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A WORKING REPORT ON EXPORT DEPARTMENT OF PRIME BANK LIMITED

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Independent University, Bangladesh

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A WORKING REPORT ON EXPORT DEPARTMENT OF PRIME BANK LIMITED

By
Md. Salahuddin
ID: 0630129

An Internship Report Presented in Partial Fulfillment
Of the Requirements for the Degree Bachelor of Business Administration (BBA)

INDEPENDENT UNIVERSITY, BANGLADESH
May 02, 2010

A WORKING REPORT ON EXPORT DEPARTMENT OF PRIME BANK LIMITED

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Has been approved
May 02, 2010

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May 02, 2010

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Abdullah Al Aabed

Lecturer, Finance

School of Business

Independent University, Bangladesh (IUB)

Subject: Submission of internship report.

Dear Sir:

Please find herewith my internship report titled **“A Working Report On Export Department Of Prime Bank Limited”**. I have prepared this report as part of my internship program. The report has been compliant as per your requirement and those set by the host organization. The internship project has given me the opportunity to explore one of the most important aspects of the financial institution – Growth and Prospect of deposit mix and expand my knowledge thereby.

The report starts with an inclusive overview of Foreign Exchange Department of PBL. It contains detailed description Export and different types of L/C.

I ardently hope that this paper will live up to your expectation and you will appreciate my efforts.

With kind regards,

.....
Md. Salahuddin
ID# 0630129

Acknowledgement

First of all, I would like to thank to Almighty Allah for letting me finish my internship report timely.

I would like to express my gratitude to my academic supervisor Abdullah Al Aabed from the core of my heart for her kind support, guidance, constructive supervision, instructions, and advice and for motivating me to do this report.

I would also like to thank my Organizational Supervisor Abdullah All Mamun, Senior Executive Officer of Prime Bank Limited, Gulshan branch for his guidance. I am also grateful to the employees of Gulshan Branch specially Export department for their cordial acceptance. They have been very helpful in showing me the work process and provided relevant information for my report whenever I approached. They never hesitated or did not feel disturbed when I asked questions. It was a great opportunity to do internship in such an organization. The experiences I have gathered will be very beneficial for building my career.

Special thanks go to Sumya Faiz, Officer, for being patient with me, and introducing me to different sections of exports.

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Chapter 01

1.0 Origin of the report

As a part of my internship program I chose this topic for my working report and it has been approved by my internship supervisor Mr. Abdullah Al Abed as well as my company supervisor Mr. Abdullah All Mamun. I chose this topic mainly because of two reasons. First of all, I was assigned to the export department for my entire internship period and secondly, I got the responsibility of half monthly and monthly reporting of export form (exp form) to Bangladesh Bank., which covered a huge area of workings. So a working report in this topic will reflect my leanings and experiences I gathered in my internship period in best ways.

1.1 Objective of the report

1.1.1 Primary objective:

- To give an idea about my workings during the internship period
- To give an idea about my leanings during the internship period.

1.1.2 Secondary objectives:

- To give an overview about the export procedure, done by the bank.
- To find out and provide recommendation for the internal and external lacking in the daily operations that would help Prime Bank for more progress.

1.2 Sources of information:

1.2.1 Primary sources:

- Face to face conversation with officers on export department
- By interviewing L/C customer at PBL, Gulshan branch and
- Daily activity conducted by me at the bank.

1.2.2 Secondary source:

- Different websites.
- Journals and publications

Chapter 02

2.0 Prime Bank Ltd.

2.0 Prime bank Ltd.

Bank is a financial institution that provides services related to money. Since bank operates in the service industry having a strong customer relationship is of utmost importance. Prime

Bank Ltd has been operating in this industry since 1995 and belongs to the second generation of private banks to be incorporated since the independence of Bangladesh. Today it holds's the No. 1 position in the CAMEL rating conducted by Bangladesh Bank. And in this report we will try to figure out what sort of management approach actually helped Prime Bank to achieve this position.

The Banking sector in Bangladesh has gone through tremendous changes over the last few decades as the sector became more competitive with the inclusion of many new private banks, each coming up with its own unique scheme of services. As competition rose, Prime Bank also had to come up with its own unique managerial approach to keep up with the pace.

Prime Bank Ltd. has already made significant progress within a very short period of its existence. The bank has already occupied an enviable position among its competitors after achieving success in all areas of business operation. The bank offers all kinds of Commercial, Corporate and Personal Banking services covering all segments of society within the framework of Banking Company Act and rules and regulations laid down by our central bank. Diversification of products and services include Corporate Banking, Retail Banking and Consumer Banking right from industry to agriculture, and real state to software.

Chapter 03

3.0 Operational process in Prime Banks Export department

3.1 Foreign exchange Department

Foreign exchange Department is one of the most important divisions of a commercial bank. This division works globally whether it is a division of a local bank or a foreign bank. This is the department which facilitates international trade through its various modes of services, bridges between exporter and importer, and if the branch is authorized dealer in foreign exchange market it can remit foreign currency from local country to foreign country. 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.

3.1.1 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

3.1.2 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

The International Division placed at the Prime Bank's head office at Motijheel is the backbone of all international transaction that is conducted through the various branches of the bank. A total of 42 branches of Prime 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 out cross border transaction demanded by the customers.

The functions of such Foreign Exchange Department can be divided into three sections:

- Export Section
- Import Section, and
- The Foreign Remittance Section

3.2 Export

Export is the flow of goods purchased by the economic agent staying abroad from economic agent staying in the country. On other words export can define as a means to sell goods to foreign countries from the local country. Normally different types of business organization (such as, garments, poultry, and tannery) export goods to different countries.

Export department of the foreign exchange department helps business to export goods. When a foreign buyer wants to buy goods from a seller of different countries, he must open a letter of credit (L/C) on a bank in his own country (there is a brief discussions

about L/C in the later part of this report). Then the foreign bank gives confirmation to the local bank (in which the exporter has an account or export L/C account, or with which the foreign bank has collaboration) that the importer opened an import L/C and the bank is now bounded to pay the exporter the amount said in L/C. Local bank then convey this confirmation message to the exporter so the exporter can start the export procedure.

3.2.1 Letter of credit

From the previous discussion we can say that L/C is the most important part of a foreign exchange trade.

Letter of Credit is a guarantee or undertaking or commitment to the beneficiary/exporter for making payment issued by the issuing bank on behalf of the importer upon fulfillment of some conditions. Central Banks, therefore assure these things to happen simultaneously by opening Letter of Credit guaranteeing payments to seller and goods to buyer. By opening a Letter of Credit on behalf of buyer in favor of seller, commercial banks undertake to make payments to a seller subject to submission of documents drawn on in strictly compliance with Letter of Credit terms giving title of goods to the buyer. It is a conditional guarantee. The Letter of Credit thus constitutes one of the most important methods of financing foreign trade. In the Import Policy Order 2003-2006 Letter of Credit denoted as – “Letter of Credit” means a letter of credit opened for the purpose of import under this Order’

The expression “Documentary Credit(s)” and “Standby Letter(s)” means any arrangements, however named or described, whereby a bank (“the issuing bank”) acting at the request and on the instruction of a customer (the “Applicant”) or on its own behalf,

- Is to make a payment to or the order of a third party (“the Beneficiary”), or is to accept
- and pay bills of exchange (Draft’s) drawn by the Beneficiary, Or
- authorizes another bank to effect such payment, or to accept and pay such bills of
- exchange (Draft(s)),Or
- authorizes another bank to negotiate,
- Against stipulated document(s), provided that the terms and conditions of the Credit and complied with.

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

3.2.2 Types of Letter of Credit

There are many types of Letter of Credits that are used in different countries of the world. But International Chamber of Commerce (ICC) vide their UCPDC- 500, which denotes only two types of LETTER OF Credits; mentioned:

- **Revocable Letter of Credit:** A revocable credit may be amended or cancelled by the issuing bank at any moment and without prior notice to the beneficiary. That is to say, this type of letter of credit can be revoked or cancelled at any time without consent of, or notice to the beneficiary. In case of seller (beneficiary), revocable credit involves risk, as the credit may be amended or cancelled while the goods are in transit and before the documents are presented, or although presented before payments has been made. The seller would then face the problem of obtaining payment on the other hand revocable credit gives the buyer maximum flexibility, as it can be amended or cancelled without prior notice to the seller up to the moment of payment by the issuing bank at which the issuing bank has made the credit available. In the modern banking the use of revocable credit is not widespread.
- **Irrevocable Letter of Credit:** An irrevocable credit is a documentary credit, which cannot be revoked, varied or changed/amended or cancelled without the consent of all parties- buyer (Applicant), seller (Beneficiary), Issuing Bank, and Confirming Bank (in case of confirmed Letter of Credit). Irrevocable Credit gives the seller greater assurance of payments, but he/she remains dependent on an undertaking of a foreign bank. In the issuance of Irrevocable Letter of Credit both the Issuing and Confirming Bank have some liability of payment.

The following types of Letter of Credits are used in the Prime Bank, Gulshan Branch:

- **Cash Letter of Credit:** Payment made form cash foreign exchange not from export proceeds; there is not export L.C. which backs the import Letter of Credit Payment term is at sight.
- **Deferred Letter of Credit:** The only difference between cash Letter of Credit and deferred Letter of Credit lied in the terms of payment. Payment under deferred Letter of Credit is made after certain days of presentation of the export bill.
- **Back to Back Letter of Credit (BTB L/C):** BTB L/Cs is one of the major components in export department. This term means import L/C against the export L/C.

In brief, when the foreign bank confirmation to Prime bank about the import L/C has been opened (those are generally at sight L/C), the Prime Bank convey this message to the exporter. But to start the export procedure most of the times the exporter needs to import raw materials both from local and foreign exporter. And to import the exporter needs to open an import L/C. in that case Prime Bank issued BTB L/C for the exporter against the export L/C. The amount of BTB L/C is up to 80% of the amount said in export L/C. BTB L/C is a deferred L/C and most of them are 90 days or 120 days deferred. The main reason of this nature is because the issuing bank will pay the amount when they will get the payment from export L/C.

3.2.3 Parties of a Letter of Credit

- **APPLICANT FOR THE CREDIT:** The importer or buyer on whose request and on whose behalf the letter of credit is opened is called the applicant.
- **ISSUING BANK/ OPENING BANK:** The bank that opens a Letter of Credit, at the request of the importer, is known as Issuing Bank. The Issuing Bank is the buyer's bank and is also called opening bank.
- **BENEFICIARY:** The party, normally the supplier of the goods, in whose favor the Letter of Credit is opened is called beneficiary. The seller, after shipping the

goods as per terms of the credit, presents the documents to negotiating bank/conforming bank for negotiation.

- **ADVISING BANK:** The bank in the exporter's country, usually the foreign correspondent of the importer's bank; through which Letter of Credit is advised to the supplier is called the 'advising bank'.
- **CONFORMING BANK:** If the advising bank also adds its own undertaking to honor the credit while advising the same to the beneficiary, it becomes the conforming bank. The conforming bank, in addition, becomes liable to pay for documents in conformity with the Letter of Credit terms and conditions.
- **NEGOTIATING BANK:** The Bank, which negotiates the bill (draft) of the exporter drawn under the credit, is known as negotiating bank. If the advising bank is also authorized to negotiate the bill (draft) drawn by the exporter it itself becomes the negotiating bank.
- **ACCEPTING BANK:** A bank that (as specified in the Letter of Credit) accepts time or Usance drafts on behalf of the importer is called the accepting bank. The Letter of Credit issuing bank can also take on the responsibility of an accepting bank.
- **PAYING BANK:** The bank that effects payment to the beneficiary (as named in the Letter of Credit) is known as paying bank/drawee bank.

For export, Prime Bank acts as an advising bank, conforming bank and also the negotiating bank.

Chapter 04

4.0 Description of duties

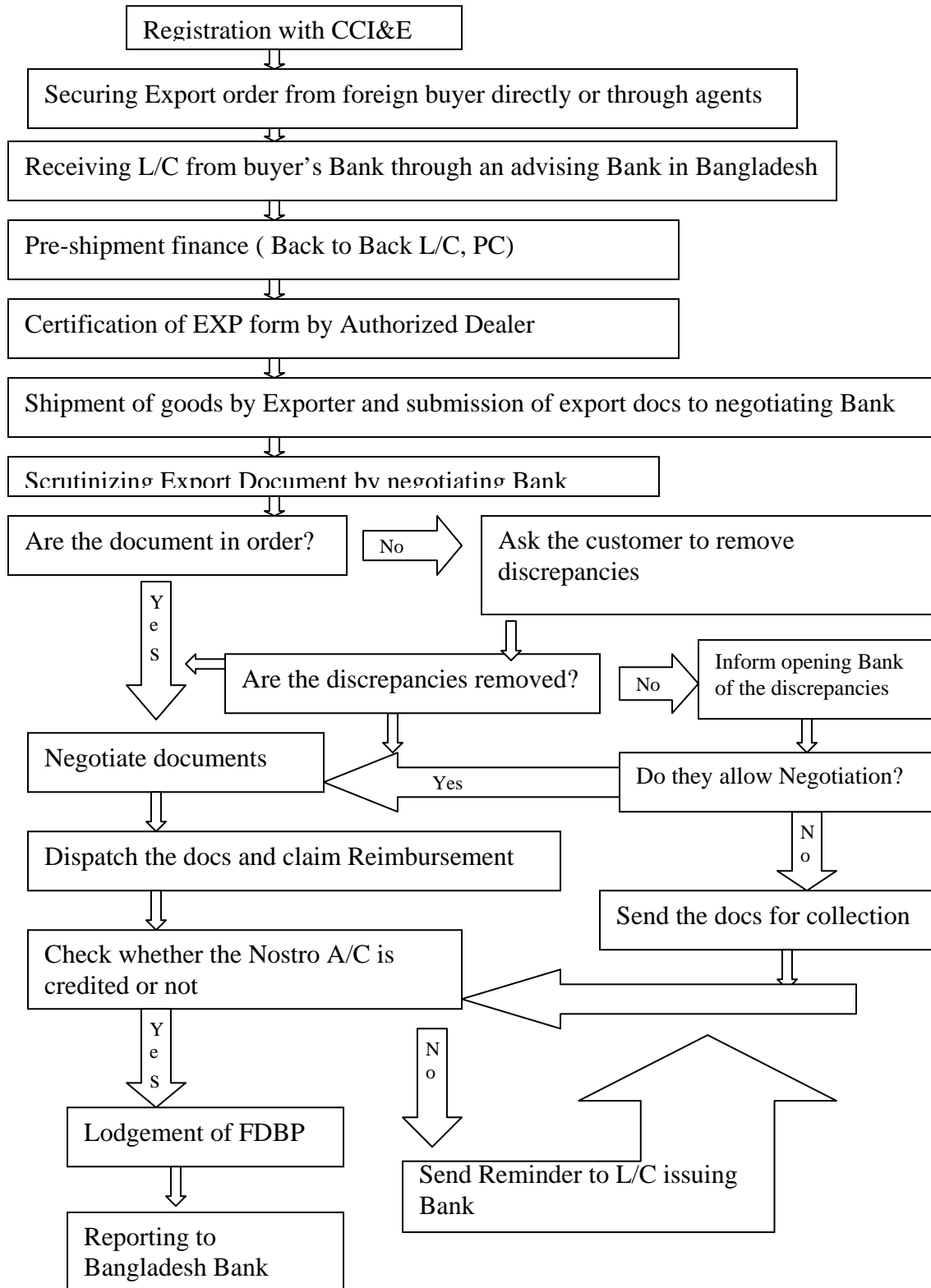
As I mentioned earlier in the report, I assigned to the export department from the beginning of my internship and told to continue there for the entire period. This is mainly because of the extreme pressure in export department. I started my journey in prime bank in 10th May, 2010, and after one week I realized that actually I got the responsibility of one segment of the export department, the exp form segment. Although my incharge and supervisor helped me a lot I got the responsibility of exp segment. We are five persons in the export department including myself. Two officers deal with Back To Back L/C. our supervisor and my incharge deal with export trade, such as, bill purchase and realization, charging, allocating for BTB L/C and export form authorization. My works started after the exporter completed the export procedure and the commodity was already on the way to destination. Before the exporter shipped the commodity on board, they must collect the export form (exp form) from our bank and fill up the form. In this form there is four copies, they are original, duplicate, triplicate and quadruplicate. In this form they have to give details information about the export. In exp forms they have to mention about the commodity with the commodity code, country of destination with country code, volume of the commodity, total export value in foreign currency, name of transport, export L/C number and the serial number of the exp form which was given by our bank. The original copy of the exp form is submitted to the customs by the importer. Customs then conduct an inspection and give clearance with modification (if necessary). Then the exporter shipped the commodity to the destination. After then they come to the negotiating Bank (for our customer it is Prime Bank) with all necessary documents like, commercial invoice, packing list, bill of leading, country of origin certificate, beneficiary certificate and short shipment or over shipment certificate (if necessary). With all this documents we create a file which is called FDBP file (). Every FDBP file has a unique number which was recorded in the FDBP register. Then we send one copy of these documents to the foreign bank in which the importer opened the import L/C. Then the foreign bank conveys these documents to the importer. When the goods reached the destination the foreign bank conduct an inspection and if the goods are in well condition and in exact

amount then the bank transfer the value of the goods in our bank. Our export officer then realized the bill with the reference of FDBP number and allocates the realized amount in different accounts of the exporter and deducts charge. My works started when the exporter came with the documents to create an FDBP bill. As I mentioned earlier that the exp form has four copies, the original one submitted by the exporter to customs, the duplicate and triplicate copies checked by the bank official with the given documents on a FDBP bill and submitted by the bank to the Bangladesh Bank for export reporting. In my internship period I got the responsibility of checking the duplicate and triplicate of exp form and half monthly reporting and submission of duplicate copies and monthly reporting of triplicate copies to Bangladesh Bank.

4.1 Steps are to be undertaken by the exporter:

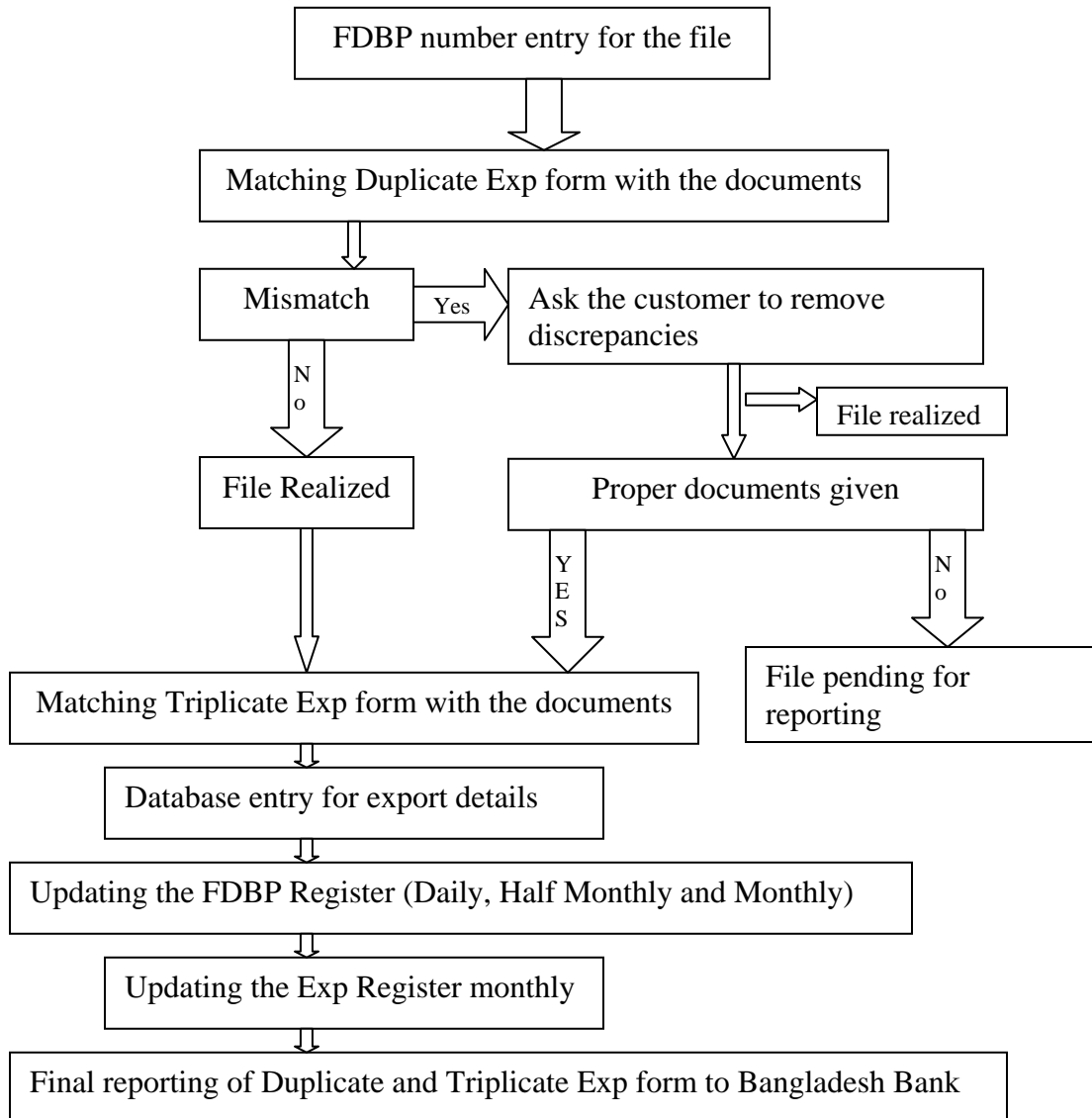
- i) Register with CCI&E (chamber of commerce import and export) and collect ERC
- ii) Collect order from the buyer and negotiate with the terms and condition in details i.e, price, quantity, shipping instruction, date & place of delivery, payment terms etc.
- iii) Ask buyer for opening of **L/C** or made a **Firm Contract**.
- iv) Procurement of goods and make arrangement for shipment by booking of shipping space
- v) EXP form in quadruplicate sign by exporter and certified by AD
- vi) Arrange Insurance coverage in case of CIF shipment.
- vii) Preparation of shipping documents.

4.1.2 Export Procedure in Flow Chart:



4.2 Works done by me:

4.2.1 My workings at a glance:



4.2.2 Details of my workings

- **Giving FDBP (Foreign Documents Bills for Purchase) number:** FDBP register is the primary record keeping register in export department in which the basic information regarding the export is recorded. The unique feature of this register is the FDBP number by which any export file of any customer can be tracked. One of my responsibilities is to give FDBP bill number in a file before sending the documents to the foreign bank. Our bank keeps track of the messages sent to or sent by the foreign banks by this bill number. In FDBP register initially I give the exporter and importer name, type or name of the exported goods, value of the goods and serial number of exp form.
- **Matching duplicate exp forms with the documents:** once a file is created with FDBP number and documents were sent to foreign bank the files are authorized by the senior officer and once again came to me. And I checked the duplicate exp form with the documents given in the files. The main things I used to check- the exp serial number in the exp form and in commercial invoice, the value declared in exp form with the value of commercial invoice, bill of lading number and date, shipment date and the name and the quantity of the commodity if there is any gap in the exp form (generally the bill of lading number and shipment date are not mentioned in the exp form) I filled up them and if there is no miss-match I collected them for exp details database entry and for reporting and submission to Bangladesh bank. With duplicate exp form it is mandatory to send a commercial invoice and if necessary then short shipment or over shipment certificate (short shipment certificate needed when the commercial invoice value is less than the exp value and over shipment certificate needed when exp value is greater than the invoice value).
- **Matching triplicate exp forms:** I matched the triplicate copies of the exp form with the documents after the bill has been realized. This is mainly because in triplicate form the realized amount from export should be mentioned with realized date. As in each exp form same information was given so it is not necessary to match the triplicate data with the documents because it has already been done before.

By mentioning the realized value and date and the export L/C number, the triplicate is ready for reporting in Bangladesh Bank and database entry.

- **Database entry:** I have the responsibility to update the export database. I updated it before the submission of duplicate copy and triplicate copy. The export database updated by giving information about the exports such as, bill no and date, exporter name, commodity name and quantity, exp serial number and value, commercial invoice number and value, realized amount and date and finally the date of duplicate copy and triplicate copy submission date to Bangladesh bank. This update done through out the month and for all exp forms which are going to be submitted to the Bangladesh bank.
- **Updating FDBP register:** every day new files has been realized and I have to update them in the FDBP register daily, with the realized amount and date. And also I have to update this register twice in a month with duplicate submission date and once in a month with triplicate submission date.
- **Updating exp register:** exp register is the bible for the export department. From issuing of an exp form to realization of a bill, every single data must be updated in here. Exp register is considered as the replica of the exp database. Three times on a month I updated the exp register with the information which I used to update the exp database.

These are the core jobs done by me during the internship period. Although they are routine job but the volume of the jobs were huge which created a huge pressure on me. But after one month I got used to with this pressure. I have done few mistakes during my internship period but according to my supervisor they were ignorable. I felt lucky for getting the opportunity to do my internship in Prime Bank Ltd. And also get the opportunity to work in export department of foreign exchange division. I have learnt so many things during my internship period about export trade but most important thing I have learned how to work under pressure with responsibilities in sensitive issue. It was a great experience and I hope it will help in future not only in my job life but also in my personal life.

Chapter 05

5.0 Conclusion

Every year the foreign transaction of Prime Bank Ltd has been on the rise contributing more and more to the country's economic growth. And the last few years were no different with significant rise in remittance during the last quarter of 2009. However that 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, Prime Bank is fully equipped to face any obstacle. For the last 6 Years they have hold the Number 1 position in the Bangladesh Banks CAMELS rating and hopes to be on top this year as well. As the economy of Bangladesh is increasing so is the country foreign trade and Prime Bank like always have 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.

Just before the starting of my professional life I got the opportunity to work one of the leading bank of Bangladesh and I hope my work experiences will help me in future in my professional life at the end of my report I would like to thank the HR division of Prime Bank Ltd for giving me the opportunity to work with them.

Chapter 06

6.0 Recommendations

Although the export department of Prime Bank Gulshan branch is well experienced and trained and the bank is giving top class performance in foreign exchange trade but there are still some possible ways to improve the current performance.

- Increase manpower in export department: the number of export L/C opening increasing day by day in Gulshan branch by current customer and also new customer base is also increasing. So export department of Gulshan branch needs more man power.
- *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 Prime Bank will definitely attract more customers.
- *Automation:* Prime Bank has already brought software called Temenos Globus, 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.

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