight, insurance etc.)
- B.** Buyer applies to issuing bank for a letter of credit. From the bank's point of view the issue of a letter of credit is similar to supplying short-term finance. It will apply similar criteria to the application, and may demand collateral, reduction in other lending limits or even a cash advance before agreeing to issue the letter of credit.
- C.** Issuing bank sends the letter of credit to a bank in the seller's country, the advising bank. This may be done by mail, telex or SWIFT. The advising bank's main obligation is to authenticate the letter of credit, i.e. use authentication codes or books of signatures to assure the beneficiary that the letter of credit is genuine.

- D.** Advising bank informs the beneficiary of the letter of credit. At this stage the beneficiary should check that its terms and conditions match the commercial agreement and can be complied with, e.g. the goods can be shipped by the required date, the required documents can be obtained. If anything in the credit will cause the beneficiary a problem, the applicant must be contacted immediately and an amendment requested.

- E.** Beneficiary (seller) ships the goods, and then assembles the required documentation, which will usually include a transport document such as a bill of lading.

- F.** Beneficiary checks that all these documents conform to all the terms and conditions laid down in the letter of credit. NB even minor discrepancies will often lead to the documents being rejected by a bank and payment being declined

- G.** Beneficiary presents the documents (usually) to a local bank. What happens next depends on the arrangements specified in the letter of credit. The commonest arrangement is for this bank to check the documents and, if they are in order, pay the beneficiary immediately; but there are variations on this.

- H.** The documents are sent back to the issuing bank. If they are in order, the issuing bank will debit the applicant, remit the funds to the beneficiary's bank and pass the documents to the applicant so the goods can be claimed from the carrier.

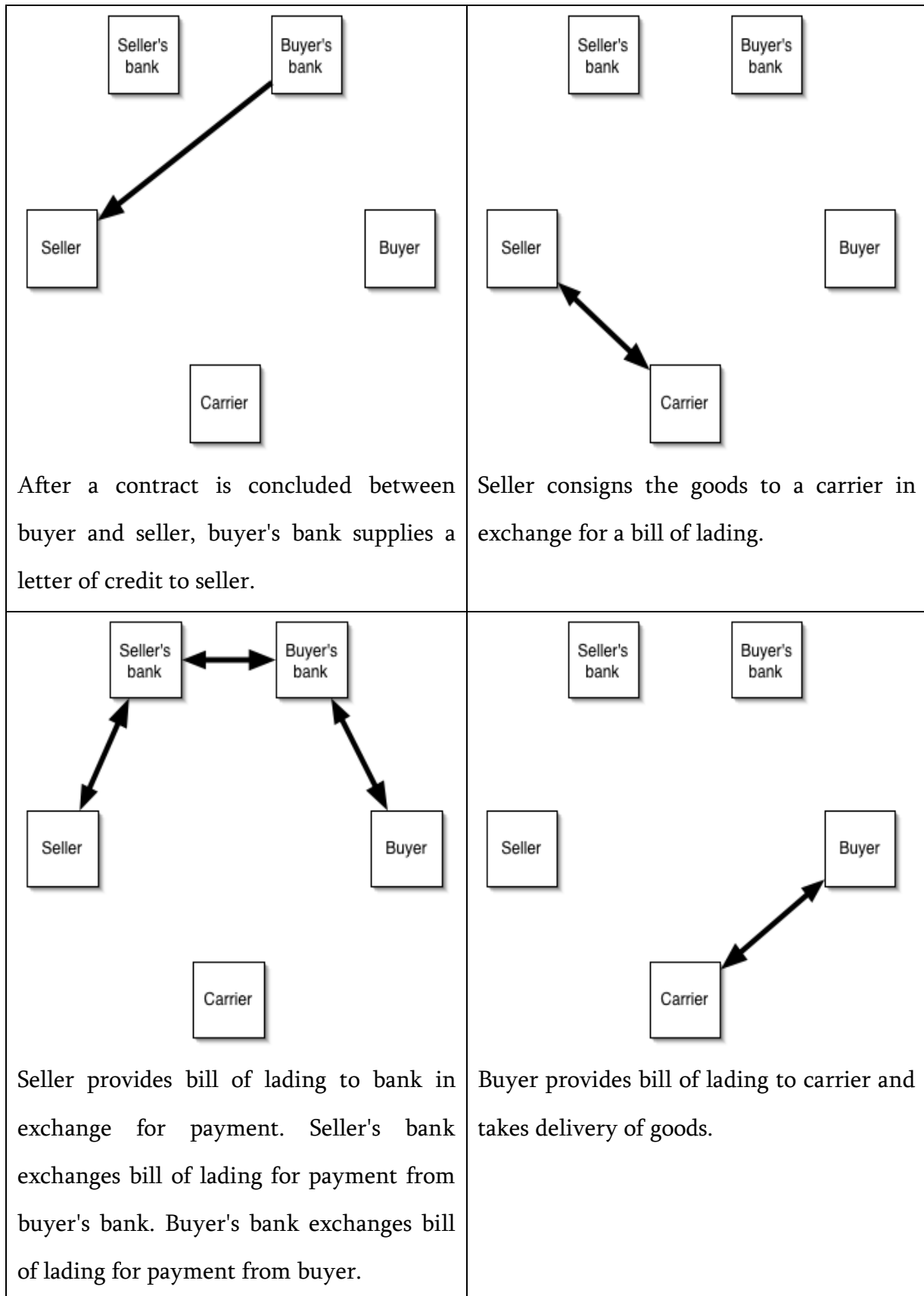


Fig 4-3: The Working Process of L/C

4.10 OPERATIONS OF DOCUMENTARY LETTERS OF CREDIT

The following five major steps are involved in the operation of a documentary letter of credit:

- 1.** Issuing
- 2.** Advising
- 3.** Amendment (if necessary).
- 4.** Presentation; and
- 5.** Settlement.

1. Issuing a Letter of Credit:

Before using L/C, the buyer and seller located in different countries, concludes a 'sales contract' providing for payment by documentary credit. As per requirement of the seller, the buyer then instructs the bank - the issuing bank - to issue a credit in favour of the seller (beneficiary). Instruction/Application for issuing a credit should be made by the buyer (importer) in the issuing bank's standard form. The credit application which contains the full details of the proposed credit, also serves as an agreement between the bank and the buyer. After being convinced about the 'necessary conditions' contained in the application form and 'sufficient condition' to be fulfilled by the buyer for opening a credit, the issuing bank then proceeds for opening the credit to be addressed to the beneficiary.

2. Advising a Letter of Credit:

Advising through a bank is a proof of apparent authenticity of the credit to the seller. The process of advising a credit consists of forwarding the original credit to the beneficiary to whom it is addressed. Before forwarding, the advising bank has to verify the signature (s) of the officer (s) of the opening bank and ensure that the terms and conditions of the credit are not in violation of the existing exchange control regulations and other regulations relating to export. In such act of advising, the advising bank does not undertake any liability.

3. Amendment of Credit:

Parties involved in a L/C, particularly the seller and the buyer can not always satisfy the terms and conditions in full as expected due to some obvious and genuine reasons. In such a situation, the credit should be amended.

In case of revocable credit, it can be amended or canceled by the issuing of bank at any moment and without prior notice to the beneficiary. But in case of irrevocable credit, it can neither be amended nor canceled without the agreement of the issuing bank, the confirming bank (if any) and the beneficiary.

The following clauses of L/C are generally amended:

- Increase/decrease value of L/C and increase/decrease of quantity of goods.
- Extension of shipment/negotiation period.
- Terms of delivery i.e., FOB, CFR, CIF, etc.
- Mode of shipment.
- Inspection clause.
- Name and address of supplier
- Name of the reimbursing bank

4. Presentation of documents:

The seller being satisfied with the terms and conditions of the credit proceeds to dispatch the required goods to the buyer and after that, has to present the documents evidencing dispatching of goods to the negotiating bank on or before the stipulated expiry date of the credit. After receiving all the documents, the negotiating bank then checks the documents against the credit. If the documents are found in order, the bank will pay, accept or negotiate to the issuing bank. The issuing bank also checks the documents and if they are found as per credit requirements, either effects payment or reimburses in the pre-agreed manner

5. Settlement:

Settlement means fulfilling the commitment of issuing bank on regard to effecting payments subject to satisfying the credit terms fully. This settlement may be done under three separate

arrangements. These are:

- a) **Settlement by Payment:** Here the seller presents the documents to the paying bank and the bank then scrutinizes these documents. If satisfied, the paying bank makes payment to the beneficiary and in case this bank is other than the issuing bank, then sends the documents to the issuing bank. If the issuing bank is satisfied with the requirements, payment is obtained by the paying bank from the issuing bank.

- b) **Settlement by Acceptance:** Under the arrangement, the seller submits the documents evidencing the shipment to the accepting bank accompanied by the draft drawn on the bank (where credit is available) at the specific tenor. After being satisfied with the documents, the bank accept the documents and the draft and if it as a bank other than the issuing bank, then sends the documents to the issuing bank stating that it has accepted the draft at the maturity the reimbursement will be obtained in the pre-agreed manner.

- C) **Settlement by Negotiation:** The settlement procedure starts with the submission of documents by the seller to the negotiating bank accompanied by a draft drawn on the buyer or any other drawee, at sight or a tenor, as specified in the credit. After scrutinizing that the documents meet the credit requirements, the bank may negotiate the draft. This bank, if other than issuing bank, then sends the documents and the draft to the issuing bank. As usual, reimbursement will be obtained in the pre-agreed manner.

4.11 Scrutiny, Lodgment & Retirement of Shipping Documents

The specified bank makes the payment upon the successful presentation of the required documents by the seller within the specified time frame. Bank scrutinizes the 'documents' and not the 'goods' for making payment. Thus the process works both in favor of both the buyer and the seller.

It is the responsibility of the issuing bank to ensure, on behalf of its client (the Buyer), that all documentary conditions have been met before the Letter of Credit funds are released.

a) Shipping Documents

A set of different types of documents drawn under a L/C for negotiation/payment is called Shipping Documents.

Usually following documents comprises a set of Shipping Documents:

- 1) Bill of Exchange
- 2) Commercial Invoice
- 3) Packing List
- 4) Weight & Measurement List
- 5) Bill of Lading
- 6) Insurance Documents
- 7) Certificate of Origin
- 8) Inspection certificate
- 9) Other documents.

In UCP aforesaid documents have been categorized in to following 4 (four) categories:

1. Transport Documents
2. Commercial Invoice
3. Insurance Documents &
4. Other Documents

1. Transport Documents:

It is the documents evidencing shipment / carriage of goods from port of loading to port of discharge. It is also a document of title to the goods shipped. A Transport Documents should carry the following information:

- It must be issued by a “named carrier or their agent”.
- Description of goods as per L/C but it may be in general term.
- Shipping Marks for identification purpose.
- Name of the carrying vessel.
- Name of the port of loading & port of discharge.
- Name of the shipper, consignee & notify parties.
- Payment status of freight.
- Date of loading of the goods or date of issue of the Transport Documents.
- Number of original issued.

There are different types of Transport Documents, which are as under:

- Bill of Lading
- Airway Bill
- Truck Receipt
- Railway Receipt
- Courier Receipt
- Postal Receipt etc.

2. Commercial Invoice:

Commercial Invoices is an important document in credit operation. It is the seller's bill for the merchandise. It must carry the following information:

Description of goods must be exactly as per L/C. It must be dated and bears the names & addresses of parties (buyers & sellers), unit price, quantity of goods, total price, shipping marks & other information as required in the L/C. There is no standard format for Commercial Invoice.

Some Other Types of Invoices:

Consular Invoice:

It is required by some countries for their Imports. It is made out on a prescribed format certified by the consulate of the Importing Country stationed in the Exporter's Country. It serves the purpose of authenticating the particulars of the goods to be imported.

Custom Invoice:

Some countries require Custom Invoice. It is issued in the specific form supplied by the Consular Office of the Importing Country. It serves the purpose of making easy entry of the merchandise into the Importing Country at preferential tariff rates.

Proforma Invoice:

It is an offer issued by the seller in favor of the proposed buyer stating Description & Quantity of Goods, Unit price, Port of Shipment, Port of Discharge etc. If it is accepted the details are normally transferred to a Commercial Invoice.

Certified Invoice:

It bears a signed statement by someone on behalf of the buyer who have inspected the goods and found them in accordance with those specified in the L/C.

3. Insurance Documents:

As per existing Exchange Control Regulations, Insurance on Imports is to be covered in Bangladesh. However Insurance may also be covered by the Exporting Country subject to prior approval from the Ministry of Commerce. The risks to be covered are mentioned in the L/C Application Form. Issuing Bank should obtain insurance cover, covering all risks mentioned in the L/C Application Form before opening the L/C.

Other Documents:

Other Documents comprise bill of exchange, Certificate of Origin, Inspection Certificate, Packing List; Weight & Measurement List etc cover the merchandise described in the documents presented.

Draft or Bill of Exchange is a negotiable instrument that is payable to the seller and drawn on the issuing bank and/or the buyer. It can be either "sight drafts" where the bank pays the full amount of the draft upon the seller's presentation, or "time drafts" where the bank's obligation at the time of presentation is merely to accept the draft for payment at a later date.

Certificate of Origin is attached so that a neutral third party can clearly identify the origin of manufacture of the good. The origin of manufacture of the good, not the origin of export, is important to determine the proper duties to be applied by customs at destination.

An Inspection Certificate shows that the goods have passed a quality inspection prior to shipping.

Transmission of Letter of Credit documents

The Letter of Credit duly signed by the authorized persons of the bank is then sent to the advising bank. There are three modes of sending the Letter of Credits which are as follows:

- By mail/courier

- By telex : It was practiced earlier in the other branches, but from the very beginning of the Banani Branch it did not transmit Letter of Credit though Telex.

- By SWIFT: SWIFT Stands for Society of World Wide Inter bank Financial Telecommunication. This is special format maintained round the world. Through this facility party can communicate within few minutes with other party staying any part of the world. Mutual Trust Bank Limited, Nawabpur Road Branch Provides this facility to the clients.

The advising bank verifies the authenticity of the Letter of Credit. United Commercial Bank has corresponding relationship or arrangement throughout the world by which the Letter of Credit is advised. Actually the advising bank does not take any liability if otherwise not requested.

Some Common areas of Discrepancies requiring careful considerations:

1. Documents have been drawn in the language of the Credit if otherwise not stipulated.
2. Documents are not overdrawn / under drawn.
3. Documents have been drawn within the period stipulated in the Credit.
4. Late Presentation.
5. Bill of Exchange is drawn properly i.e. at sight or usance basis on the specified Bank.
6. Amount in figure mentioned in the B/E is agreed with that of in word.
7. Whether IRC no., LCAF no., PI no., along with all other information as required in credit is incorporated in the invoice & other documents.
8. Late shipment.
9. The B/L is clean that is not clause.
10. Payment status of Freight in the B/L.
11. B/L is duly signed indicating the name & capacity of the party.
12. Names of Carrying Vessel, Port of Loading, Port of Discharge, Consignor, Consignee, Notify Parties, Goods, and Quantity etc have been mentioned in the B/L complying L/C terms.
13. Number of original B/L to be mentioned.

14. Information mentioned in one document must correspond with that of other documents.
15. Certificate of Origin issued by the authority as called for in the Credit, Name of Goods & Country of Origin mentioned in the C/O are also matched with Credit.
16. The other documents such as weight lists, packing lists, inspection certificate etc covering the merchandise & other information as required in the Credit.

Negotiating/ Remitting Bank may forward documents to Issuing Bank either on collection basis or negotiated by them. Normally discrepant documents are sent on collection basis while credit conform documents are negotiated i.e. payment under the bill drawn by the exporter already paid by the Negotiating Bank.

If there is not enough time to make corrections, the seller should request that the negotiating bank send the documents to the issuing bank on an “approval basis” or notify the issuing bank by wire, outline the discrepancies, and request authority to pay. Payment cannot be made until all parties have agreed to jointly waive the discrepancy.

4.12 IMPORTS UNDER CASH L/C

Step -1 Issuance of a Cash L/C

Steps in opening a cash L/C:

1. Original copy along with duplicate copy to Advising Bank (original for supplier and duplicate for Advising Bank)
2. Triplicate copy for Reimbursing Bank
3. Quadruplicate copy for Applicant
4. Rest one for L/C Issuing Bank

Accounting procedures:

a) Creation of L/C Liability –

Debit: Customer's liability on L/C (At B.C selling rate)	↕	Contingent Liability
Credit: Banker's liability on L/C		

b) Debiting Customer's A/C for Income A/C & Sundry Deposit -

Debit: Importer's Account
Credit: Sundry Deposit A/C- Margin on L/C
Income A/C- Commission on L/C
Income A/C- Mail/ Telex/ Swift
Sundry Deposit A/C- FCC

c) Income Tax on L/C Commission -

Debit: Advance Income Tax A/C (@ 5% on Commission earned)
Credit: Sundry Deposit A/C. Income Tax on L/C Commission

At the end of the month the entry relating to Advance Income Tax kept in SD A/C is reversed as under:

Debit: Sundry deposit A/C- Income Tax on L/C Commission

Credit: United Commercial Bank General A/C- HO. FAD.

Step -2 Lodgment of a Cash L/C

On receipt of the aforesaid Credit complaint documents drawn under a L/C by the Beneficiary through Negotiating Bank, the Issuing Bank will entry the particular of the documents in the PAD Register and prepare the voucher by converting the foreign currency into Bangladesh Taka. This stage is known as Lodgment of Import Bill.

Following Steps are to be taken for Lodgment of the Documents:

1. Intimation should be given to the customer (Importer) in time.
2. Conversion of Foreign Currency into Bangladesh Currency at BC Selling Rate.
3. Entry into PAD Register, with a PAD number.
4. To mark in the L/C Opening Register & fill up the necessary column of the Register.
5. Relative LCAF is to be endorsed showing the utilization of credit amount.
6. PAD number to be inserted in all documents.
7. Passing of Vouchers.

(Step-1)

a) Reversal of L/C Liability:

Debit: Banker's liability on L/C

Credit: Customer's Liability on L/C



**Reversal of
Contingent Liability**

1. Lodgment Voucher:

Debit: PAD at BC Selling Rate

Credit: ID Head Office with Reimbursing Bank's Name

(Step-2)

In case of 100% margin

Debit: Margin on L/C A/C.....Tk.....

Credit: PAD A/C.....Tk.....

In case of partial margin, suppose at 50% margin

Debit: Margin on L/C A/C.....Tk.....

Credit: PAD A/C.....Tk.....

(at 50% of the total Tk.)

Step -3 Retirement of a Cash L/C

Steps in retirement-

- 1) Calculation of Interest.
- 2) Determination of Other Charges.
- 3) Passing of Voucher:

In case of partial margin, suppose at 50% margin

Debit: Party A/C.....Tk.....
Credit: PAD A/C.....Tk.....
(at 50% of the total Tk.)

If PAD is adjusted with LTR (Loan against Trust Receipt

Debit: Loan A/C.....Tk.....
Credit: PAD.....Tk.....

- 4) To keep record of the calculation & other information in the PAD Register.

Then the documents along with custom purpose copy of LCAF to be delivered to the customer/ importer giving following endorsement:

- a) Draft/ Bill of Exchange to be endorsed as “Received Payment”
- b) Value of the invoice to be certified.
- c) The Bill of Lading/ Transport Documents to be endorsed as “Please deliver to... (Importer).....or to the order of..... (Importer).....

- 5) Payment to Negotiating bank to be made through P/I or R/A.

4.13 IMPORT UNDER BACK TO BACK LETTER OF CREDIT (With special reference to Export of Garments)

The Process of Back letter of credit arises when an importer wants to import raw materials from the exporter (seller) for the purpose of preparing finished products and the finished products are to be again exported to the above exporter of raw materials. In such cases, the bank of the exporter of the raw materials at first open a letter of credit in favor of the importer which is known as Master/Mother L/C.

This L/C is an undertaking as well as a facility given by the exporter of raw materials by way of importing finished products from the buyer of the raw materials. And as such the bank of the importer of raw materials open a letter of credit in basis of Master/Mother L/C which is known as Back to Back to Back L/C which is opened of 80% of the net F.O.B value of the Master/Mother L/C in favor of the exporter of raw materials.

Entitlement of Back to Back L/C as per Import Policy Order 2006-2009:

Back to Back L/C entitlement of garments items are assessed on the basis of value addition to be made depending on the category of garments in line with the import policy in order which are as under:

- a) Value addition for knit garments shall not be less than 20%
- b) Value addition for woven garments shall not be less than 20%
- c) In case of export of higher price garments, value addition shall not be less than 10%, however, in this case the value of per dozen shall be US\$60.00 (FOB) or more
- d) Value addition for all types of sweater shall not be less than 20% and
- e) Value addition for all types of baby garments shall not be less than 15%

There are two Types of Back to Back Letter of Credit-

1. Inland Back to Back L/C – Inland Back to Back L/C is opened on account of intermediary local buyers who procure the goods from local mills or traders for ultimate export.
2. Foreign Back to Back L/C – Foreign Back to Back L/C is established in the field of garments industry against or on the basis of a foreign export L/C for import of raw materials from foreign countries for execution of the relative export order.

While opening Back to Back L/C, the following additional papers must be obtained:

1. Export L/C (Master L/C)
2. Valid bonded warehouse License
3. Quota allocation for Quota Items
4. Textile Registration
5. ERC in addition to IRC
6. Indemnity or Undertaking of Exporter/ Importer
7. No objection from previous banker (if any)
8. Factory Inspection Certificate
9. BGMEA Membership
10. License from Fire service & civil defense
11. VAT Registration

The following points of Export L/C are to be scrutinized by the branch before opening Back to Back L/C there against-

1. Authentication- Must be authenticate
2. Issuing Bank- Should be reputed one
3. Beneficiary
4. Applicant- Having satisfactory credit report
5. Shipment and Negotiation/Expiry (Date and Place)
6. Availability (Draft) - Should be sight by negotiation and freely negotiable.
7. Merchandise/ Items- Name and Quantity specified
8. Amount
9. Term of delivery (FOB/CFR)
10. Mode of shipment
11. Port of shipment and Destination
12. Part shipment, Transshipment- preferable
13. Reimbursement classes/ Terms of Payment- Must be specific
14. Inspection clause- Resident/ Non-Resident at Bangladesh (Inspector)
15. B/L Clause, Blank Endorsement condition must be deleted
16. Incorporation of UCPDC

➤ **Additional checking points**

- a. The amount of back to back L/Cs must not exceed the permissible percentage of the value of master L/C (Export L/C), Net FOB value of export LC (Master L/C) is calculated by deducting freight charge, insurance, cost and commission payable by exporter (if any).
- b. The validity period of Master L/C should be adequate and validity of back to back L/C is to be fixed considering the production capacity of the garment factory so that shipment of finished goods may be made within the specific period.
- c. Export L/C must be marked under lien.
- d. Quota Allocation Letter must be obtained before opening of back to back L/C against export L/C of quota item.
- e. Allocation letter must be endorsed and marked lien after opening of back to back L/C against export L/C of quota item.
- f. Back to Back L/C may be opened up to 180 days usage (DA) basis against sight Export L/C. back to back L/Cs may be opened on sight basis under EDF.

After obtaining necessary approval from sanctioning authority, branch will proceed for opening Back to Back L/Cs as under:

- a) LCAF to be endorsed
- b) Allotment of L/C No.
- c) L/C typed, checked and dispatched

Procedures & Steps involved in Back to Back L/C**Step -1 Issuance a Back to Back L/C**

The foreign currency amount of proposed L/C is to be converted into local currency at B.C. selling rate to determine the amount of Commission and Liability. At the time of opening of Back to Back LC following voucher has to be passed for recovery of LC commission and Back to Back liability.

Debit: Party's AC Tk.
Credit: Commission of LC Tk.
Credit: Telex, SWIFT, Courier, VAT etc. (if any) Tk.

Thereafter following contra voucher to be passed at B.C. selling rate:

CREATION OF L/C LIABILITY

Debit: Customer liability for LC Tk.
Credit: Bank liability for LC Tk.

➤ Issuance of Shipping Guarantee against Back to Back L/C

In absence of original import document clients may request for issuance of shipping guarantee to clear the consignment. In the case branch should obtain a declaration from the client to the effect that original import documents will be accepted by them discrepancies.

Branch should record the shipping guarantee number, date and amount in a register as well as in the L/C file.

The following vouchers are to be passed for recovery of commission.

Debit: Party's A/C.....Tk.....

Credit: Commission of Shipping Guarantee.....Tk.....

Thereafter L/C liability to be reversed and Shipping Guarantee Liability to be passed as under.

REVERSAL OF L/C LIABILITY

Debit: Banker's Liability for L/C.....Tk.....

Credit: Customer Liability for L/C.....Tk.....

CREATION OF SHIPPING GUARANTEE LIABILITY

Debit: Customer Liability for S/G.....Tk.....

Credit: Banker's Liability for S/G.....Tk.....

Step -2 Lodgment of a Back to Back L/C

➤ **Lodgment of Import Bill under Back to Back L/C where shipping Guarantee was issued-**

Shipping guarantee liability to be reversed and acceptance liability to be created by passing following voucher (IFDBC).

REVERSAL OF SHIPPING GUARANTEE LIABILITY

Debit: Banker's Liability for S/G.....Tk.....
Credit: Customer Liability for S/G.....Tk.....

CREATION OF ACCEPTANCE LIABILITY

Debit: Customer's Liability for Acceptance against IFDBC Tk.....
Credit: Banker's Liability for Acceptance against IFDBC Tk.....

In order to realize acceptance commissions immediately from the importer A/C following voucher to be passed-

Debit: Party's A/C.....Tk.....
Credit: Commission on Acceptance.....Tk.....

➤ **Lodgment of Import Bill under Back to Back L/C where shipping Guarantee was not issued-**

On receipt of original shipping document the same should be checked with L/C terms immediately. If any discrepancy is observed the same has to be informed the foreign bank by telex within 7 days from the date of receipt of documents. Acceptance of bill of exchange of original import bill must be obtained from the importer and lodged in Inward Foreign Documentary Bill fro Collection (IFDBC) Register.

The following voucher to be passed for recovery of commission, reversal of L/C liability and creation of L/C liability:

REVERSAL OF L/C LIABILITY

Debit: Banker's Liability for L/C.....Tk.....
Credit: Customer Liability for L/C.....Tk.....

CREATION OF ACCEPTANCE LIABILITY

Debit: Customer's Liability for Acceptance against IFDBC Tk.....
Credit: Banker's Liability for Acceptance against IFDBC Tk.....

Debit: Party's A/C.....Tk.....
Credit: Commission on Acceptance.....Tk.....

Step -3 Payment of Acceptance Bills drawn against Back to Back L/C

Accepted bill be paid on maturity positively to fulfill International commitment. Accepted bills are to be paid from the repatriated export proceeds of relative export L/C, the following vouchers are to be passed at the rate applied against relative export bills.

Debit: Sundry Deposit FC A/C.....Tk.....
Credit: Head Office (ID), Reimbursing Bank.....Tk.....

After payment of accepted bills, accepted liability is to be reversed according to following to voucher.

REVERSAL OF ACCEPTANCE LIABILITY

Debit: Banker's Liability for Acceptance against IFDBC Tk.....
Credit: Customer's Liability for Acceptance against IFDBC Tk.....

At the time of payment of accepted bills if repatriated export proceeds are not available in the sundry deposit FC A/C, the branch should settle the accepted bills by creating Force Demand Loan in the name of the Importer after obtaining Head Office approval. Branch should also inform to NBR, Custom Authority and Bangladesh Bank regarding stock-lot, short shipment and non-repatriated of export proceeds. Branch should also collect loan documents duly signed and stamped by the borrower with a repayment schedule of loan. The following voucher to be passed for the demand loan at BC selling rate. Export L/C wise demand loan to be created.

CRATION OF DEMAND LOAN

Debit: Demand Loan A/C Tk.....

Credit: Head Office (ID) Tk.....

Payment Procedures of Import Documents

This is the most sensitive task of the Import Department. The officials have to be very much careful while making payment. This task constitutes the following-

- **Date of payment-** Usually payment is made within seven days after the documents have been received. If the payment is become deferred, the negotiating bank may claim interest for making delay.
- **Preparing sale memo-** A sale memo is made at B.C rate to the customer and an Inter Branch Exchange Trading Credit Advice is sent to ID.
- **Requisition for the Foreign Currency-** For arranging necessary fund for payment, a requisition is sent to the International Department.
- **Transmission of Telex-** A Telex is transmitted to the correspondent bank ensuring that payment is being made.

4.14 IMPORTANT DEFINITIONS

(According to UCPDC-ICC 500/600)

The uniform Customs and Practice for Documentary Credits, 2007 Revision, ICC Publication no. 600 (“UCP”) are rules that apply to any Documentary Credit (“Credit”) (including, to the extent to which they may be applicable, any standby Letter of Credit) when the text of the credit expressly indicates that it is subject to these rules. They are binding on all parties thereto unless expressly modified or excluded by the credit.

For the purpose of these rules some major definitions are as follows-

Advising Bank means the bank that advises the credit at the request of the issuing bank.

Applicant means the party on whose request the credit is issued.

Banking day means a day on which a bank is regularly open at the place at which an act subject to these rules is to be performed.

Beneficiary means the party in whose favour a credit is issued.

Complying presentation means a presentation that is in accordance with the terms and conditions of the credit, the applicable provisions of these rules and international standard banking practice.

Confirmation means a definite undertaking of the confirming bank, in addition to that of the issuing bank, to honour or negotiate a complying presentation.

Confirming Bank means the bank that adds its confirmation to a credit upon the issuing bank’s authorization or request.

Credit means any arrangement, however named or described, that is irrevocable and thereby constitutes a definite undertaking of the issuing bank to honour a complying presentation.

Issuing Bank means the bank that issues a credit at the request of an applicant or on its own behalf.

Negotiation means the purchase by the nominated bank of drafts (drawn on a bank other than the nominated bank) and or documents under a complying presentation, by advancing or



agreeing to advance funds to the beneficiary on or before the banking day on which reimbursement is due to the nominated bank.

Nominated bank means the bank with which the credit is available or any bank in the case of a credit available with any bank.

Presentation means either the delivery of documents under a credit to the issuing bank or nominated bank or the documents so delivered.

Presenter means a beneficiary, bank or other party that makes a presentation.

CHAPTER 5

OVERVIEW OF IMPORT BUSINESS

5.1 IMPORT

Import is the purchase of foreign goods or services from abroad by Consumers, Firms, Companies, Government, Semi-Government organization in Bangladesh. It is an International Trade. It is also called Cross-Border Transactions.

5.2 IMPORTER

The person who deals in import business obtaining Import Registration Certificate (IRC) in terms of importers, Exporters and Indentors (Registration) order-1981 from the CCI& E submitting the following papers is treated as Importer.

1. Valid Trade License
2. Nationality Certificate
3. Asset Certificate
4. TIN Certificate
5. Bank Solvency Certificate
6. VAT Registration Certificate
7. Trade Association Certificate
8. Memorandum & Articles of Association
9. Certificate of Incorporation (Incase of Limited Company)

5.3 CLASSIFICATION OF IMPORTER

Importers are those who are authorized by the import Trade authority i.e. & CCI & E for import of goods essential for consumption or for production purposes. There are mainly three types of importers.

- 1) Commercial Importer

- 2) Industrial Importer
- 3) Importers under wage Earner Scheme

Commercial Importer: It means an importer registered under the importers, exporters and indentation registration order 1981 who import goods from sale, when issued to commercial importers, given the category held by him with ITC classification and public notice against which they are admitted into import trade.

Industrial Importer: When issued to an industrial consumer, gives the items of import as raw materials and packing materials and spare parts, the value of entitlement and ITC classification.

Importers under WES: It means registration importers who import only under the WES. By Bangladesh national earning wage abroad. WES importers can be importing all permissible items a declared by the importer also can import under WES.

5.4 WHAT REGULATIONS ARE BEHIND IMPORT?

Import of goods or services and payment there against are mainly regulated by Bangladesh Bank under the purview of following rules & regulations:

1. Foreign Exchange Regulation Act-1947
2. Import & Export (Controls) Act-1950
3. Importers, Exporters, and Indentors (Registration) order-981
4. ICC Publication-UCPDC-600
5. Import Policy Order issued periodically by the Ministry of Commerce
6. Public Notices issued time to time by the office of the CCI& E.

But the following persons/items are exempted from the registration i.e. they do not require IRC for Import.

- Government Department
- Local Authorities and Autonomous Bodies

- Recognized Educational Institutions
- Hospitals
- Import of goods for which no Foreign Exchange Remittance is required
- Import of Capital Machinery and initial Spares to set up a new industry

5.5 GENERAL CONDITIONS OF IMPORT OF GOODS

- a) **H.S Code Numbers-** To quote correct Import Trade Control (ITC) number i.e. Harmonized System Code (HS Code of 8 digits) of the goods as per Import Control Schedule 1988 in LCAF and L/C. This is a must. If it is missed by any means, Custom Authority may impose penalty, so special care should be taken in mentioning HS code in LCA form & L/C.
- b) **Registration of LCAF-** If L/C opening bank intends to buy respective Foreign Exchange from Bangladesh Bank in that case registration of LCAF with the registration unit of Bangladesh Bank is to be done before opening L/C and that Registration Number must be invariably mentioned in L/C and IMP form.
- c) **Obtaining Suppliers Credit Report-** Suppliers Credit Report to be obtained if value of goods exceeds Tk.2.00 lakh in case of Proforma Invoice (PI) and Tk.5.00 lakh Indent.
- d) **Obtaining Importer's Credit/ CIB report-** Obtaining Importer's Credit/ CIB report should be obtained in case of new Importer.
- e) **NOC on the basis of ROR (Right of Refusal) -** No objection certificate on the Right of Refusal from any authority shall not be required for import of any freely importable item by any public sector agency.

- f) Restriction regarding source of procurement and shipment of goods-** Import from Israel as well as goods produced in Israel even carried by Israel flag vessels are prohibited.
- g) Pre-shipment Inspection-** Unless otherwise specified, pre-shipment inspection of imported goods shall not be obligatory in case of import by private sector importers.
- h) Shipment on Bangladesh Flag Vessels-** Goods weighting up to 20 Metric Tons for import by individual importer and up to 100 Metric Tons import by Group importers can be shipped on a non Bangladeshi vessel. While exceeding said quantity shipment to be made on Bangladeshi vessel, otherwise general waiver from the Director General, Shipping Directorate to be obtained.
- i) Import at Competitive Rate-** All imports shall be made at the most competitive rate.
- j) Import on CFR and FOB basis-** All import by sea, air and land route shall be made either on CFR or FOB basis. In case of import on FOB basis the concerned importer shall have to comply with the circulars issued by Bangladesh Bank in this regard. Before Opening L/C necessary insurance cover note shall have to purchase from the Shadharan Bima Corporation or any other Bangladeshi Insurance Company.
- k) Import by mentioning “Country of Origin”-** The country of origin must be clearly written on the package or containers. A certificate from the Importer/ approved authority must be submitted to the Customs Authority along with other documents for clearance of the goods. However this condition with regard to Country of origin will not apply for import of Coal, cotton and those goods which are required for export oriented industries.
- l) Inscription of Name, address and TIN Number of Importer-** The name, address and TIN Number shall be inscribed or printed in indelible ink on, at least two percent of the largest packet/ cover/ tinned package/ sack pack/ wooden box/ other packets containing the imported goods.

SOME INSTRUCTIONS ISSUED BY BANGLADESH BANK FOR OPENING AND OPERATION OF LETTER OF CREDIT FOR IMPORT OF GOODS

- All Letter of Credits and similar undertakings covering imports into Bangladesh must be documentary Letter of Credits and should provide for payment to be made against full sets of onboard (shipped) transport documents (BL, AIB, TR etc.) showing dispatch of goods covered by Credit to a destination in Bangladesh;
- ADs are allowed to open divisible, transferable Letter of Credits for import into Bangladesh under cash LCAF (Letter of Authorization Form);
- It is not permissible to open Letter of Credits in favor of beneficiaries in countries from which import into are banned by the component authority;
- Letter of Credits to be opened only against firm contract between the Applicant and beneficiary. The AD should see documentary evidence, before opening Letter of Credit, that a firm order for the goods to be imported has been placed and accepted;
- The full description of goods to be imported along with unit price and quantity to be given in the Letter of Credit;
- Confidential report of the exporter to be obtained by the AD himself where the amount of Letter of Credit exceeds TK. 2,00,000 in case of import against proforma invoices issued direct by foreign supplier and TK. 5,00,000 against indent issued by local agents of the suppliers;

5.6 IMPORT PROCEDURE- (IMPORT POLICY ORDER 2009-2012)

Import shall be made as per the following procedure:-

5.6.1 Import License not required- Unless otherwise specified, No import Licence will be necessary for import of any item.

5.6.2 Import against LCA Form- Unless otherwise specified, all import transactions through a Bank (L/Cs. bank drafts, remittances etc.) shall require LCA forms irrespective of the source of finance.

5.6.3 Import through L/C- Unless otherwise directed import will be affected only through opening of irrevocable L/C. However L/C is not required for each consignment via Teknaf custom station of quickly perishable items from ten thousand to fifteen thousand and for import of capital machinery and raw materials for industrial use without any price limit. Existing conditions regarding import on deferred payment under L/C shall be applicable in this case also and importers shall be required to register with authorized dealer Bank for importation without L/C.

5.6.4 Import against LCA Form but without opening of Letter of Credit (L/C)- Import against LCA Form may be allowed without opening of Letters of Credit in the following cases:

- **Import** of books, journals, magazines and periodicals on sight draft or usance bill basis;
- Import of any permissible item for an amount not exceeding US Dollar 35,000/- (Thirty five thousand) only during each financial year against remittance made from Bangladesh. However, permissible items valued up to US Dollar Ten thousand in a single consignment from Myanmar shall be importable without opening L/C and in

that case, above mentioned annual ceiling of US Dollar thirty five thousand shall not be applicable.

- Import under commodity aid, grant or such other loan for which there are specific procurement procedures for import of goods without opening any L/C: and
- Import of “international chemical references” through Bank drafts by recognised pharmaceutical (Allopathic) industry on the approval of Director, Drugs Administration for the purpose of quality control of their products.

5.6.5 Import against Import Permits and in special cases against Clearance Permit (for clearance of goods on payment of fine)- In the following cases, neither LCA Form nor opening of L/C will be necessary; but Import Permit (IP) or Clearance Permit (CP) will have to be obtained by the importer.

- Import of books, magazines, journals, periodicals and scientific and laboratory equipment against surrender of UNESCO Coupons;
- Import under Pay-As-You-Earn-Scheme in the following cases only on the basis of clearance of the Bangladesh Bank:
 - New or not exceeding ten years old plant and machinery of permissible specification;
 - New or not exceeding four year old motor cars;
 - Cargo or passenger vessel of steel or wooden bodies, including refrigerated vessel of any capacity either new or not exceeding fifteen years old; but in case of ocean going old ships, not exceeding twenty five years old shall be importable;
 - Import of plant and machinery for export-oriented industrial units with the clearance of the competent sanctioning authority, wherever necessary; and
 - Trawlers and other fishing vessels, either new or not exceeding twenty five years old: For import under this scheme the sanctioning authority of such import shall forward a copy of sanction letter to the Chief Controller and the importer shall apply to the CCI&E along with necessary papers for prior permission.

- Import of item(s) by passenger coming from abroad in excess of the permissible limits of quantity/value as per the relevant baggage rules, provided the import of the item(s) concerned is permissible under the relevant baggage rules;
- Import of free samples, advertising materials and gift items above the ceiling prescribed as per paragraph 13.0 of this Order;
- Import of only drugs and medicines (allopathic) under product bonus system subject to the condition that it shall be obligatory on the part of the importers concerned to pass on the benefit to the consumers. The Director, Drugs Administration shall devise appropriate mechanism in this behalf;
- Import of capital machinery and spare parts, as share of capital of the foreign share-holder for an approved joint venture industrial unit already set up or to be set up;
- Import of any other goods, not specifically exempted from permit.

5.6.6 Import on Deferred Payment Basis or Against Supplier's Credit- Subject to restriction and prohibitions contained in this order, import on deferred payment basis or against Suppliers Credit may be allowed on the basis of procedure laid down by the Bangladesh Bank in this behalf.

5.6.7 Import against direct payment abroad- Only Bangladeshi nationals living abroad may send any importable item irrespective of value ceiling against direct payment abroad in the name of any Bangladeshi living in Bangladesh. The name and address of the consignee shall be mentioned in the import documents. For such import, no permission or import permit from the Import Control Authority shall be necessary. In this case a certificate from the Bangladesh embassy in that country as an earner of foreign exchange has to be submitted. Sender's passport No, occupation, annual income, period of stay abroad etc. shall have to be mentioned in that certificate and the payment receipt of the goods shall be certified by the Embassy.

5.6.8 Time limit for opening of L/C- Unless otherwise specified, for import under cash foreign exchange, letter of credit shall be opened by all importers within one hundred and fifty days from the date of its issue or from the date of its registration. The above time limit may be extended up to such time is deemed fit by the Chief Controller. For

import under foreign aid/grant and barter/STA, L/C shall be opened within the time limit as may be notified by the Chief Controller.

5.6.9 Validity of LCA for shipment-

- Unless, otherwise specified, shipment of goods shall be made within seventeen months in the case of machinery and spare parts and nine months in the case of all other items from the date of issuance of LCA Form by Bank or registration of L/C Authorisation Form with Bangladesh Bank Registration unit, as the case may be. Shipment of goods under commodity aid/grant, and account trade arrangement/counter trade arrangement shall be effected within the time limits as may be notified by the Chief Controller;
- In case, where shipment could not be made within the validity period due to circumstances beyond control of the importer, the Chief Controller may extend the time limit for shipment of goods on the merit of each case;

5.6.10 Restriction on L/C after imposition of ban/restriction- No extension of the date of shipment in any Letter of Credit or amendment to Letter of Credit or enhancement of the value or quantity of goods shall be allowed by the nominated Bank or by the Import Control Authority after the import of the item or items has been banned or restricted.

5.6.11 Document required being submitted alongwith LCA Form- Importer in both public sector and private sector shall submit to their nominated Banks the following documents along with the L/C Authorisation Form for opening Letter of Credit:

- L/C Application Form duly signed by the importer;
- Indents for goods issued by Indentor or a Proforma Invoice obtained from the foreign supplier, as the case may be; and
- Insurance Cover Note.

5.6.12 Additional documents to be furnished by public sector importers- In addition to the documents mentioned in sub-paragraph 7.11 above, public sector importers shall

submit the attested photocopy of sanction letter from the Administrative Ministry or Division or Authority, wherever applicable;

5.6.13 Additional documents to be furnished by private sector importers- In addition to the documents mentioned in sub-paragraph 7.11 above private sector importers will be required to submit the following documents:

- Valid Membership certificate from the registered local Chamber of Commerce and Industry or any Trade Association established on all Bangladesh basis, representing any special trade/business;
- Renewal Import Registration Certificate for the concerned financial year;
- A declaration, in triplicate, that the importer has paid income-tax or submitted income tax return for the preceding year;
- Proof of having Tax Identification Number(TIN) in all cases of imports, excepting personal use;
- Any such document as may be required as per this Order or Public Notice, or instruction issued by Chief Controller, from time to time under this Order;
- Insurance Cover Note either from Shadharan Bima Corporation or from any Bangladeshi Insurance Company and duly stamped insurance policy against this cover-note.

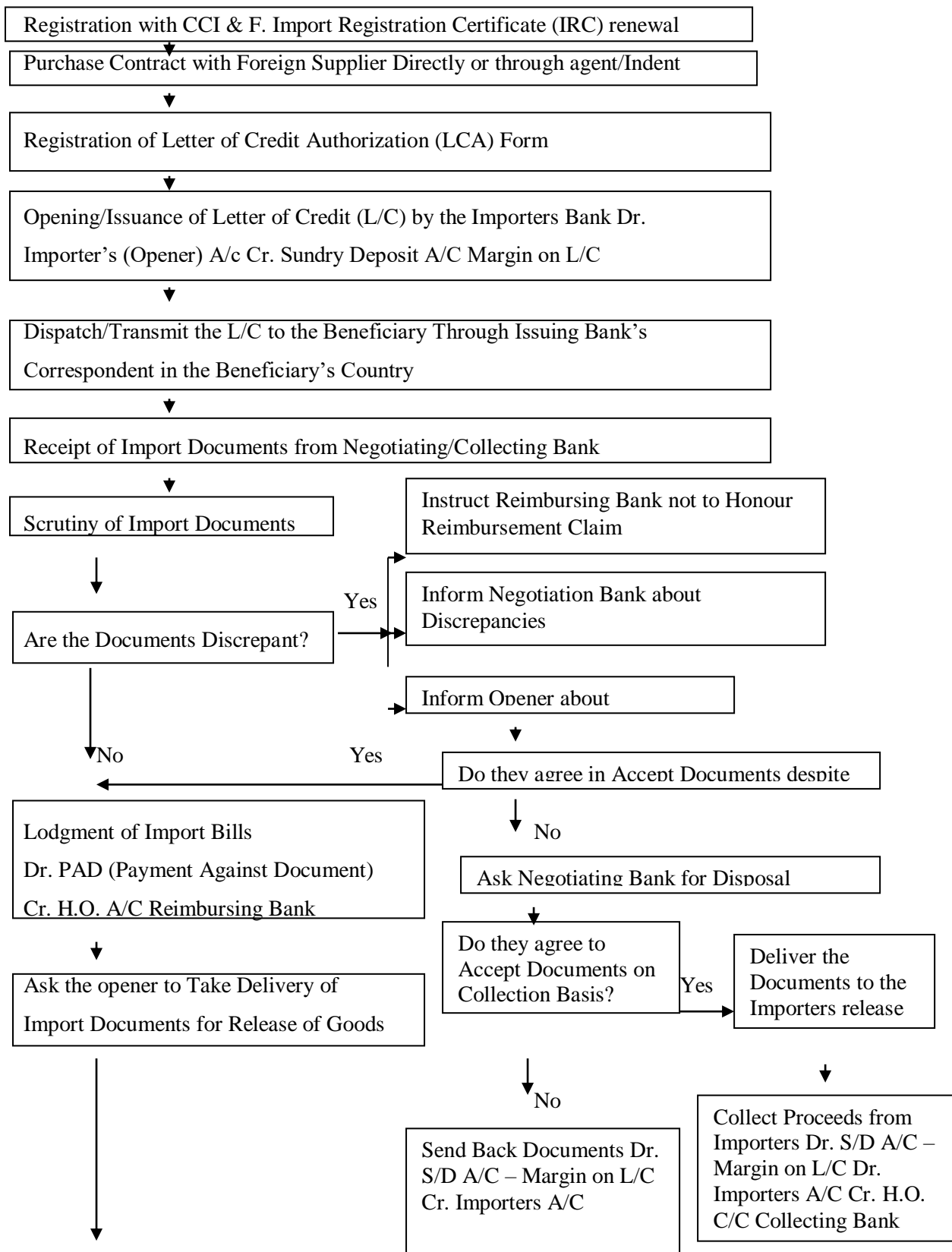
5.6.14 Violation of the requirement of LCA/LC- Shipment effected before issuance of the L/C Authorisation Form by the nominated Bank and registration with the authorized dealer bank, wherever necessary, and before opening of L/C or after expiry of the validity of the L/C Authorisation Form or L/C shall be treated as import in contravention of this Order. L/C Authorisation Form obtained on the basis of false or incorrect particulars or by adopting any fraudulent means shall be treated as invalid and void abinitio.

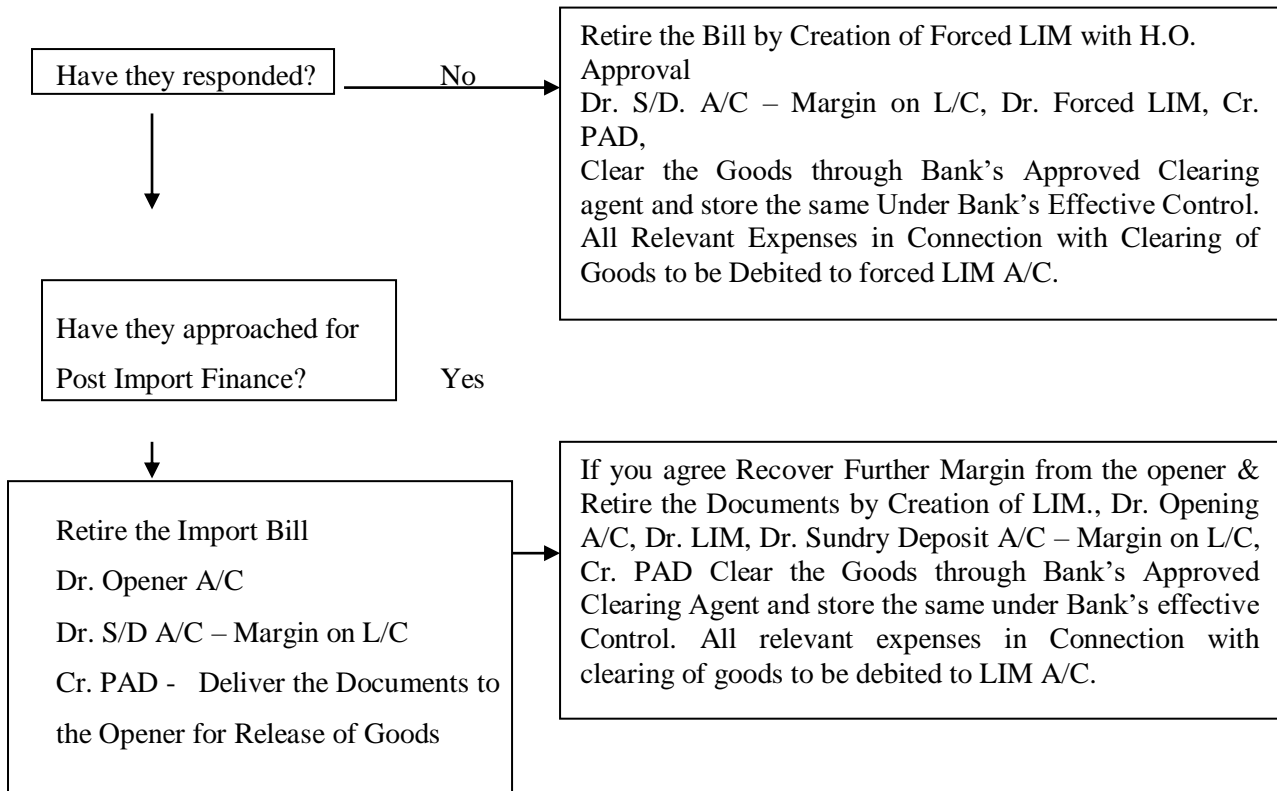
5.6.15 Import against indent and pro-forma Invoice- L/C may be opened against an indent issued by a local registered Indentor or against a pro-forma invoice issued by a foreign manufacturer/seller/supplier.

5.7 IMPORT FORMALITIES

- a) Procurement of IRC from the concerned authority.
- b) Signing purchase contract with the seller.
- c) Requesting the concerned bank (Importer's Bank/ Issuing Bank to open L/C (Irrevocable) on behalf of the importer favoring the exporter/ seller/ beneficiary.
- d) The Issuing Bank open/ issues the L/C in accordance with the instruction/ request of the Importer and request other Bank (Advising Bank) located in Seller's/ Exporter's to advise the L/C to the beneficiary. The Issuing Bank may also request the Advising Bank to confirm the credit, if necessary.
- e) The Advising Bank advises/ informs the Seller that the L/C has been issued.
- f) As soon as the Exporter/ Seller receive the L/C and is satisfied that he can meet the L/C's terms and conditions, he is in a position to make shipment of the goods.
- g) After making shipment of goods in favor of the Importer the Exporter/ Seller submits the documents to the Negotiating Bank for negotiation.
- h) The Negotiating Bank scrutinizes the documents and if found ok negotiates the documents and sends the said documents to the L/C Issuing Bank.
- i) After receiving the documents the L/C Issuing Bank also examines the documents and if found ok makes payment to the Negotiating Bank.
- j) The L/C Opening Bank then requests the Importer to receive the documents on payments.
- k) The Importer after paying all dues receives the documents from the L/C Issuing Bank and then releases the imported goods from the port authority.
- L) Then if the imported goods are of satisfactory quality, then the thanks letter in favour of exporter. But if the goods are not of satisfactory quality then the importer communicate with the exporter and deals the peacefully.

IMPORT FORMALITIES IN FLOW CHART:





5.8 BRIEF DESCRIPTION OF IMPORT FORMALITIES

5.8.1 REGISTRATION OF IMPORTER:

As per import & Export control Act. 1950 no person can indent, import or export any goods into Bangladesh except in case of exemption issued by the Government of the people's Republic of Bangladesh. Violation of this order is punishable with fine under the provisions of Sea Customs Act 1878 as applied by sub section (3) of Section 3 of this Act.

Procedure for obtaining, LRC (Import Registration Certificate): Through public notice or import policy the chief controller of imports & Exports invites applications usually for registration of importers. The following papers/documents are required for submission to CCI & E or area office of CCI & for import registration certificate:

- 1) Application form.
- 2) Nationality Certificate.

- 3) Income Tax registration Certificate with GIR.
- 4) Trade License from the municipal or local Authority.
- 5) Membership Certificate.
- 6) Partnership deed (for partnership firm)
- 7) Certificate of Registration with the register of joint Stock Co. & Articles and Memorandum of Association in case of Limited Co.
- 8) Documentary evidence for business existence.
- 9) Original copy of Treasury Chalan being payment of registration fees.
- 10) Original copy Chalan the passbook.
- 11) Ownership's documents or Rent receipts of the place of Business.

The nominated bank of the application will examine the papers/documents & verify the signature of the applicant and forward the same to the concerned office of the CCI & E with a forwarding schedule in duplicate through bank's representative. The duplicate copy of the same bearing the acknowledgement of CCI & E office of the receipt of the documents is back by the bank and is preserved.

If the documents are found in order and the CCI & E is satisfied the IRC is issued to the applicant and sent direct to the nominated bank. The passbook is also issued by the CCI & E simultaneously to the importer and sent direct to the nominated bank.

Indent or Proforma invoice:

Indent or Proforma Invoice is the sale contract between seller and buyer in import-export business. There is slight difference between indent and proforma invoice. The sales contract, which is direct correspondence between importer and exporter, is called Proforma invoice. There is no intermediary between them. On the other hand, they may be an agent of exporter in importer's country. In this regard, if the sale contract is occurred between the agent of exporter and importer then it is called indent.

5.8.2 LICENSING OF IMPORTER (LCAF REGISTRATION & PROCEDURE):

Licensing is done by commercial banks by means of a specially designed form known as Letter of Credit Authorization Forms, simply LCAF; LCA Forms are security documents printed by the respective bank. Bankers must not handover these to others. This form is in reality a substitute for the conventional import license.

The procedure for registration of LCA form with the Bangladesh Bank is as under:

- 1) All LCA forms should be registered with Bangladesh Bank, Registration Unit, Exchange control department, Bangladesh Bank, Dhaka.

- 2) After filling up the relevant portions of the LCAF and duly signed by the importer there are forwarded to the area registration unit of the Bangladesh Bank by the authorized dealers duly authenticated. The LCAF are registered by the Bangladesh Bank registration unit subject to observation of usual drill. The officer in-charge of the Bangladesh Bank Registration unit will give the registration number on all the copies of LCA forms under his signature.

Thereafter, the same will be opened unless a LCA forms which has been registered with the Bangladesh Bank.

- 3) After registration the original and duplicate copies of the LU authorization form will be delivered to the authorized representation of the banks from the same received by the registration unit of the Bangladesh Bank.

- 4) The authorized dealers will not issue blank L/C authorization forms to their clients; the importer should sign the L/C authorization form in presence of Bank's officer. The A.D should sign the LCA form and verify the importer's signature. Authorized dealer shall keep it carefully.

- 5) All Authorized dealers will remain to have with them spec signature and photo and authenticating officers of the Bangladesh Bank registration Unit

- 6) The registration will remain valid for 11 months or 17 months. As the Case may be depending on the commercial and Industrial machineries,

7) When letters of credit have been opened against the Exchange control copy of the copy under the stamp and signature of the authorized dealer.

5.8.3 PREPARATION OF PROPOSAL AND SUBMITTING IT TO THE COMPETENT AUTHORITY FOR OBTAINING PERMISSION OF OPENING LETTER OF CREDIT:

Before opening Letter of Credit the applicant must take permission from the competent authority. Whether the authority has to be taken from the Branch or from the Head Office depends on the amount of Letter of Credit and the percentage of margin. A proposal for obtaining permission for opening Letter of Credit generally contains the following points:

- Name and address of the importer;
- Name and address of the Guarantor if any;
- Particular of Merchandise to be imported along with name of the item Harmonized System (H.S.) Code, country of origin, quantity, unit price and purpose of import.
- Particulars/ Terms of LC along with name and address of the beneficiary, tenor of payment, port of loading and discharge, shipment validity and expiry date etc.;
- Landed cost of the goods;
- Market price of the goods at Dhaka and Chittagong (if applicable);
- Name of the previous banker with outstanding liability (if any);
- Number of CD accounts and transaction performance through this account;
- Present liability position with the bank;
- Present liability position of allied/sister concerns with the bank
- Letter of Credit performance of the party during the year/previous year;

5.8.4 PROPOSAL FOR OPENING OF L/C:

In case of an L/C of a small amount only the prescribed application form, i.e., the LCA Form is enough to open an L/C. But when the L/C amount is reasonably high, then the importer needs to submit an application to the Foreign Exchange Department of Nawabpur Road Branch for getting a limit of the L/C amount. The salient features of the application are –

- Full particulars of the bank account

- Nature of business

- Required amount of limit

- Payment terms and conditions

- Goods to be imported

- Offered security

- Repayment schedule

THE L/C APPLICATION FORM

L/C Application Form is a sort of an agreement between customer and bank on the basis of which letter of credit is opened. Nawabpur Road Branch provides a printed form for opening of L/C to the importer. A special adhesive stamp of value Tk.150 is affixed on the form in accordance with Stamp Act in force. While opening, the stamp is cancelled. Usually the importer expresses his decision to open the L/C quoting the amount of margin in percentage. Usually the importer gives the following information

- ✿ Full name and address of the importer
- ✿ Full name and address of the beneficiary
- ✿ Draft amount
- ✿ Availability of the credit by sight payment/acceptance/negotiation/deferred payment
- ✿ Time bar within which the documents should be presented
- ✿ Sales type (CIF/FOB/C&F)
- ✿ Brief specification of commodities, price, quantity, indents no. etc.
- ✿ Country of origin
- ✿ Bangladesh Bank registration no.

- ✿ Import License/LCAF no.
- ✿ IRC no.
- ✿ Account no.
- ✿ Documents no.
- ✿ Insurance Cover Note/Policy no., date, amount
- ✿ Name and address of Insurance Company
- ✿ Whether the partial shipment is allowed or not
- ✿ Whether the transshipment is allowed or not
- ✿ Last date of shipment
- ✿ Last date of negotiation
- ✿ Other terms and conditions (if any)
- ✿ Whether the confirmation of the credit is requested by the beneficiary or not.
- ✿ The L/C application must be completed/filled in properly and signed by the authorized person of the importer before it is submitted to the issuing bank.
- ✿ The L/C application needs to be submitted along with the following documents –
 - (1) Proforma Invoice stating description of the goods including quantity, unit price etc.
 - (2) The Insurance Cover Note, issuing company and the insurance number
 - (3) Four set of IMP Form

THE IMP FORM:

The IMP Form contains the followings –

- Name and address of the Authorized Dealer
- Amount of remittance to be permitted (i.e., L/C amount)
- CIF Form number, date, & value in Taka.
- Description of goods, quantity
- Invoice value in foreign currency (i.e., L/C amount)
- Country of origin

- Port of shipment
- Name of steamer/airline (i.e., by road/by ship/by air etc.)
- Port of importation
- Indenter's name and address
- Indenter's registration number with CCI&E and Bangladesh Bank
- Full name and address of the applicant
- Registration number of the applicant with CCI&E

5.8.5 ISSUING L/C:

In this stage, the issuing bank fills the bank-specified-form for issuing Letter of Credit. Generally a Letter of Credit contains the following information and terms and conditions:

- Charges;
- Country of origin of goods;
- Currency and amount;
- Date and place of the expiry of the Documentary Credits;
- Description of goods and quantity;
- Documents required for negotiation;
- Instruction for negotiating bank;
- Last date of shipment;
- Letter of Credit Authorization (LCA) number, IRC (Import Registration Certificate) number and Harmonized System (HS) code;
- Mode of Carrying –Air/Ship/Truck;
- Name and address of beneficiary;

- Name and address of the advising bank;
- Name and address of the applicant;
- Name of the issuing Bank and Branch;
- Negotiating bank preferably freely negotiable in any bank;
- Number of Letter of Credit and date of opening;
- Payment Term-Sight/Usance;
- Period of Negotiation;
- Period of presentation;
- Port of Loading and port of Discharge;
- Reimbursing Bank and payment mode;
- Terms and conditions regarding Transshipment and Partial Shipment;

Depending on the specific provision in the underlying sales-contract (mentioned below), it may be necessary to incorporate one or more of the following additional terms in the Letter of Credit-

- Whether the pay of the bank charges is on account of the opener or seller
- Whether, in case of bulk import, charter-party Bill of Lading (B/L) is acceptable or not
- Whether shipment by chartered vessel is allowed, the following causes must be stipulated in the Letter of Credit.
- Shipping documents must include copies of Charter-party agreements and Mate's Receipt duly attested by negotiating Bank

5.8.6 EXAMINATION OF L/C:

On receipt of L/C application, the branch officials scrutinize the same very carefully giving emphasis to the following points –

- ✚ L/C application is stamped (as per Govt. Stamp Rule) as it is a guarantee of payment
- ✚ All information mentioned in different columns have been furnished

- ✦ The items to be imported are eligible according to import entitlement
- ✦ If L/C is opened against indent, Bangladesh Bank's permission, valid registration, authority to issue indent by indenter are to be checked
- ✦ The terms and conditions stipulated in the L/C application are consistent with the Bangladesh Bank Foreign Exchange Guidelines, Import Trade Regulations, UCPDC etc.
- ✦ The amount and description of merchandise are relevant to LCAF and proforma invoice/indent/purchase order/.....
- ✦ Survey Report or Certificate in case of old machinery
- ✦ Carrying vessel is not of Israel or Serbia-Montenegro
- ✦ Certificate declaring that the item is in operation not more than 5 years in case of car.

5.8.7 AMENDMENT OF L/C:

Parties involved in a L/C, particularly the seller and the buyer cannot always satisfy the terms and conditions in full as expected due to some obvious and genuine reasons. In such a situation, the credit should be amended. Nawabpur Road Branch transmits the amendment by SWIFT, airmail or courier service to the advising bank. In case of revocable credit, it can be amended or cancelled by the issuing bank at any moment and without prior notice to the beneficiary. But in case of irrevocable letter of credit, it can never be amended nor cancelled without the agreement of the issuing bank, the confirming bank (if any) and the beneficiary. If the L/C is amended, amendment charge and telex charge, as per HO circular, are debited from the party's A/C accordingly.

5.8.8 PRESENTATION & EXAMINATION OF SHIPPING DOCUMENTS:

The seller being satisfied with the terms and the conditions of the credit proceeds to dispatch the required goods to the buyer and after that, has to present the documents evidencing dispatching of goods to the Negotiating Bank on or before the stipulated expiry date of the

credit. After receiving all the documents, the Negotiating Bank then checks the documents against the credit. If the documents are found in order, the bank will pay, accept or negotiate the documents and will dispatch to Nawabpur Road Branch. The branch checks the documents.

The usual documents are –

- Invoice
- Bill of Lading
- Certificate of Origin
- Packing List
- Shipping Advice
- Non-negotiable Copy of Bill of Lading
- Bill of Exchange
- Pre-shipment Inspection Report
- Shipment Certificate

Nawabpur Road Branch officials check whether these documents have any discrepancy or not. Here, “Discrepancy” means the dissimilarity of any of the documents with the terms and conditions of L/C. In case of discrepant documents, the branch advises the discrepancy/discrepancies to the negotiating bank within seven (07) working days after receiving the documents. Some the usual discrepancies are –

- L/C expired
- Late shipment
- Amount drawn in excess of the letter of credit
- Bill of exchange not properly drawn
- Description of goods differ
- Interest clause is missing in bill of exchange, where stipulated

- Bill of exchange is not drawn/signed by the beneficiary of the credit
- Bill of Lading or Airway Bill stale or Bill of Lading is issued under a charter party
- Insurance cover not as per terms of L/C and insurance does not cover the entire voyage and insurance policy is not properly stamped.

5.8.9 LODGEMENT OF DOCUMENTS:

After receiving the documents from the exporters, at first UCBL write it in the PAD Registrar. PAD Register contains date, PAD number, L/C number, and name of the drawer, name of the drawee, amount, and number of copies of various documents, name of the imported items. This written procedure is called Lodgment.

5.8.10 RETIREMENT OF DOCUMENT:

The process of collecting documents from bank by the importer is called retirement of the documents. The importer gives necessary instructions to the bank for retirement of the import bills or for the disposal of the shipping documents to clear the imported goods from the customs authority. The importer may instruct the bank to retire the documents by debiting his current account with the bank or by creating Loan against Trust Receipt (LTR). Following steps are taken while retiring the documents –

- ✦ Calculation of interest.
- ✦ Calculation of other charges.
- ✦ Passing vouchers.
- ✦ Entry in the register.
- ✦ Endorsement in the Bill of Lading and other transport documents and in the bill of exchange.

5.8.11 POST-IMPORT FINANCING:

If there is no available in cash in importer's hand, he can request the bank to grant loan against the documents for the purpose of post import finance. There is one following forms of post import finance available in UCBL Nawabpur Road Branch.

- LTR (Loan against trust receipt).

On the arrival of goods and lodgment of import documents, importeer may request the bank for clearance of goods from the port (custom) and keep the same to bank godown. Proper sanction from the competent authority is to be obtained before clearance of consignment. For giving these types of loan, officer makes loan proposal and sends it to H/O for approval. After getting approval from H/O, bank grants loan in the form of LTR.

Loan against Trust Receipts (LTR):

1. Advance against a Trust Receipt obtained from the Customers are allowed to only first class tested parties when the documents covering an import shipment or other goods pledged to the Bank as security are given without payment. However, for such advances prior permission/sanction from Head Office must be obtained.
2. The customer holds the goods or their sale-proceeds in trust for the Bank, till such time, the loan allowed against the Trust Receipts is fully paid off.
3. The Trust Receipt is a document that creates the Banker's lien on the goods and practically amounts to hypothecation of the proceeds of sale in discharge of the lien.

CREDITS OCCURRED IN L/C OPERATION:

During Letter of Credit operation some Credit facilities evolved to the importer and exporter. This credit facilities are mentioned below

Payment Against Document (PAD)	<p>a. This loan is related to cash Letter of Credit.</p> <p>b. After opening Letter of Credit, foreign exporter sends goods to the importer and a bill of exchange along with shipping documents to the</p>
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	<p>Letter of Credit opening bank. Upon receiving bill of exchange and other documents, bank immediately make payment to the exporter if no discrepancies are found on the shipping documents. Bank hands over the shipping documents to the importer only after his recovery of the payment from the importer. Since bank pay to exporter on the basis of shipping documents, this is called Payment against Documents</p>
<p>Loan Against Imported Merchandise (LIM)</p>	<p>a. LIM is occurred from PAD.</p> <p>b. After payment to the exporter on the basis of shipping documents, bank recovers the amount from the importer.</p> <p>(LIM) Sometimes for financial crisis, importer fails to pay the amount stipulated in bill of exchange to the Opening Bank. In this case, he request to the bank to treat PAD as credit and handover the shipping documents to him so that he can clear the imported goods from the port. Then banks convert the PAD to regular credit and hand over the documents to the importer, and take the imported goods as security for the loan. Since this loan is given on the imported goods, this is called Loan against Imported Merchandise. Duration of this loan is one month only. If the loan is no repaid after one month, it is treated as forced LIM.</p>
<p>IP Loan</p>	<p>a. When Letter of Credit opener has no sufficient fund to purchase Foreign Exchange to open Letter of Credit, then bank provides him credit to purchase necessary foreign exchange under the WES/SEM. This loan is called Import Loan under WES/SEM or IP loan.</p>

CHAPTER 6

OVERVIEW OF EXPORT BUSINESS

6.1 MEANING OF EXPORT

Export means lawful carrying out of anything from one country to another country for sale. Export business handled by the UCBL during 2009 stood at 260.36 million, showing a growth of 25.69% percent from 260.36 million during 2008

6.2 DEFINITION OF EXPORTER

The importers and exports trade of the country is regulated by the Imports Exports Control Act 1950. No person /firm is allowed to export any thing from Bangladesh unless he is registered with CCI and E under the registration order (Importer and Exporter) 1952. To become an exporter an ERC (export Registration Certificate) must be obtained from the office of CCI & E.

6.3 EXPORT SECTION

In order to Creation of wealth in any country depends on the expansion of production and increasing participation in international trade. By increasing production in the export sector we can improve the employment level of such a highly populated country like Bangladesh. Bangladesh exports a large quantity of goods and services to foreign households. Readymade textile garments (both knitted and woven), Jute, Jute-made products, frozen shrimps, tea are the main goods that Bangladeshi exporters export to foreign countries. Garments sector is the largest sector that exports the lion share of the country's export. Bangladesh exports most of its readymade garments products to U.S.A and European Community (EC) countries. Bangladesh exports about 40% of its readymade garments products to U.S.A. Most of the exporters who export through UCBL are readymade garments exporters. They open export L/Cs here to export their goods, which they open against the import L/Cs opened by their foreign importers.

6.4 DIFFERENT TYPES OF EXPORT

There are three types of export. Those are given below:

- Export under L/C
- Consignment basis export
- Export against advancement payment

6.4.1 Export under L/C: Exporters are allowed to export the commodity under irrevocable letter of credit. Under this type of export, exporter will ship the goods as per terms of the credit and will get payment as per arrangement of the credit.

6.4.2 Consignment basis export: Exports are allowed against firm contract. As per contract, importer will ship the goods and the buyer will make payment after selling the consignment.

6.4.3 Export against advancement payment: Sometimes exporter receives payment in advance. In that case Authorized Dealer should obtain a declaration from the exporter on the “Advance receipt voucher” certifying the purpose of the remittance. Then the exporter will export the goods against the advance payment.

6.5 EXPORT POLICY

Export policies formulated by the Ministry of Commerce, GOB provide the overall guideline and incentives for promotion of exports in Bangladesh. Export policies also set out commodity-wise annual target. It has been decided to formulate these policies to cover a five-year period to make them contemporaneous with the five-year plans and to provide the policy regime.

The export-oriented private sector, through their representative bodies and chambers are consulted in the formulation of export policies and are also represented in the various export promotion bodies set up by the government.

EXPORT INCENTIVE:

A. Financial Incentives:

- ❖ Restructuring of Export Credit Guarantee Scheme;

- ❖ Convertibility of Taka in current account;
- ❖ Exporters can deposit 40% of FOB value of their export earnings in own accounts in dollar and pound sterling;
- ❖ Export Development Fund;
- ❖ Expansion of export credit period from 180 days to 270 days;
- ❖ 50% tax rebate on export earnings Duty draw back;
- ❖ Bonded warehouse facilities to 100% export oriented firms;
- ❖ Duty free import of capital equipment for 100% export oriented firms;

B. General Incentives:

- ❖ National Export Trophy to successful exporters;
- ❖ Training course on external trade;
- ❖ Arrangement of international trade fairs, commodity-based exhibitions in the country and participation in foreign trade fairs;

C. Other Incentives:

- ❖ Assistance in improvement of quality and packaging of exportable items;
- ❖ Simplification of exports procedures;

6.6 EXPORT PROCEDURES

6.6.1. Obtaining Export Registration Certificate (ERC):

The import and export trade in our country are regulated by the Import and Export (Control) Act, 1950.

Under the export policy of Bangladesh the exporter has to get valid Export registration Certificate (ERC) from Chief Controller of Import & Export (CCI&E). The ERC is required to renew every year. The ERC number is to incorporate on EXP forms and other papers connected with exports.

For obtaining Export Registration Certificate (ERC), intending Bangladesh Exporters are required to apply to the CCI & E authority in the prescribed form along with the following documents:

- Nationality Certificate.
- Copy of valid Trade License.
- Income Tax Certificate.
- Bank Certificate.
- Copy of rent receipt of the business firm.
- Registered Partnership Deed in case of partnership concerns.
- Memorandum of Articles & Association and Incorporation certificate in

On satisfaction of the CCI & E the potential exporter is advised to deposit export registration fee of Tk. 1,000/- through Treasury Chalan to Bangladesh Bank / Sonali Bank for enabling them to issue ERC. The ERC may be renewed every year on payment of renewal fee of Tk.1, 000- through Treasury Chalan as started.

In the Export Section, two (02) types of L/Cs are handled –

- 1) Back-to-Back L/C
- 2) Export L/C

Back- to-back L/C

In case of a “Back-to-Back” letter of credit, a new L/C (an import L/C) is opened on the basis of an original L/C (an export L/C). Under the “Back-to-Back” concept, the seller as the beneficiary of the first L/C offers it as a ‘security’ to the Advising Bank for the issuance of the second L/C. The beneficiary of the back-to-back L/C may be located inside or outside the original beneficiary’s country. In case of a back-to-back L/C, no cash security (no margin) is taken by the bank; bank liens the first L/C. In case of a back-to-back L/C, the drawn bill is usage/time bill.

In Nawabpur Road Branch, papers/documents required for opening of back-to-back L/C are as follows –

- Master L/C
- Valid Import Registration Certificate (IRC) and Export Registration Certificate (ERC)
- L/C Application and LCAF duly filled in and signed
- Proforma Invoice or Indent
- Insurance Cover Note with money receipt
- IMP Form duly signed.

In addition to the above documents, the following papers/documents are also required to export oriented garment industries while requesting for opening of back-to-back letter of credit –

- Textile Permission
- Valid Bonded Warehouse License
- Quota Allocation Letter issued by the Export Promotion Bureau (EPB) in favor of the applicant for quota items

Payment for back-to-back L/C:

In case of back-to-back L/C for 30-60-90-120-180-360 days of maturity period, deferred payment is made. Payment is given after realizing export proceeds from the L/C Issuing Bank. For Garments Sector, the duration can be maximum 180 days. For importing machinery, without permission from Bangladesh Bank, Nawabpur Road Branch can authorize for 360 days. In such cases, the VP of the branch used to exercise his discretionary power.

6.6.2 Reporting to Bangladesh bank:

At the end of every month, the reporting to Bangladesh Bank regarding the following information is mandatory –

- Filling of E-2/P-2 Schedule of S-1 category that covers the entire month's amount of import, category of goods, currency, county etc.
- Filling of E-3/P-3 Schedule of for all charges, commission with T/M Form.
- Disposal of IMP Form that includes: **(a)** original IMP is forwarded to Bangladesh Bank with invoice and indent, **(b)** duplicate IMP is kept with the branch along with the Bill of Entry/Certified Invoice, **(c)** triplicate IMP is kept with the branch for office record, **(d)** quadruplicate is kept for submission to Bangladesh Bank in case of imports where documents are retired

6.6.3 Export L/C:

There are a number of formalities, which an exporter has to fulfill before and after shipment of goods. These formalities or procedures are enumerated as follows, -

- ✦ Obtaining Export Registration Certificate (ERC)
- ✦ Securing the order
- ✦ Obtaining EXP
- ✦ Signing of the contract
- ✦ Receiving the Letter of Credit
- ✦ Procuring the materials
- ✦ Endorsement on EXP
- ✦ Disposal of Export Forms
- ✦ Shipment of goods
- ✦ Presentation of export documents for negotiation
- ✦ Cash against Document (CAD) Contract
- ✦ Examination of Documents
- ✦ Negotiation of export documents

Mode of payment of Export bill under L/C

As per UCP 500, 1993 revision there are four types of credit. These are as follows:

a. Sight Payment Credit:

In a Sight Payment Credit, the bank pays the stipulated sum immediately against the exporter's presentation of the documents.

b. Deferred payment Credit:

In deferred payment, the bank agrees to pay on a specified future date or event, after presentation of the export documents. No bill of exchange is involved. In UCBL, payment is given to the party at the rate of D.A *60-90-120-180* as the case may be. But the Head office is paid at T.T clean rate. The difference between the two rates is the exchange trading for the branch.

c. Acceptance credit:

In acceptance credit, the exporter presents a bill of exchange payable to him and drawn at the agreed tenor (that is, on a specified future date or event) on the bank that is to accept it. The bank signs its acceptance on the bill and returns it to the exporter. The exporter can then represent it for payment on maturity. Alternatively he can discount it in order to obtain immediate payment.

d. Negotiation Credit:

In Negotiation credit, the exporter has to present a bill of exchange payable to him in addition to other documents that the bank negotiates.

6.6.4 Export Requirement:

All export from Bangladesh must be declared by the shipper on EXP form to the UCBL enabling them to submit the duplicate within 14 days from the date of shipment. The shipper is required to repatriate the export proceeds within 4 months from the date of shipment otherwise penalty is imposed upon them.

Shipping & customs formalities:

International transfer of goods are made through the Letter of Credit which issued by the foreign bank at the request of Importers in favor of exporter. Such Export L/Cs is enrooted through the Bangladeshi Banks by the foreign banks who have correspondent relationship. The foreign issuing banks may advise a credit in the following manner:

- 1) By short cable! Telex followed by Airmail.
- 2) By full telex (No airmail confirmation).
- 3) Airmail L/C.
- 4) Advising of L/C after adding confirmation.

Inspection of goods:

The goods should be kept ready for inspection of the competent authorities and issue a certificate of quality control required under regulation: for example:

- 1) Export promotion Bureau.
- 2) Custom Authorities who will inspect the goods under Sea Customs Act.
- 3) Chamber of Commerce and Industry.
- 4) Other agencies authorized to inspect the goods before shipment.

Mate's Receipt:

When goods are hand over to the against of the shipping company for shipment and he issued a receipt known as mate's receipt signed by the master of the ship when the goods are actually shipped the mate's receipt is exchange for the regular BIL. The bank is to forward the following shipping papers to the C & F agent under their forwarding schedule:

- 1) One copy of invoice prepared by the shipper.
- 2) One copy of shipping instruction to be prepared by the shipper complying the terms of relevant L/C or contract so that the B/L is made out in the name of an Authorized Dealer strictly in terms of L/C and become free from all defects.

Send Shipping Advice:

On shipment of goods and receipt of bill of lading and other documents from the clearing and forwarding agents send a shipping advice to the importer abroad so that the latter may stand making arrangement for taking delivery of the consignment.

Shipping Requirement of an exporter in the context of Export:

Every exporter under goes certain sequential formalities when he takes up the venture of exporting goods. First of all the exporter comes into contact with the buyer and negotiates the commodity contract, while negotiating the commodity contract and exporter takes into consideration three respects:

- 1) Cost of the commodity i.e. CFR, CIF or FOB
- 2) Insurance.
- 3) Freight component.

6.6.5 Export Financing:

Financing exports constitutes an important part of a bank's activities. Exporters require financial services at four different stages of their export operation. During operation each of these phases' exporters need different types of financial assistance depending on the nature of the export contract.

UCBL play a vital role in performing such jobs and help the businessmen's to carry on their business operation the activities are:-

- I. Pre-shipment credit.
- II. Post-shipment credit.

I. Pre-shipment credit:

Pre-shipment credit, as the name suggests, is given to finance the activities of an exporter prior to the actual shipment of the goods for export. The purpose of such credit is to meet working capital needs starting from the point of purchasing of raw materials to final shipment of goods for export to foreign country. Before allowing such credit to the exporters the bank takes into consideration about the credit worthiness, export performance

of the exporters, together with all other necessary information required for sanctioning the credit in accordance with the existing rules and regulations. Pre-shipment credit is given for the following purposes:

- ❖ Cash for local procurement and meeting related expenses.
- ❖ Procuring and processing of goods for export.
- ❖ Packing and transporting of goods for export.
- ❖ Payment of insurance premium.
- ❖ Inspection fees.
- ❖ Freight charges etc.

An exporter can obtain credit facilities against lien on the irrevocable, confirmed and unrestricted export letter of credit in form of the followings:

- A. Packing credit.
- B. Export cash credit (Hypothecation)
- C. Export cash credit (Pledge)
- D. Export cash credit against trust receipt.
- E. Back to back letter of credit.
- F. Credit against Red-clause letter of credit.

A. Packing Credit:

Packing Credit is essentially a short-term advance granted by a Bank to an exporter for assisting him to buy, process, manufacture, and pack and ships the goods. Generally for movement of goods from the hinterland areas to the ports of shipment the Banks provide interim facilities by way of Packing Credit.

Charge Documents for Packing Credit:

Banker should obtain the following charge documents duly stamped prior to disbursement:

- I) Demand Promissory Note
- ii) Letter of Arrangement
- iii) Letter of Lien of Packing Credit (On special adhesive stamp)
- iv) Letter of Disbursement
- v) Packing Credit Letter

Additional Documents for P.C. :

- a) Letter of Partnership along with Registered Partnership Deed in case of Partnership Accounts.
- b) Resolution of the Board of Directors along with Memorandum & Articles of association in case of Accounts of Limited Companies.
- c) Personal Guarantee of all the Partners in case of Partnership Accounts and of all the Directors in case of Limited Companies.
- d) An undertaking from the Directors of the Public Limited Company to obtain prior clearance from the Bank before declaring any interim/final dividend.

B. Export cash credit (Hypothecation):

Under this arrangement, a credit is sanctioned against hypothecation of the raw materials or finished goods intended for export. Such facility is allowed to the first class exporters. As the bank has got no security in this case, except charge documents and lien on exports L/C or contract, bank normally insists on the exporter in furnishing collateral security. The letter of hypothecation creates a charge against merchandise in favor of the bank. But neither the ownership nor the possession is passed to it.

C. Export cash Credit (Pledge):

Such Credit facility is allowed against pledge of exportable goods or raw materials. In this case cash credit facilities are extended against pledge of goods to be stored in the warehouse under bank's control by signing letter of pledge and other pledge documents. The exporter surrenders the physical possession of the goods under banks effective control as security for payment of bank dues. In the event of failure of the exporter to honor his commitment, the bank can sell the pledged merchandise for recovery the advance.

D. Export Cash Credit against Trust Receipt:

In this case, credit limit is sanctioned against trust receipt (TR). Here also unlike pledge, the exportable goods remain in the custody of the exporter. He is required to execute a stamped export trust receipt in favor of the bank, he holds wherein a declaration is made that goods purchased with financial assistance of bank in trust for the bank. This type of credit is granted when the exporter wants to utilize the credit for processing, packing and rendering

the goods in exportable condition and when it seems that exportable goods cannot be taken into bank's custody. This facility is allowed only to the first class party and collateral security is generally obtained in this case.

Post Shipment Credit:

This type of credit refers to the credit facilities extended to the exporters by the banks after shipment of the goods against export documents. Necessity for such credit arises, as the exporter cannot afford to wait for a long time for without paying manufacturers/suppliers. Before extending such credit, it is necessary on the part of banks to look into carefully the financial soundness of exporters and buyers as well as other relevant documents connected with the export in accordance with the rules and regulations in force. Banks in our country extend post shipment credit to the exporters through:

- A. Negotiation of documents under L/C;
- B. Foreign Documentary Bill Purchase (FDBP):
- C. Advances against Export Bills surrendered for collection

A. Negotiation of documents under L/C:

The exporter presents the relative documents to the negotiating bank after the shipment of the goods. A slight deviation of the documents from those specified in the L/C may raise an excuse to the issuing bank to refuse the reimbursement of the payment already made by the negotiating bank. So the negotiating bank must be careful, prompt, systematic and indifferent while scrutinizing the documents relating to the export.

B. Foreign Documentary Bill Purchase (FDBP):

Sometimes the client submits the bill of export to bank for collection and payment of the BTB L/C. In that case, bank purchases the bill and collects the money from the exporter. UCBL subtracts the amount of bill from BTB and gives the rest amount to the client in cash or by crediting his account or by the pay order.

For this purpose, UCBL maintains a separate register named FDBP Register. This register contains the following information:

Date

- # Reference number (FDBP)
- # Name of the drawee
- # Name of the collecting bank
- # Conversion rate
- # Bill amount both in figure & in Taka.
- # Export form number
- # Export L/C number

C. Advances against Export Bills surrendered for collection:

Banks generally accept bills for collection of proceeds when they are not drawn under an L/C or when the documents, even though drawn against an L/C contain some discrepancies. The bank generally negotiates bills drawn under L/C, without any discrepancy in the documents, and the exporter gets the money from the bank immediately. However, if the bill is not eligible for negotiation, the exporter may obtain advance from the bank against the security of export bill. In addition to the export bill, banks may ask for collateral security like a guarantee by a third party and equitable/registered mortgage of property.

6.6.6 Export Documents Checking:

1. General verification: -
 - a) L/C restricted or not.
 - b) Exporter submitted documents before expiry date of the credit.
 - c) Shortage of documents etc.
2. Particular verification:
 - a) Each and every document should be verified with the L/C.
3. Cross verification:
 - a) Verified one documents to another.

After proper examination or checking of a described Export document bank may find following discrepancies:

General:

1. Late shipment

2. Late presentation
3. L/C expired
4. L/C over-drawn
5. Partial shipment or transshipment beyond L/C terms.

Bill of exchange (B/E):

1. Amount of B/E differ with Invoice.
2. Not drawn on L/C issuing Bank.
3. Not signed
4. Tenor of B/E not identical with L/C.
5. Full set not submitted.

Commercial Invoice (C/I):

1. Not issued by the Beneficiary.
2. Not signed by the Beneficiary.
3. Not made out in the name of the Applicant
4. Description, Price, quantity, sales terms of the goods not corresponds to the Credit.
5. Not marked one fold as Original.
6. Shipping Mark differs with B/L & Packing List.

Packing List:

1. Gross Wt., Net Wt. & Measurement, Number of Cartoons/Packages differs with B/L.
2. Not market one fold as Original.
3. Not signed by the Beneficiary.
4. Shipping marks differ with B/L.

Bill of Lading/ Airway Bill (Transport Documents):

1. Full set of B/L not submitted.
2. B/L is not drawn or endorsed to the Order of UCBL Bank Ltd.
3. “Shipped on Board”, “Freight Prepaid” or “Freight Collect” etc. notations are not marked on the B/L.
4. B/L not indicate the name and the capacity of the party i.e. carrier or master, on whose behalf the agent is signing the B/L.

5. Shipped on Board Notation not showing name of Pre-carriage vessel/intended vessel.
6. Shipped on Board Notation not showing port of loading and vessel name (In case B/L indicates a place of receipt or taking in charge different from the port of loading).
7. Short Form B/L
8. Charter party B/L
9. Description of goods in B/L not agree with that of Invoice, B/E & P/L
10. B/L bearing clauses or notations expressly declaring defective condition of the goods and/or the packages.

Others:

1. N.N. Documents not forwarded to buyers or forwarded beyond L/C terms.
2. Inadequate number of Invoice, Packing List, and B/L & Others submitted.
3. Short shipment Certificate not submitted.

While checking the export documents following things must be taken in consideration

L/C Terms:

Each and every clause in the L/C must be complied with carefully and ensure the following:

1. That the documents are negotiated within the L/C validity, If a credit expires on a recognized bank holiday its life is automatically become valid up to the next working day.
2. That the documents value does not exceed the L/C value.
3. Draft/Bill of Exchange:

Draft is examined under:

1. Draft must be dated
2. It must be made out in the name of the beneficiary's bank or to be endorsed to the bank.
3. The negotiating bank must verify the signature of the drawer.
4. Amount must be tallied with the Invoice amount.
5. It must be marked as drawn under L/C No...Dated...Issued by.....Bank.

Invoice:

It is to be scrutinized to ensure the following:

1. The Invoice is addressed to the Importer
2. The full description of merchandise must be given in the invoice strictly as per L/C.
3. The price, quality, quantity, etc. must be as per L/C.
4. The Invoice must be language in the language of L/C.
5. No other charges are permissible in the Invoice beyond the stipulation on the L/C.
6. The amount of draft and Invoice must be same and within the L/C value.
7. If L/C calls for consular invoice, then the beneficiary's invoice is not sufficient.
8. Number of Invoice will be submitted as per L/C.
9. The shipping mark and number of packing list shown in the B/L must be identical with those given in the Invoice and other documents.
10. The Invoice value must not be less than the value declared in EXP Forms.
11. Invoice amount must be correct on the basis of price, quantity as per L/C.
12. Invoice amount; indicate sale terms/ in co terms VIZ FOB, CFR, CIF etc.
13. Consular Invoice must be stamped by the local consulate/embassy of the country to which the goods are imported.

Other documents:

- Beneficiary statement
- VISA/Export License issued by EPB
- Certificate of Origin
- Weight Certificate
- Packing List
- Inspection Certificate

Negotiating Bank will check the above documents whether it is as per L/C or not. If Negotiating Bank finds everything in order or as per export L/C; bank will negotiate the document and will disburse the generated fund as per Banks norms.

If the Negotiating Bank finds any discrepancies in the documents, they will send the documents on collection or they can negotiate under reserve by the request of the exporter or they can seek permission/Negotiation authority from issuing Bank to allow Negotiating Bank to negotiate the documents despite the discrepancies. L/C issuing Bank will inform the



matter to buyer, if the buyer accepts the discrepancies mentioned by Negotiating Bank, issuing bank will authorize the Negotiating bank to negotiate the discrepant documents

CHAPTER SEVEN

REMITTANCE OPERATIONS

7.1 MEANING OF REMITTANCE

The word “Remittance” originates from the word “remit” which means to transmit money fund. In banking terminology, the word “remittance” means transfer of fund one place to another. When money transferred from one country to another is called “Foreign Remittance”

7.2 IMPORTANCE OF FOREIGN REMITTANCE

Remittance plays a vital role in foreign reserve of the country and it’s the second largest source of foreign currency. Its importance can also be depicted as below:

- Prestigious Issue of collecting huge volume of remittance.
- Import Payment mitigation of the Bank.
- Increase of Bank Deposit.
- Help for the Wage Earners as well as Beneficiaries.
- Improve Health of Foreign Currency Reserve.
- Injection for the Economic Development of the Country

7.3 PURPOSE OF FOREIGN REMITTANCE

Necessities of foreign remittance arise by the expatriate Bangladeshi for the following purposes:

- Family Maintenance
- Treatment
- Education
- Business Development
- Marriage Expenditures
- Air Ticket /Visa Processing for wage earners /immigrants
- Haj Performance
- Gift and donations

- Land Purchase and development
- Construction of House Building or Commercial Complex
- Buying of Flat / Apartment
- Purchase of Plot from Real state Company.
- Sending installment against Flat /Plot booked at Housing fair in London, New York etc.
- Buying of USD dollar Investment /Premium Bonds.
- Back Home Remittance (People returned from aboard bag and baggage.)

7.4 TYPES OF REMITTANCE

Foreign remittance may be classified in to

- Inward Foreign Remittance.
- Outward Foreign Remittance.

Foreign Inward Remittance

UCBL has established remittance arrangements with a number of exchange houses to facilitate wage earners to remit their money to Bangladesh. This bank has already been in operation with UAE Exchange Centre LLC, Wall Street Exchange LLC, Trust Exchange, Route of Asia money Exchange Ltd, Instant Cash and Bangladesh Money Transfer, Al Ahalia Exchange Bureau. The extensive branch network of these Exchange Houses has been largely helping Bangladeshi expatriates working in the UAE, UK, Qatar, and Oman to transfer their funds speedily and efficiently through online network. UCBL is exploring further avenues of remittance from other countries such as Saudi Arabia, Malaysia, USA and Italy in the near future.

The Foreign Remittance department of UCBL Nawabpur Road Branch is equipped with a number of foreign remittance facilities. Following are the types of foreign remittance facilities offered by UCBL Nawabpur Road Branch.

- Issuance of Foreign Demand Draft (FDD)
- Collection of FDD

- Open foreign currency account
- Issuance of travelers Cheques (TC)
- Endorsement

Sources of inward Foreign Remittance:

- I. Export proceeds
- II. Remittance by emigrant Bangladeshi nationals working abroad
- III. Commissions ,fees etc. earned by local business people
- IV. Foreign loans and grants, donation and gift.

Outward Remittance: Outward remittance of funds be made by means of T.T. D.D. T.T. etc. the remitter has to deposit money along with the application contains name and address of the payee name of the currency etc. All outward remittances must cover the transactions approved by the Bangladesh Bank.

Sources of outward Foreign Remittance:

- I. Payment of import liabilities
- II. Payment of consular fees and commissions etc.
- III. Foreign travel quota through travelers Cheque/foreign currency
- IV. Educational expenses for students abroad/medical expenses and other purposes
- V. All other payments sent abroad in foreign currency.

7.5 DIRECT/INDIRECT REMITTER

There are different types of direct' indirect remitter. They are given below:

Wage Earners: Bangladeshi nationals working abroad both in private sector & in Govt. Sector.

Indenture: Indenting commission & Agency commission are received from suppliers who are Bangladeshi Nationals working abroad. Foreign Govt /Govt organization (UNO & others)

who have their own activities in Bangladesh say business; Embassy etc. can also remit to Bangladesh for meeting their expenses, salary etc.

Donor: Foreign Donors can only remit to Bangladesh through the Govt. Register Organization & institution etc.

Exporters: Export proceeds also remitted to Bangladesh against exporting of goods.

7.6 MECHANISM OF REMITTANCE

The mechanisms of remittance are given below:

- FCAD- Foreign currency A/C Dollar.
- FCAP
- PFC- Private foreign currency.
- FCAD- Exp. - Foreign currency A/C dollar export.
- NRO
- NRT- Non residence Taka.

7.7 INSTRUMENTS OF FOREIGN REMITTANCES

- Cash for : Dollar, Pound, France Fr. Riyal or any other currency.
- T.C. : Travelers Cheque.
- F.D.D : Foreign Demand Draft.
- T.T : Telegraphic Transfer, Cable transfer or swift transfer.
- M.T : Mail Transfer.
- I. MO : International Money Order.
- Cheque : By any person & institution.
- P.O : Payment Order.

7.8 REQUIRED DOCUMENTS FOR DIFFERENT TYPES OF REMITTANCE

There are different types of required documents for remittance. They are given below:

- Declaration form signed by the remitted for getting the WES benefit.
- ‘C’ Form to be filled in regarding purpose of remittance is required by the remittance from the remitter (for remitting exceeding US\$ 20,000/-)
- For export-EXP Form duly signed by exporter & other ERC, Invoice, AWB/BL & other documents.
- Indenting commission-Photo copy of valid RC turn over/VAT, Tax Registration certificate form must be submitted. Copy of previous month (paid VAT/Tax) treasure challan also)
- Donation-NGO Bureau’s permission & NGO registration Certificate to be obtained.
- If the remittance in the Form of Cash/TC is more than US\$ 5,000/- then the same to be declared in the Form of FMJ supplied by the custom Authority which is required to produce the bank at the time of encasement.

7.9 UCBL REMITTANCE SERVICE

UCBL provides remittance services through the following ways:

- Money Gram.
- VISA Remittance Card.
- Maintaining network with exchange houses.

Money Gram:

Money Gram International, Inc. is a United States based financial services company, headquartered in Minneapolis, Minnesota. Money Gram International offers products and services through a network of agents and financial institution customers. Money Gram International provides money transfer services, money orders, and bill payment services to consumers. Money Gram has more than 152,000 locations in 180 countries and territories.

United Commercial Bank has recently been appointed as one of the official locations of Money Gram in Bangladesh for providing money transfer services. The service will be provided through all the branches of United Commercial Bank Ltd.

VISA Remittance Card:

Remittance card is a revolutionary product of United Commercial Bank and it is also the first time in Bangladesh, it acts like a debit card but it is different than debit cards. Usually debit cards are issued against a bank account number and the withdrawal amount are debited from the customer's account when a card is used on an ATM or POS.

On the contrary in case of Remittance Card there will be no need to open or maintain a bank account with UCBL. The remitted amount of money will be directly credited to the card account. It will fulfill the purpose of quick money transfer from non-resident Bangladeshi (who are working abroad) to their relatives in Bangladesh.

- Beneficiary can draw remitted amount sent to him by using this card.
- Money transfer within a short time
- Easy to use & Carry.
- No need to rush to the bank branches.
- Useable at all ATMs bearing Visa Logo.
- 24 Hours day night cash drawing facility
- More than 400 ATM accessibility countrywide
- More than 15,000 shopping outlet countrywide
- Accepted everywhere displaying VISA sign
- No annual fee for card uses
- Discount at selective shops & restaurant
- Card Cheque facility

Maintaining network with exchange houses:

United Commercial Bank maintains a strong network with the Exchange Houses worldwide for ensuring better remittance services for its customers. The Bank having a network of 30 branches has established remittance arrangements with a number of exchange houses to facilitate wage earners to remit their money to Bangladesh. The following is the list of exchange houses having arrangement with United Commercial Bank Ltd.

Exchange House Name	Service Available	Presence
UAE Exchange Centre LLC web: http://www.uaexchange.com	1. Taka Draft Arrangement 2. EFT Using XPIN 3. TT Arrangement	Global
Wall Street Exchange Centre LLC web: http://www.wallstreetcorp.com	1. TT Arrangement	UAE
Instant Cash Worldwide Ltd.	1. Taka Draft Arrangement	Global Locations List
Al Ahalia Money Exchange Bureau	1. TT Arrangement 2. Taka Draft Arrangement	UAE
Route of Asia Money Exchange Ltd.	1. TT Arrangement	UK
Bangladesh Money Transfers (UK) Ltd.	1. TT Arrangement	UK
Instant Exchange UK Ltd.	1. TT Arrangement	UK
Money link UK Ltd. web: http://www.moneylinkuk.com/UCBL	1. TT Arrangement	UK

Table 7-1: List of Exchange House

7.10 FOREIGN DEMAND DRAFT (FDD)

The foreign bank/exchange company on local bank usually issues foreign Demand Draft. It is an order to pay a certain sum to a certain person or as his instruction, issued by the bank on its overseas branch or on its correspondent bank. The demand draft is handed over to the purchaser who sends it to the beneficiary. The beneficiary obtains payment on presentation to the bank on which the draft is drawn.

Encashment of FDD may take place in two ways-

- 1) Issuance
- 2) Sending for collection.

Issuance of FDD:

UCBL issues the Foreign Demand Draft for the charges for TOEFL, SAT, GMAT, registration fee, membership fee and also for the application or processing fee for the student who are interested to study abroad. UCBL opens Student Files to issue Foreign Demand Draft following the permission of Bangladesh Bank. Before issuance of FDD, UCBL asks the students to fill up the TM Form; which contains the following particulars-----

- Name of the student
- Full address of the student
- Amount of FDD in Foreign Currency
- Purpose of Remittance
- Address of the Institution to which the FDD will be favored
- Country receiving payment
- Passport no. of the student with date of issue
- Signature of the student

The TM Form is sent to Bangladesh Bank with photocopies of the Passport of the student and the FDD issued.

- Commission for issuance of FDD @ Tk.500.
- Commission for Cancellation of FDD @ Tk.500.

Collection of FDD:

If a person has FC account with our branch and he received remittance from another bank then it is sent for collection to the branch of the bank on which it is drawn. It is sent to UCBL Head office through Bangladesh bank clearing house.

7.11 FOREIGN CURRENCY A/C (FC)

All local and foreign banks in Bangladesh, who are authorized by Bangladesh bank to deal in foreign exchange, may maintain FC (Foreign Currency) accounts in the name of Bangladesh nationals or persons of Bangladesh origin working and earning abroad including self-employed Bangladeshi migrants.

There are several types of FC account. This are-

- I. Private foreign currency account
- II. ERQ (Exporters retention quota account)
- III. NFCD (Non-resident foreign currency deposit account)
- IV. RFCD (Resident foreign currency account)

UCBL Nawabpur Road branch issues exporters retention quota account and resident & non-resident foreign currency deposit account. Before opening FC account the officer checked the following thing of the prospective account holder-

- I. The account holder is a Bangladeshi national.
- II. He is ordinarily resident abroad.
- III. He does not receive any foreign exchange from Bangladesh source.

Procedures of FC account:

- a) Account can be opened on bank prescribed form by person going abroad with attested photocopy of first 7 pages of valid passport and valid visa. Wage earners living abroad may open accounts by sending the account opening form duly filled in and attested by the Bangladesh mission abroad.
- b) Photocopy of work permit.

- c) Accounts may be opened in US dollar, Pound-sterling or Euro at the option of the prospective account holder desires.
- d) Accounts can be operated by the account holder or any other person in Bangladesh nominated in writing by the account holder to the bank.
- e) Where account is operated by nominee, letter of authority for operation by nominee is to be furnished by account holder along with three passport size photographs and specimen signature on signature card of nominee duly attested by account holder.
- f) Foreign currency instruments like bank drafts, traveler's cheques or bank notes can be deposited with the accounts. Deposits can also be made by sending remittance from abroad in the form of TT by account holders themselves. Over and above funds sent by other wage earners may be placed to the credit of such account.
- g) Funds in foreign currency account are freely transferable from one foreign currency account to any other foreign currency account at the request of account holder or his nominee.
- h) Eligible persons may also open such FC account even after their return but within 6 (six) months of the date of return to Bangladesh.

Issuance of traveler's cheque:

For traveling purpose each person has a yearly foreign currency quota as follows:

Particulars		In cash	In TC	Total
For outside SAARC countries		\$2000	\$1000	\$3000
For SAARC Countries	By road	\$500	\$500	\$1000
	By air	\$700	\$300	\$1000

The yearly quotas are mutually exclusive to each other. But for the FC A/C hold a special advantage is prevailing there and that is the person can get TC for any amount as much as his FC A/C balance permits.



First, the party will fill up the form (purchase agreement) and sign it. Again he will sign the T/M form. After that the banker will endorse the party's passport and ticket declaring the amount of foreign currency issued in cash and in the form of TC.

Endorsement:

UCBL endorses US Dollar in passports. To endorse US Dollar, the client has to apply in the prescribed form (TM Form).

7.12 MINIMUM LIMIT FOR REMITTANCE

As money laundering activities may become easier under cover of legality derived from the approved drawing arrangement, the minimum yearly limits for inward remittance under drawing arrangement presently remain prescribed for some countries. Region/country wise yearly limits are hereby revised as under:

Country/Region	Previous limit	Present prescribed limit
1. USA	USD 3.00 million	USD 3.00 million
2. UK	UKP 2.00 million	UKP 2.00 million
3. Italy	-----	EUR 2.00 million
4. Canada	USD 2.50 million	USD 2.50 million
5. Middle East (KSA, UAE, Qatar, Oman, Bahrain, Kuwait)	-----	USD 3.00 million
6. Middle East (other countries)	-----	USD 1.50 million
7. Other countries/Region	-----	USD 1.50 million

Table 7-2: Top Remittance Recipient Countries

7.13 RESONS FOR BEING DELAY OF CREDIT OF THE BENEFICIARY'S ACCOUNT OF FOREIGN REMITTANCE

Following are the reasons which play role in delaying the Credit of the Beneficiary's Account of Foreign Remittance:

A. Errors made from Remitters /Remitting Company

1. Wrong Account Number given in the advice.
2. Wrong Beneficiary Name given in the advice.
3. Wrong Bank Location mentioned in the advice.
4. Wrong Beneficiary's Bank Name and Branch

B. Bank Processing Delay

5. Shortage of Funds.
6. Power Failure
7. Lack of uninterrupted Internet Facilities
8. Rough Tele Communication
9. Wrong detailed written in the DD by SB, JB and Agrani Bank

C. Delay made by Beneficiary's Bank

10. International delay made by the beneficiary's Bank officials
11. Misplaced the instrument at the counter of Beneficiary Bank.
12. Non receipt of Advices against the issued Instrument (SB, JB, Agrani)
13. Wait for passing voucher against Instrument Received.
14. Shortage of Funds in Sonali Bank at rural area Branches.
15. Unable to produce correct PIN # Reference.
16. Unable to Produce Proper ID. Unavoidable Reasons
17. Courier delivery fault due to rough communication and miss delivery.
18. Any Natural Calamities (Tornado, Cyclone, Earthquake)
19. Due to holiday.

7.14 RISK FACTORS IN FOREIGN REMITTANCE SERVICES

Followings are the risk factors faced by the bank in foreign remittance services:

1. Matching /Checking Nostro Cover Funds against remittance advices.
2. Applied actual exchange rate for cover funds.
3. Compliance of regulations :
 - a. Anti Money Laundering Law
 - b. NI- Act -1880
 - c. FX Guidelines etc.
 - d. Any regulations of Govt.
4. Sot-out of Payment Instructions to be completed and delivered in the due time.
5. Disbursement of payment may be duplicated.
6. Non execution of Payment Instructions
7. Amount may be similar denomination (more or less 10000/100000)
8. Typing error of A/C no, Amount or Beneficiary's Name etc.
9. Payment may go in wrong Bank (Pubali Bank instead of Rupali Bank)
10. Branch name may be wrong (Rupali Bank Kuruwa instead of Kuwra Branch)
11. Reconciliation of nostro account as well as Accounts with AB/SB Bank LTD.
12. Management Report must be accurate for better decision.

7.15 RELEVANT TOPICS TO REMITTANCE

Before discussing foreign remittance and outward remittance, we have to no some relevant tropics in brief;

Authorized Dealer (AD) Branches: Authorized dealer branches of the bank are those who are permitted by the Bangladesh Bank to deal in foreign exchange business subject to the fulfillment of foreign exchange rules and regulations of the country.

Agency Arrangement: Agency arrangement may be made between local bank and foreign bank to facilitate foreign exchange business throughout the world. However, in case of agency arrangement accounting relationship may or may not be made.

Drawing Arrangement: Drawing arrangement is made to facilitate remittances through concluding accounting relationship between a bank & corresponding bank or exchange house.

NOSTRO Account: The account that is maintained in another bank in foreign by the local bank is known as NOSTRO account.

VOSTRO Account: The account that is maintained in local bank by the foreign bank is known as VOSTRO account.

LORO Account: When the third party maintains account is known as LORO

CHAPTER EIGHT

- SWOT ANALYSIS

SWOT Analysis of United Commercial Bank Limited

SWOT is an acronym for the internal **strength** and **weaknesses** of a firm and the environmental **Opportunities** and **Threats** facing that firm. So if we consider United Commercial **Bank** as a business firm and analyze its **strength, weakness, opportunity** and **threat**, the scenario will be as follows:

Strength	Threats
Energetic as well as smart team work.	Major involvement in recovery of irregular loan.
Good Management	Existing card services of Dutch Bangla Bank
Cooperation with each other	Multinational banks
Usage of faster pc bank software	There is no fair recruitment system
Membership with SWIFT	Delay for approval of some corporate clients' proposal.
Strong Financial Position	Upcoming banks
Online Banking, SMS banking and alert banking Services	Advertisement & Promotion of Competitive Banks
Strong position in CAMEL rating.	Weakness
Contract with the largest ATM network of Bangladesh	Lack of own ATM services.
Opportunity	There is no SME service center
Good banker-customer relationship	Lack of necessary logistic support from head office.
Opportunity to earn more by brokerage houses.	Use of slower pc pack software
Growth of sales volume	Lack of proper motivation, training and job rotation
Market is expanding	
Diversification of Products & services	Lack of experienced employees in junior level management.

CHAPTER NINE

- FINDINGS
- RECOMMENDATIONS
- CONCLUSION

FINDINGS

During my internship period in the United Commercial bank, I have worked in Nawabpur Road branch for three months. During this period I have found that:

- ❑ All the employees of this department are skilled, active, self-motivated and absolutely friendly to the clients.
- ❑ There is no foreign exchange manual in UCBL.
- ❑ Marketing for foreign exchange business demands special importance and extensive research as the product is different but there is a lacking of this in the bank.
- ❑ A notable number of L/C's were opened to import goods from the neighboring country India through different land ports.
- ❑ Most of the importers of the branch are enjoying limit facility from the bank.
- ❑ Different marketing and research cell is not available for import section.
- ❑ UCBL estimates only the annual amount of L/C opening. Quarterly performance is not considered.
- ❑ Lack of promotional initiatives to expand the foreign exchange business specially the import L/C service.
- ❑ UCBL cannot attract most of the foreign organizations and MNC's working in our country. Generally they take the services from other foreign banks.
- ❑ Doing desk work, the employees of the bank have to take part marketing for the bank. That creates more pressure for the employees.
- ❑ The number of employees of the department is not sufficient.
- ❑ They always emphasize on customer satisfaction.
- ❑ The employees are not satisfied with the logistic support provided by the bank.

- ❑ The training programmed of the bank is not so effective.
- ❑ Profit is more important than their employees' benefit.
- ❑ The filing system of branch is not well decorated, as a result is not found quickly.
- ❑ The recruitment system of the bank is not well organized.
- ❑ Though employees' working hour is 9am to 5 pm, but they have to work more than 5 pm (most of the times up to 8pm). But the authority does not paid any over-time work payment.

RECOMMENDATIONS

We all know that there is always room for improvement and sky is the limit. Even though the Foreign Exchange services that United Commercial Bank is providing is top notch, there is more they can do in order to make their services even better and of international standards. Given below are some recommendations that the Bank may benefit from,

- Increase the number of Nostro Accounts:

Nostro Accounts are Foreign Currency accounts that the banks hold with foreign Banks operating in different countries. If they increase the number of such account then, payments for L/C could be easily made through those accounts rather than forwarding the foreign currency through other foreign banks, which results in higher expenses.

- Automation:

United Commercial Bank has already brought software called Temenos Global, famous banking software which is now being implemented to all of its branches. Some further simplification and modification to the software might actually help the bank gain momentum in providing international trade services like Export, Import and Remittance.

- Increase Limit on L/C Value

Every LC has limits on its total value, imposed on them according to the Bangladesh Banks regulations, and based on the risk factors. However the Banks stills has the authority to make some changes to the limit within a certain specified range. Hence, if United Commercial Bank is more flexible than it can open more L/C's with higher values thus increasing their profitability; however in this case they would be taking more risk.

- Rate of interest on LTR

Payments for L/C's could also made through pre arranged credit facilities that the customer may have with the Bank. Usually, the rates of interest on these credits are excessively high which actually discourages the customers. Reducing interest on such credit facilities would actually induce the clients to do more global trade thus increasing the banks profit as well as the well being of the country's Economy.

- LC margin BB

Before opening an L/C a customer is required to pay the bank a certain percentage of the total L/C value in advance, called the margin. If United Commercial Bank reduces the rate of margin then perhaps they can attract more customers. At the moment, Companies with good relationship with the banks only benefits with lower margin level over others.

- Reduce Charges

In order to do any kind of foreign trade whether be it Remittance, Export or even Import charges are applicable everywhere. Charges includes, SWIFT charges (Charge for sending the L/C electronically), Document Handling Charges, Stamps Charges as well as VAT. If such charges could be reduced people United Commercial Bank will definitely attract more customers.

- Relax restriction on certain products

United Commercial Bank has put some restriction on the import of certain products due to bad experience form the past. If they could ward of their fear and start importing such products again they would definitely be adding few more figures to the banks profit.

CONCLUSION

Every year the foreign transaction of United Commercial Bank Ltd has been on the rise contributing more and more to the country's economic growth. And in the last few years were no different with significant rise in remittance. However the didn't show any signs of restrains and neither did it show any changes in terms of commodities being traded, as the volume of trade kept on increasing.

No matter whatever the challenges are in the area of Foreign Trade, United Commercial Bank is fully equipped to face any obstacle. For the last Year they have hold the Number 2 position in the Bangladesh Banks CAMELS rating and hopes to be on top this year a. As the economy of Bangladesh is increasing so is the country foreign trade and United Commercial Bank have always played its role in making sure that things go smoothly. However, since sky is the limit, the bank is still evolving every day striving to provide its Foreign Exchange customer and others with the best possible service.

Export, Import and Remittance are all showing positive trends even after the global challenges that we are facing today. Hyped fuel and rice price all over the world along with the country's own political instability couldn't bring down the nations economy and 2010 still seems to be another promising year for us.

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APPENDICES

Appendix-1

ACRONYMS

A/C	: Account
B/E	: Bill of exchange
B/L	: Bill of Lading
BTB	: Back to Back
CIB	: Credit Information Bureau
CAMEL	: Capital Adequacy, Asset Quality, Management quality, Earning & Liability
CCI & E	: Chief Controller of Import & Export
CAD	: Cash against Document
CFR	: Cost & Fright
CIF	: Cost Insurance & Freight
CRF	: Clean Report of Finding
DA	: Documents against Acceptance
DP	: Document against Payment
EXP	: Export Form
ERC	: Export Registration Certificate
EPB	: Export Promotion Bureau
EPS	: Earning Per Share
FDBP	: Foreign Document Bill Purchase
FDBC	: Foreign Document Bill Collection
FDD	: Foreign Demand Draft
FC A/C	: Foreign Currency Account
FOB	: Free On Board
FER	: Foreign Exchange Regulation
FTT	: Foreign Telegraphic Transfer
ID	: International Division
IBCA	: Inter Branch Credit Advice
IBDA	: Inter Branch Debit Advice
IDBP	: Inland Documentary Bill for Purchase

ITC : International Trade Control

IRC : Import Registration Certificate

L/C : Letter of Credit

LCAF: Letter of Credit Authorization Form

LIBOR: London Inter Bank Offered Rate

LIM: Loan against Imported Merchandise

LTR: Loan against Trust Receipt

UCBL: United Commercial Bank Limited

OD: On Demand

PC : Packing Credit

PRC: Proceed Realization Certificate

PAD: Payment against Documents

PI : Pro-forma Invoice

SWIFT: Society for Worldwide Inter bank Financial Telecommunication

TIN: Tax Identification Number

UCPDC: Uniform Customs & Practice for Documentary Credit

SWIFT: Society for World Wide Inter Bank Financial Tale Communication.

NOSTRO A/C: Our A/C with You I.E. Out A/C with American Express

TT: Telegraphic Transfer

OD: On Demand

MT: Mail Transfer

PFC: Private foreign currency.

FCAD: Foreign currency A/C dollar export.

NRO: Non residence dollar.

Appendix-2

Original

Sample of L/C

Irrevocable Documentary Letter of Credit No. 1550 070- ----	Date : --,--,2007
--	--------------------------

<p><u>Beneficiary:</u> Name..... Address..... </p> <hr/> <p>AMOUNT: USD _____ (US. Dollar Only. C F R Dhaka/Chittagong.</p> <hr/> <p>EXPIRY:--,--,2007 In.....(Beneficiary Country Name)</p>	MAIL TO →	<p><u>Advising Bank:</u> Name..... Address..... </p> <hr/> <p>Please advise the Original to the Beneficiary</p> <ul style="list-style-type: none"> * Without adding your confirmation. * Freely Negotiable
---	----------------------	---

Dear Sirs,

At the request of Messer's: **(Applicant Name & Address) Bangladesh.**

We do hereby establish our Irrevocable Documentary Letter of Credit in your favor for the amount as stated above available by your drafts drawn on us **at 120 Days Sight** without recourse for full invoice value of shipment(s) purporting to be: **Accessories for Readymade Garments Industry:** Description, Quality, Quantity, Unit Price, Specification as per Pro-forma Invoice No. 12434 dt.11.04.2007, C F R Dhaka/Chittagong of the Beneficiary.

1.Accompanied by the following documents with conditions mentioned hereunder:

- a. Your signed invoice in octuplicate certifying merchandise to be of Malaysia Origin.
- b. Full set of original clean shipped on board ocean **Bills of Lading/Airway Bill** Ltd., Elephant Road Branch, Dhaka, Bangladesh showing "Freight Prepaid" and marked notify openers and us giving full name and address.
- c. Insurance covered by openers. All shipment under this credit must be advised by the beneficiary



immediately after shipment direct to M/S Janata Insurance Co. Ltd., Head Office Booth, 125, Motijheel C/A, Dhaka, Bangladesh and the openers referring to Cover Note No. JIC/HOB/MC-02/02/2007(Open) DT. 07.02.2007 giving full details of shipment. A copy of this advice shall accompany each set of documents.

- d. Documents evidencing Shipment(s) from **Any (Beneficiary's Country) Port/Airport to Chittagong/Dhaka, Bangladesh by Sea/Air.**
- e. **Bills of Lading/Airway Bill** must be dated not later than **---.2007.**
- f. Documents must be negotiated within **15** days from the date of shipment, but not later than expiry date.
- g. Partial Shipment : **Allowed** Transshipment : **Allowed**

2. Other terms and conditions:

- a. L/C Authorization Form No. **PBL-42356, IRC No. BA-122872,** and H.S. Code No. **6217.10.00,** Contract No. **AAL-ASDA-01/07 dt.13.03.2007, 108019449117-S Dt.03.04.2007 and Credit No. 155007060331 Dt.13.05.2007** shall appear on all documents.

Cont'd---P/2

Page—2

- b. Certificate of origin from Chamber of Commerce is required.
- c. Documents must not be drawn in excess of the credit value.
- d. Packing List required in 06(six) copies.
- e. Documents evidencing shipment must not be dated earlier than the date of opening of this credit.
- f. Documents must not be drawn in excess of the credit value.
- g. Shipments on Iraq/ Israel/ Serbia/ Montenegro Flag vessels are prohibited and a certificate from Master of vessel/Shipping Company/Agent is required to this effect.
- h. Third Party/Short Form/Stale/Charter Party B/L/AWB are not acceptable.
- i. One full set of Non-negotiable documents with details packing list, B/L/AWB to be Faxed to the opener right after shipment and also sent by DHL/EMS within 7(seven) days of shipment. Related Fax confirmation and courier receipt must accompany the original shipping documents.
- j. Pre Shipment Inspection certificate issued and signed by the authorized representative of the beneficiary regarding quality, quantity, specification of the merchandise conform to L/C /Pro-Forma invoice and his signature to be verified by the beneficiary's bank should accompany the original shipping documents.
- k. Forwarder House B/L/AWB is also acceptable, provided that main line carriers agent at discharge port shall be shown in house B/L/AWB as delivery agent and none else.
- l. A certificate issued by shipping line/agent of carrier at loading port should confirm that carrier agent



at discharge port has been shown in the forwarder house B/L/AWB as delivery agent and a copy of house B/L/AWB is given to the carrier at the time of loading.

- m. A satisfactory credit report of beneficiary from negotiating bank must accompany with the original shipping documents.
- n. USD 60.00 or equivalent to be deducted for each presentation of discrepant documents from the bill amount.

(Except so far as otherwise expressly stated herein this Credit is subject to UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1993 REVISION) ICC PUBLICATION NO. 500)

Draft(s) must be marked "Drawn under United Commercial Bank Limited" Credit No. **1550 0706 0---**. We hereby agree with drawers, endorses and bonafide holders of drafts drawn under and in compliance with the terms of this credit that the same shall be duly honor on maturity.

INSTRUCTIONS FOR NEGOTIATING BANK MARKED:

- a. Amount of Drafts (s) negotiable should be endorsed on the reverse of this credit.
- b. All charges outside Bangladesh will be on account of the beneficiary.
- c. Usance period should be counted from the date of negotiation for in order documents or from the date of acceptance for discrepant document.
- d. Upon receipt of original document and in conformity with credit terms, we shall effect payment on maturity as per instruction of negotiating bank.

Yours Faithfully,

Authorized Signature

Authorized Signature

136, Elephant Road, Dhaka, Bangladesh. Ph: 9662776-7, 8622592, Fax No. 880-2-8622591, SWIFT: PRBLBDDH011

Head Office: 119-120, Motijheel C/A, Dhaka, Bangladesh, SWIFT: PRBLBDDH

Fax: 88-02-9567230, 88-02-9560977,

Appendix-3

TOP REMITTANCE RECIPIENT COUNTRIES					
Country	Remittances 2004	Remittances 2006	Remittances 2007	Remittances* 2008	Remittances 2009
<u>India</u>	\$21.7 billion	\$26.9 billion	\$27 billion	\$45 billion	\$55.06 billion
<u>China</u>	\$21.3 billion	\$22.52 billion	\$25.7 billion	\$40.5 billion	n.a.
<u>Philippines</u>	\$10.7 billion	\$12.7 billion	\$14.4 billion	\$16.4 billion	\$17.3 billion
<u>Mexico</u>	\$21.7 billion	\$25.6 billion	\$26.1 billion	\$25.1 billion	\$21.2 billion
<u>Poland</u>	\$12 billion	n.a.	\$12.5 billion	\$13.75 billion	n.a.
<u>Bangladesh</u>	\$4.2 billion	\$ 5.5 billion	6.6 billion	\$9.0 billion	\$10.7 billion
<u>Pakistan</u>	\$4.2 billion	\$5.1 billion	\$6.0 billion	\$7.0 billion	\$8.7 billion
<u>Morocco</u>	n.a.	n.a.	\$5.70 billion	\$6.7 billion	n.a.

Table 7-2 :Top Remittance Recipient Countries



Appendix-4

UCBL Remittance receive Form

Pin No:.....

ID:.....

Amount:.....

Receiver's Name:.....

Sender's Name:.....

Phone No:.....

Address:.....

Appendix-5

ARTWAY ENTERPRISE LIMITED

ROOM NO.8012, NO.72 CHENGGONG BUILDING, LUXUN ROAD, DALIAN, CHINA.

PROFORMA INVOICE

SALES BY ORDER AND FOR ACCOUNT AND RISK MESSRS. ETAFIL ACCESSORIES LTD. PLOT NO.129,130,132, BHADAM, NISHATNAGAR, TONGI,GAZIPUR-1711 BANGLADESH	DATE February 18, 2009 INVOICE NO. DLAE09018
---	---

SHIPPED FROM DALIAN, CHINA TO CHITTAGONG, BANGLADESH

MARKS&NOS	DESCRIPTION	QUANTITY	CNF CTG	TOTAL
100% SPUN POLYESTER	100% SPUN POLYESTER		UNIT PRICE	USD
SEWING THREAD,	SEWING THREAD	KGS	USD/KG	
AIR SPLICER				
BRAND: COMPASS				
MADE IN CHINA				

40/2	R/W	8,000.00	2.52	20,160.00
50/2	R/W	12,000.00	2.74	32,880.00
20/6	R/W	5,000.00	2.25	11,250.00
TOTAL			5,000.00KGS	USD: 64,290.00

SHIPMENT BY SEA THE LATEST APRIL 15, 2009

PORT OF LOADING & DESTINATION DALIAN, CHINA TO CHITTAGONG

PAYMENT BY IRREVOCABLE L/C AT SIGHT IN FAVOUR OF US TO OUR BANK
SHENZHEN DEVELOPMENT BANK CO., LTD.

DALIAN BRANCH, CHINA

NO.5 YOUHAO SQUARE, DALIAN, CHINA

SWIFT CODE: SZDBCNBSDLB

ACCOUNT NO. OSA11008372975201

INSURANCE: BY BUYERS

REMARKS: 1) PARTIAL SHIPMENT: NOT ALLOWED

2) ORIGIN: CHINA (P.R.C)

3) +/- 5% OF QUANTITY AND AMOUNT ALLOWED

ACCEPTED BY:

FOR: ARTWAY ENTERPRISE LTD.

Kevin

UJE/cdo/Ho-0415/03/2009 27th 25.09.09



S M TRADE *International*

Phone : 91-1552-070

C.S.T. No. : 1971-1552-264

W.B.S.T. No. : 1971-1552-167

COUNTRY OF ORIGIN OF MERCHANDISE

BENEFICIARY'S CERTIFICATE

RE: LETTER OF CREDIT NO. 2227-10-01-0007 DT 14-02-2010, AMENDMENT-30-03-10

IMPORTER: M/S SML TRADE INTERNATIONAL

8C BNS CENTRE (2ND FLOOR), UTTARA, DHAKA, BANGLADESH
BEING IMPORTED UNDER LC NO: 2227-10-01-0007 DT 14-02-2010, H.S CODE NO. 3921.90.20. C.C.I&E REGISTRATION NO. BA-0186362, AND LCAF NO. 017462. TIN NO. 228-109-7046, VAT REG NO.: 5111086748/50301
PROFORMA INVOICE NO. SMT/ PI-17//09-10, DATED 06-02-2010

PLASTIC MULTILAYER EXTRUDED SHEET (EXPANDED)-WHITE COLOUR

WE HEREBY CERTIFY THAT ABOVE MATERIALS ARE EXPORTED TO BENAPOLE PORT VIA PETRAPOLE, WEST BENGAL. TOTAL PACKINGS ARE 48 NOS. IN EACH AND EVERY HDPE SACK BAGS OF THE MERCHANDISE WE HAVE MENTIONED COUNTRY OF ORIGIN CLEARLY

For S M Trade International
S. M. Trade International
Somnath Chatterjee
Authorized Signatory

Authorized Signatory

For Mutual Trust Bank Ltd.
Gulshan Branch
Mamunul Amin
Authorized Signature
Officer, PA No. 306
Mutual Trust Bank Ltd.
Gulshan Branch, Dhaka.

M. Anisur Rahman
Authorized Signature
Officer, PA No. 306
Mutual Trust Bank Ltd.
Gulshan Branch, Dhaka.

Registered Office

53, 'K' Road, Belgachia,
P.O.-Dasnagar,
Howrah-711105.
West Bengal, India

Telephone : 91-33-2651-3444 /6046 /6085
Fax : 91-33-2651-7989
Mobile : 91-9831122362
91-9339617602

E-mail : somnath123@vsnl.net
E-mail : timex@vsnl.net
E-mail : smtp230@dataone.in



