Internship Report On

'L/C Procedure of Dhaka Bank PLC'

Submitted To

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Submitted By

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Submission Date: December 28, 2024

Enrolment Trimester: Spring 2024

Letter of Transmittal

December 28, 2024

Mimnun Sultana
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Subject: L/C Procedure of Dhaka Bank PLC

Dear Ma'am,

It gives me a great pleasure to present my detailed investigation on the L/C Procedure of Dhaka Bank PLC. In the course of this research, I acknowledged how it is an essential part of my BBA program and I believe that it offers a significant contribution this essential business function. While interning at Dhaka Bank for three months, I got the practical experience of working at the organism hardly any different from that of the company. On behalf of myself, I want to express the greatest appreciation to the team and the help they provided for the creation of this project. There is much I am grateful for in my life and career especially for the chance to continue to learn. Please, feel free to comment on my analysis and provide the feedback, which you might have for me.

Sincerely yours,

Mitu

Fatema Kaniz Mitu
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Declaration of the Student

I, the undersigned, hereby certify that the project report submitted is the result of my independent research and analysis conducted under the guidance of Assistant Professor Mimnun Sultana. I confirm that the ideas and conclusions presented in this report are my own original work and that I have adhered to all academic integrity guidelines.

I attest that this report has not been submitted to any other institution for any degree or diploma. Furthermore, I have complied with all academic standards and practices in the preparation of this work.

I adhered to all academic guidelines while I wrote this report.

Mitu

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Acknowledgement

I wish to express my gratitude to the Almighty for the strength and resilience He granted me throughout this internship.

I want to express my gratitude to Dhaka Bank PLC for the fantastic chance they provided me to gain valuable hands-on experience in banking. This internship has adhered to the curriculum of the BBA program.

To begin with, I want to convey my thanks to my internship coordinator, Mimnun Sultana, who also serves as an assistant professor at the School of Business and Economics (SOBE) at United International University. Her support, assistance, and guidance were invaluable while creating this work.

I would also like to express my gratitude to Mr. Atanu Saha, Assistant Vice President, CPC- Trade Operation, my supervisor at Dhaka Bank PLC, for his ongoing encouragement and assistance throughout my internship. He has consistently excelled in providing guidance and coaching that have contributed positively to my learning and personal growth.

I express my gratitude to all the officers and staff of Dhaka Bank PLC for their assistance and the generous hospitality they extended to me. They have always had faith in my abilities, and this has greatly motivated me.

Finally, I would like to express my gratitude to Dhaka Bank PLC for creating a very supportive working environment. Being a part of the organization has been a fascinating and insightful experience primarily because one can gain knowledge through observation as well as through active participation in the daily operations of the organization.

Executive Summary

This report explores the Letter of Credit (L/C) functions of Dhaka Bank PLC, highlighting its essential role in enabling international trade by guaranteeing secure and prompt transactions between importers and exporters. The research was carried out during an internship, offering insights into the trade finance processes and operational effectiveness of the bank.

Founded in 1995, Dhaka Bank is a key entity in Bangladesh's banking industry, providing a variety of financial services, including trade finance, crucial for the nation's economy, particularly its export-oriented sectors. The bank's L/C activities are regulated by international rules like UCP 600 and local compliance guidelines established by Bangladesh Bank, guaranteeing alignment with global standards.

The report details the bank's complete L/C processes, which encompass issuance, advising, confirmation, and settlement. It assesses the real-world challenges encountered, like document inconsistencies, and proposes enhancements for improved efficiency, such as digitalization and employee training. The evaluation highlights Dhaka Bank's strong points in customer-focused service and technological advancement, while also pinpointing areas for improvement, like risk management and operational flexibility.

The internship provided practical exposure to L/C processes, enhancing theoretical understanding and emphasizing the bank's strategic role in building trust and reducing trade risks. Suggestions involve optimizing operations through cutting-edge technology, improving customer knowledge regarding L/C documentation, and implementing proactive risk management approaches. These actions seek to enhance Dhaka Bank's standing as a trustworthy ally in trade finance.

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Chapter 1: Introduction

1.1 Origin of the Report

This internship report comprehensively studies the purchasing guidelines of Dhaka Bank PLC, one of Bangladesh's most well-known institutions. The report strives to provide knowledge and data regarding the bank's purchasing practices, discuss areas where the practice could be improved, and offer approaches for boosting them.

1.2 Background

An essential financial tool in international trade, a letter of credit guarantees safe and prompt payment between buyers and sellers. On behalf of the buyer, it serves as a bank guarantee that the seller will be paid after certain terms and conditions are met. The L/C procedure facilitates trust between parties who may operate in different countries, adhering to the Uniform Customs and Practice for Documentary Credits (UCP 600) guidelines.

L/Cs are vital for mitigating risks in trade, such as payment default or discrepancies in goods delivery. They are widely used by banks to support clients in managing international trade transactions, ensuring compliance and smooth financial operations. Established in 1995, Dhaka Bank is one of the leading private commercial banks in Bangladesh, offering a comprehensive range of financial services, including trade finance.

The bank plays a significant role in facilitating both import and export transactions for clients by issuing and managing Letters of Credit.

Dhaka Bank's L/C procedure reflects its commitment to efficiency, risk management, and adherence to regulatory standards.

As international trade grows, efficient L/C processes become increasingly important for economic development and fostering global trade relationships.

Understanding the L/C procedure at Dhaka Bank offers insights into how financial institutions in Bangladesh manage trade finance, contributing to the broader economy.

1.3 Objective

This report's primary goal is to present the author's practical knowledge acquired during this internship. Besides this broad objective, the followings were given emphasis-

1.3.1 Primary Objective

- To examine the detailed processes, documentation, and regulatory compliance involved in the L/C operations of Dhaka Bank.
- To evaluate the effectiveness and challenges of the L/C procedure in meeting client needs and supporting trade activities
- To provide recommendations for improving the L/C process to enhance operational efficiency and client satisfaction.

1.3.2 Secondary objectives

- To minimize risks related to payment defaults, non-delivery of goods, and exchange rate fluctuations in international trade.
- To ensure adherence to local and international banking regulations, including the guidelines of Bangladesh Bank and UCP 600.
- To generate income through L/C issuance fees, commissions, and related services.
- To strengthen Dhaka Bank's position in the trade finance market by offering innovative L/C services.

1.4 Methodology of the study

The study employs a descriptive research design to examine the L/C procedures at Dhaka Bank. This approach helps in understanding the processes, identifying challenges, and evaluating their effectiveness in trade facilitation.

1.4.1 Data Collection Methods

➢ **Primary Data**

- Interviews with key personnel, such as trade finance officers, L/C processors, and branch managers of Dhaka Bank.

- Observations of the L/C issuance and settlement processes at selected branches.
- Questionnaires administered to Dhaka Bank's trade clients to gather insights into their experiences with the L/C process.

➢ **Secondary Data**

- Review of Dhaka Bank's internal documents, such as L/C application forms, process flowcharts, and policy guidelines.
- Analysis of bank annual reports, trade finance-related publications, and regulatory documents from Bangladesh Bank.
- Study of international L/C practices outlined in UCP 600 and relevant trade literature.

1.5 Scope of the report

A comprehensive knowledge on the organization and a thorough knowledge on the Export-Import operation of the organization have come under the scope of the report. The report is limited only to Import-Export Business of the Dhaka Bank Corp. Branch.

The L/C procedure supports both import and export activities by ensuring secure payments and delivery of goods, thereby bridging gaps between trading partners across different countries.

Includes issuance, advising, confirmation, negotiation, and settlement of Letters of Credit for both local and international clients. Covers diverse L/C types such as sight L/C, deferred payment L/C, back-to-back L/C, and revolving L/C.

Minimizes risks for importers, exporters, and the bank itself by ensuring proper documentation, compliance, and adherence to trade terms. Ensures that the bank adheres to the guidelines of the Bangladesh Bank, the Uniform Customs and Practice for Documentary Credits (UCP 600)**,** and other international trade standards.

Offers tailored L/C solutions to meet the unique needs of corporate clients, SMEs, and individual traders, ensuring smooth trade operations involves coordination among multiple departments within Dhaka Bank, such as trade finance, compliance, operations, and treasury, to execute L/C transactions efficiently.

1.6 Limitation of the Study

The Limitations of the Report is given below:

1. **Time Constraints:** The position was of limited duration, which may pose difficulties in collecting and analyzing substantial volumes of data.
2. **Access to information:** The research might have progressed further if certain internal records or data had been more readily available.
3. **Generalizability:** The generalizability of this study is limited, as the purchasing process can differ significantly across various contexts. Consequently, the findings may not be applicable to other organizations or institutions.
4. **Subjectivity:** While significant efforts have been undertaken to maintain objectivity, it is possible that some degree of subjectivity influenced the interpretation and analysis of the facts.

1.7 Internship Position, Duties and Responsibilities

1.7.1 Position

As an intern in the Trade Department of Dhaka Bank PLC, my primary job was L/C posting in Bangladesh Bank, amendment posting in Bangladesh Bank, to clear docudex. To do this, I familiarized myself with the bank's submission procedures and customer relationship management tools. Although I was not involved in the buying process, my job taught me a lot about how a bank operates and how crucial it is to provide good customer service.

1.7.2 Duties and Responsibilities at Dhaka Bank

In this research informal questionnaire was used to interview the bank officials instead of structured questionnaire. Observation and experience of month long internship served as a major source of information.

Only the L/C issued from January 2023 to December 2023 in the Corp. Branch of Dhaka Bank PLC. Is taken as the sample unit and the sample size includes all those L/Cs.

As an intern involved in the L/C (Letter of Credit) procedure at Dhaka Bank, you have the opportunity to develop various professional skills that are crucial for a career in banking, trade finance, or related fields. These skills can enhance your expertise and employability. Here's how your internship can contribute to professional development:

1. Understanding Trade Finance Operations

- Gain knowledge about the end-to-end L/C process, including issuance, advising, confirmation, and settlement.
- Learn about the different types of L/Cs (e.g., sight L/C, back-to-back L/C, standby L/C) and their applications in international trade.
- Develop familiarity with international trade guidelines such as UCP 600 and incoterms.

2. Documentation and Analytical Skills

- Improve your ability to scrutinize and verify trade documents (e.g., bills of lading, invoices, certificates of origin) for accuracy and compliance.
- Develop a keen eye for identifying discrepancies and errors in complex financial and trade documents.

3. Communication and Client Handling

- Enhance your interpersonal and communication skills by interacting with clients, trade finance officers, and correspondent banks.
- Learn how to effectively explain L/C terms and conditions to clients and assist them in completing documentation.

4. Regulatory Compliance Awareness

- Gain insights into local and international trade finance regulations, including anti-money laundering (AML) and Know Your Customer (KYC) requirements.
- Understand the role of compliance in mitigating fraud and ensuring secure transactions.

5. Risk Management and Problem-Solving

- Learn how banks assess and manage risks associated with L/Cs, such as credit risk, documentation discrepancies, and non-payment risks.

- Develop problem-solving skills by observing how discrepancies and disputes are resolved during the L/C process.

6. Technological Proficiency

- Get hands-on experience with trade finance software and digital tools used for processing L/Cs.
- Familiarize yourself with the bank's internal systems for transaction tracking and reporting.

7. Teamwork and Coordination

- Collaborate with trade finance officers, compliance teams, and operations staff to ensure the smooth processing of L/C transactions.
- Learn the importance of cross-functional teamwork in a banking environment.

8. Time Management and Efficiency

- Enhance your ability to manage multiple tasks and meet deadlines in a high-pressure environment.
- Learn to prioritize work effectively to handle the complexities of L/C operations.

9. Attention to Detail

- Develop precision and attention to detail, which are critical for verifying trade documents and ensuring compliance with L/C terms.

10. Networking Opportunities

- Build a professional network by connecting with experienced trade finance professionals, bank officers, and clients.
- Leverage these relationships for mentorship and future career opportunities.

1.8 Skill Development as an Intern

- **Pro-activeness:** Take initiative to learn beyond assigned tasks by asking questions and seeking additional responsibilities.
- **Observation of learning:** Pay attention to how experienced officers handle L/C transactions, resolve issues, and communicate with stakeholders.

- **Feedback:** Seek constructive feedback from your supervisors to identify areas for improvement.
- **Participation in Training:** Attend any in-house training sessions or workshops on trade finance and L/C procedures.
- **Maintain a Learning Attitude:** Stay updated on international trade finance practices, regulations, and technological advancements.

1.9 Reflection

The internship provided hands-on exposure to the L/C procedure, from issuance to settlement. Observing the flow of activities, including document preparation, scrutiny, and compliance checks, enhanced my theoretical knowledge of trade finance. I learned how Dhaka Bank adheres to international standards such as UCP 600 and local regulations, which reinforced the importance of compliance in global trade.

Dhaka Bank has a structured process for L/C handling, but certain areas, such as document verification, involve manual work, which could benefit from further digitalization. The bank staff is proactive in guiding clients through the complex documentation process, ensuring a smooth experience for traders. The bank places significant emphasis on mitigating risks by thoroughly reviewing client profiles, trade documents, and credit limits.

A common challenge is managing discrepancies in trade documents, which can lead to delays and additional costs for clients. The L/C department often handles multiple transactions simultaneously, making time management and efficiency critical. Striking a balance between regulatory compliance and operational flexibility is a recurring issue in L/C transactions.

I gained expertise in understanding L/C types, terms, and conditions, as well as how to review trade documents. Interacting with clients and observing negotiations improved my communication and problem-solving skills. I developed a deeper appreciation for the role of compliance and due diligence in maintaining trust and mitigating risks in international trade.

Introducing more advanced digital tools could streamline document verification and L/C processing, reducing errors and delays. Workshops or resources for clients on L/C terms and documentation could reduce errors and enhance transaction efficiency. Regular training for staff and interns on regulatory updates and trade finance technology could further improve operations.

My experience at Dhaka Bank was both challenging and rewarding. It helped me understand the intricacies of trade finance and the importance of teamwork, precision, and compliance. The internship has inspired me to explore further opportunities in banking and international trade, with a particular interest in risk management and process optimization.

Chapter 2: Organizational Overview

2.1 Overview of Dhaka Bank PLC

Dhaka Bank PLC is a key player in Bangladesh's banking sector, contributing to economic development and offering a wide range of financial services. Here's an overview of its role, performance, and strategic positioning in the banking industry:

1. Core Banking Services

- **Corporate Banking**
  - Focus on financing large businesses, infrastructure projects, and industrial sectors.
  - Offers services like working capital financing, project loans, trade finance, and cash management solutions.
- **Retail Banking**
  - Provides savings accounts, fixed deposits, credit cards, personal loans, and home loans to individual customers.
  - Increasing emphasis on digital banking for ease of access and customer convenience.
- **SME Banking**
  - A significant portion of Dhaka Bank's portfolio is dedicated to small and medium enterprises (SMEs).
  - Provides tailored financial solutions to foster entrepreneurship and economic inclusion.

2. Digital Transformation

- **Online and Mobile Banking**
  - Dhaka Bank has invested heavily in online banking platforms, enabling customers to manage accounts, transfer funds, and pay bills digitally.
- **Payment Solutions**
  - Offers digital payment options like QR-based transactions and integration with mobile financial services (e.g., Bkash, Nagad).
- **Innovations in Fintech**
  - Collaborates with fintech companies to enhance service delivery and improve operational efficiency.

3. Trade Finance

- **Support for Export-Import Businesses**
  - Facilitates trade finance for Bangladesh's export-driven economy, particularly in the textiles and garments sectors.
- **L/C (Letter of Credit) Services**
  - Dhaka Bank is a major provider of L/C services, essential for international trade transactions.
- **Foreign Exchange Services**
  - Offers foreign currency accounts, remittance processing, and forex risk management for businesses and individuals.

2.2 History of Dhaka Bank PLC

Dhaka Bank PLC is one of the prominent private commercial banks in Bangladesh, known for its focus on innovation, customer-centric services, and corporate responsibility. Dhaka Bank Limited was incorporated on April 6, 1995, under the Companies Act, 1994. It officially commenced its operations on July 5, 1995**.**

Vision and Mission

- **Vision:** At Dhaka Bank, we draw our inspiration from the distant stars. Our vision is to assure a standard that makes every banking transaction a pleasurable experience. Our endeavor is to offer you supreme service through accuracy, reliability, timely delivery, cutting edge technology and tailored solution for business needs, global reach in trade and commerce and high yield on your investments.

  Our people, products and processes are aligned to meet the demand of our discerning customers. Our goal is to achieve a distinct foresight. Our prime objective is to deliver a quality that demonstrates a true reflection of our vision- Excellence in Banking.

- **Mission**: To be the premier financial institution in the country providing high quality products and services backed by latest technology and a team of highly motivated personnel to deliver Excellence in Banking.

Growth and Expansion

1. **Branch Network**
    - Over the years, Dhaka Bank has expanded its branch network across Bangladesh, including metropolitan areas and rural regions.
    - The bank also established ATM booths and agent banking outlets to reach a broader customer base.
2. **Digital Transformation**
    - In the early 2000s, Dhaka Bank embraced modern banking technologies, introducing online banking, mobile banking, and digital payment solutions to enhance customer convenience.
    - It continues to invest in cutting-edge technologies, including blockchain, artificial intelligence, and cloud computing.
3. **Trade Finance**
    - Dhaka Bank became a leader in trade financing, particularly supporting the textile and garment industries, which are vital to Bangladesh's economy.

Milestones

- **Initial Public Offering (IPO)**: Dhaka Bank became a publicly listed company, enhancing its transparency and market presence.

- **International Recognition**

    - Over time, the bank earned accolades for its performance, innovation, and contributions to the financial sector.
    - Established correspondent banking relationships with global financial institutions.

- **Launch of Green Banking**
  - Dhaka Bank became a pioneer in green banking in Bangladesh, financing environmentally sustainable projects and aligning with global ESG (Environmental, Social, and Governance) standards.

Significant Achievements

1. **Product Diversification**

   - Presented a variety of goods and services, such as corporate banking, investment banking, retail loans, SME financing, and Islamic banking services.

2. **Leadership in CSR**

   - Through its active participation in corporate social responsibility (CSR) programs, Dhaka Bank has aided in disaster relief, healthcare, and education.

3. **Compliance**
   - The bank adheres to international banking standards, including Basel III guidelines for capital adequacy, and complies with anti-money laundering (AML) and combating financing of terrorism (CFT) measures.

Modern Era

- **Rebranding**: In 2023, Dhaka Bank Limited transitioned to Dhaka Bank PLC, aligning its name with updated legal and regulatory frameworks in Bangladesh.

- **Focus on Sustainability**

  - Currently, Dhaka Bank emphasizes green financing, financial inclusion, and digital innovation as part of its strategic vision.

- **Future Outlook**
    - ➢ The bank continues to strive for excellence in customer service, technological innovation, and sustainability, aiming to be a leading financial institution in Bangladesh and beyond.

2.3 Key Business Segments of Dhaka Bank PLC

Dhaka Bank PLC, like most banks, typically operates through a variety of business segments to cater to diverse customer needs and market demands. The business segments of Dhaka Bank PLC may include the following, along with a chart that visually represents the contribution of each segment to the bank's overall operations (e.g., in terms of revenue, profit, or assets).

Common Business Segments

1. **Corporate Banking**
    - Focused on large corporations and institutions, offering loans, trade finance, and treasury solutions.
2. **Retail Banking**
    - Provides personal banking services such as savings and current accounts, loans, credit cards, and remittance services.
3. **SME Banking**
    - Dedicated to small and medium-sized enterprises, offering working capital, term loans, and advisory services.
4. **Treasury and Financial Services**
    - Manages investments, foreign exchange operations, and risk management products.
5. **Islamic Banking**
    - Operates under Shariah-compliant principles, offering Islamic finance products like Mudarabah, Ijarah, and Murabaha.

6. **Agricultural and Rural Banking**
   - Provides financial services targeted at the agricultural sector and rural development.
7. **Digital Banking**
   - Covers internet banking, mobile apps, and other technology-driven financial services.
8. **Offshore Banking**
   - Caters to international clients and businesses, facilitating cross-border trade and investment.

Chart Representation

To create a chart, could you provide data such as revenue or profit contributions from these segments? If unavailable, I can create a hypothetical distribution to represent their relative importance.

For example: **(Table-1)**

Segment	Percentage Contribution
Corporate Banking	**35%**
Retail Banking	**25%**
SME Banking	**15%**
Treasury & Financial	**10%**
Islamic Banking	**10%**
Others (Agricultural, Digital, etc.)	**5%**

2.4 Management System of Dhaka Bank PLC

The management system of Dhaka Bank PLC is structured to ensure effective governance, operational efficiency, compliance with regulatory requirements, and alignment with the bank's strategic objectives. Below is an outline of the key components of its management system:

1. Governance Structure

a) **Board of Directors**

- The Board of Directors (BOD) is the highest governing body responsible for overall policy formulation and oversight.
- Composed of experienced professionals from various fields, including finance, business, and law.
- Responsibilities include approving strategic decisions, risk management policies, and major investments.

b) **Executive Committee**

- A subcommittee of the BOD, tasked with implementing board-approved strategies and policies.
- Focuses on operational decisions and day-to-day management.

c) **Audit Committee**

- Ensures compliance with regulations and internal controls.
- Conducts regular audits to evaluate the effectiveness of financial reporting and risk management systems.

2. Leadership and Executive Management

a) **Managing Director & CEO**

- Leads the bank's management team and is responsible for executing the strategies approved by the board.
- Acts as the primary liaison between the board and the management team.

b) **Senior Management Team**

- Includes Chief Operating Officer (COO), Chief Financial Officer (CFO), Chief Risk Officer (CRO), and heads of various departments.

- Responsible for operational management, strategic implementation, and departmental performance.

3. Departmental Divisions

a) **Corporate Banking:** Oversees services provided to large corporations, including credit facilities and trade finance.

b) **Retail and SME Banking:** Focuses on customer relationships, product offerings, and market expansion for individual and SME customers.

c) **Treasury and Investment:** Manages liquidity, forex transactions, and investment portfolios.

d) **Compliance and Risk Management:** Ensures adherence to regulatory requirements. Monitors credit, market, and operational risks to maintain stability.

e) **Islamic Banking:** Oversees the bank's Shariah-compliant services, ensuring compliance with Islamic financial principles.

2.5 Product and Services of Dhaka Bank PLC

Dhaka Bank PLC offers a wide range of products and services to meet the needs of its diverse customer base, including individuals, businesses, and institutions. Below is an overview of its key offerings:

1. Retail Banking Products and Services

a) **Accounts**

- **Savings Account**: For individuals to save and earn interest.
- **Current Account**: For businesses and professionals, offering unlimited transactions.
- **Fixed Deposit (FDR)**: Term-based deposits with higher interest rates.
- **Recurring Deposit**: Encourages savings with periodic deposits.

b) **Loans**

- **Personal Loans**: For personal needs such as education, travel, or medical expenses.
- **Home Loans**: Financing for purchasing, constructing, or renovating houses.
- **Auto Loans**: Financing for vehicle purchases.
- **Education Loans**: For students pursuing higher education.

c) **Cards**

- **Debit Cards**: Linked to bank accounts for secure transactions.
- **Credit Cards**: Flexible payment options and reward programs.
- **Prepaid Cards**: For controlled spending or gifting purposes.

d) **Remittance Services**

- International and domestic remittance solutions through partners and digital platforms.

e) **Digital Banking**

- **DBL Go Plus App**: Mobile banking with fund transfers, bill payments, and QR payments.
- **Internet Banking**: Online access to account information and transactions.
- **SMS Banking**: Account alerts and basic transactions via SMS.
- **ATM Services**: Nationwide ATM network for 24/7 cash withdrawals and other services.

2. SME Banking

- **Working Capital Financing**: Short-term loans for day-to-day operations.
- **Term Loans**: For business expansion or capital investments.
- **Trade Finance**: Letters of credit (L/C), guarantees, and export-import solutions.
- **SME Deposit Products**: Specialized accounts catering to SME needs.

3. Corporate Banking

- **Corporate Loans**: Large-scale financing for infrastructure, manufacturing, and other sectors.
- **Syndicated Loans**: Collaborative loans with other banks for large projects.
- **Cash Management**: Efficient solutions for managing corporate liquidity.
- **Trade Finance**: Letters of credit, bills collection, and trade advisory.
- **Project Financing**: Long-term funding for industrial and infrastructure projects.

4. Islamic Banking (Amaanah Services)

- **Deposit Accounts**: Mudarabah savings and current accounts.

- **Financing Products**: Shariah-compliant solutions such as Murabaha (trade finance), Ijarah (leasing), and Musharakah (partnership financing).

5. Treasury and Financial Services

- **Foreign Exchange Solutions**: Spot and forward contracts, currency swaps.
- **Investments**: Government securities, bonds, and other instruments.
- **Liquidity Management**: Tools for optimizing funds availability.

6. Digital Banking and Technology-Driven Services

- **DBL Go Plus**: Mobile banking with fund transfers, bill payments, and QR payments.
- **Internet Banking**: Secure and convenient online banking.
- **Mobile Financial Services (MFS)**: Quick and secure transactions using mobile devices.
- **E-Commerce Payment Gateway**: Solutions for merchants and online businesses.

7. Offshore Banking

- Specialized financial services for international trade, cross-border investments, and non-resident customers.

8. Agricultural and Rural Banking

- Loans for farmers, agribusinesses, and rural entrepreneurs.
- Specialized schemes for irrigation, farming equipment, and livestock.

9. CSR-Oriented Financial Products

- Products designed to promote financial inclusion, education, and environmental sustainability.

2.6 Export Import Business of Dhaka Bank PLC

The import and export business is a significant component of Dhaka Bank PLC's operations, especially under its Trade Finance services. Dhaka Bank plays a pivotal role in facilitating international trade by offering specialized financial products and advisory services tailored for businesses involved in import and export activities.

Key Import-Export Services

a) **Import Services**

1. **Letter of Credit (L/C) Issuance**

- Guarantees payment to exporters on behalf of importers.

2. **Import Financing**
   - Offers loans for financing import transactions, such as:
     - Trust Receipt Loans (TRL)
     - Payment Against Documents (PAD)
3. **Documentary Collections**
   - Handles import bills collection and payments.
4. **Advisory Services**
   - Provides guidance on trade regulations and compliance.

b) Export Services

1. **Pre-shipment Financing**
   - Loans for manufacturing or procurement before goods are exported.
2. **Post-shipment Financing**
   - Advances provided after shipment, based on documentary evidence like bills of exchange.
3. **Export L/C Advising and Confirmation**
   - Advises and confirms L/Cs from foreign banks for exporters.
4. **Bill Discounting**
   - Provides funds by discounting export bills.
5. **Export Documentation and Negotiation**
   - Assistance in preparing and negotiating export documents.

c) Other Services

- Foreign Exchange Services: Currency conversion for import/export payments.
- Guarantees: Performance and bid guarantees for international trade transactions.
- Trade Advisory: Tailored solutions for complex trade scenarios.

Performance Metrics

The import-export business of Dhaka Bank can be analyzed based on key metrics such as:

- Total value of import L/Cs opened.
- Total value of export L/Cs advised.

- ➢ Revenue generated from trade finance services.
- ➢ Number of trade clients

Chart Representation

If actual data is unavailable, here's a hypothetical representation of import-export contributions: **(Table-2)**

Metric	Percentage Contribution
Import L/Cs (Value)	**60%**
Export L/Cs (Value)	**30%**
Revenue from Trade Finance	**10%**

2.7 SWOT Analysis

Here's a detailed SWOT Analysis for Dhaka Bank PLC, highlighting its strengths, weaknesses, opportunities, and threats:

1. Strengths

- **Strong Brand Presence**: Dhaka Bank is a well-established name in Bangladesh's banking industry, known for its reliability and customer-focused services.
- **Diverse Product Portfolio**: Offers a wide range of financial products and services, including retail banking, corporate banking, SME banking, and Islamic banking.
- **Digital Banking Innovations**: Leading in adopting technology, with advanced mobile banking apps, internet banking, and digital payment solutions.

- **Experienced Leadership Team**: Guided by a capable board and management team with extensive industry knowledge.
- **Strategic Location of Branches**: Extensive branch network across urban and rural areas ensures accessibility for diverse customer segments.
- **Customer-Centric Approach**: Focuses on personalized services to enhance customer satisfaction and loyalty.

2. Weaknesses

- **High Operational Costs**: Managing a wide network of branches and services leads to significant operational expenses.
- **Dependency on Local Market**: Limited presence in international markets makes the bank vulnerable to economic fluctuations in Bangladesh.
- **Limited Global Reach**: Lack of a robust international banking presence compared to some competitors.
- **Risk of Discrepancies:** Even minor errors or discrepancies in documentation (e.g., invoices, shipping documents) can lead to payment delays or rejection, increasing risk for clients.
- **Foreign Exchange Fluctuation's:** Volatile currency exchange rates can pose financial risk for clients and the bank during L/C settlements.

3. Opportunities

- **Expansion in SME and Digital Banking**: Increasing focus on SMEs and digital banking can boost revenue and customer base.
- **Growing Islamic Banking Market**: Opportunities to expand Shariah-compliant products and services.
- **Partnerships and Alliances**: Collaborations with fintech companies and international institutions to enhance service offerings.
- **Emerging Markets**: Entry into untapped rural and semi-urban markets with innovative products.

4. Threats

- **Economic Instability**: Macroeconomic factors, such as inflation, currency devaluation, or political instability, can impact profitability.
- **Regulatory Challenges**: Strict compliance requirements and frequent policy changes by the central bank and government.
- **Rising Competition**: Intense competition from both traditional banks and new fintech players.
- **Cyber Security Risks**: Increasing reliance on digital platforms exposes the bank to potential cyber threats.
- **Global Economic Uncertainty**: International market fluctuations may indirectly affect the bank's trade finance and forex services.

2.8 Global Economy Framework of Dhaka Bank PLC

Dhaka Bank PLC operates within a global economic framework that influences its performance, strategies, and growth opportunities. Below is an analysis of how the global economy interacts with the bank's operations:

1. Influence of Global Trade on Dhaka Bank

- **Exports and Imports:** Dhaka Bank plays a significant role in financing Bangladesh's export-import sector, particularly textiles and garments, which account for a large portion of the country's GDP. Global demand, trade policies, and tariffs directly affect the bank's trade financing revenues.
- **Supply Chain Disruptions:** Events such as the COVID-19 pandemic and geopolitical tensions have impacted global supply chains, influencing the volume of international trade transactions facilitated by Dhaka Bank.

2. Currency and Exchange Rate Dynamics

- **Foreign Exchange Services:** Dhaka Bank is actively involved in foreign exchange transactions, managing remittances, and trade settlements. Fluctuations in the global value of the Bangladeshi Taka (BDT) against major currencies like the USD, EUR, and GBP affect its profitability.

- **Dollar Strength and Inflation:** The global strength of the US dollar can increase the cost of imports for Bangladesh, influencing the bank's clients and its foreign currency holdings.

3. Role of Remittances

- **Key Revenue Stream:** A significant portion of Bangladesh's GDP comes from remittances sent by expatriate workers, particularly from the Gulf Cooperation Council (GCC) countries, Europe, and North America. Dhaka Bank benefits from these inflows through remittance processing and forex earnings.
- **Global Labor Market Trends:** Changes in global labor demand, especially in the Middle East, directly affect remittance volumes.

4. Global Interest Rate Environment

- **Borrowing Costs:** Shifts in global interest rates, particularly those set by central banks like the Federal Reserve or the European Central Bank, impact international borrowing costs. Dhaka Bank must adapt its funding strategies and manage its loan portfolios accordingly.
- **Foreign Borrowing:** Bangladesh relies on foreign funding for development projects, and changes in global rates affect loan repayment terms and funding availability for Dhaka Bank's corporate clients.

5. Impact of Global Economic Shocks

- **Pandemics and Wars:** Events such as the COVID-19 pandemic and the Russia-Ukraine war have created volatility in global markets, affecting commodity prices, inflation, and trade—key factors influencing Dhaka Bank's operations.
- **Recession Risks:** A global economic slowdown reduces demand for Bangladesh's exports, influencing Dhaka Bank's earnings from trade finance and related sectors.

2.9 The Role of Dhaka Bank PLC in Bangladesh Economy

Dhaka Bank PLC operates as a key player in the financial ecosystem of Bangladesh, significantly influenced by the country's economic landscape. Below is an analysis of how the Bangladesh economy impacts Dhaka Bank's operations:

1. Role in Bangladesh's Economic Growth

- **Contribution to GDP:** Dhaka Bank supports sectors critical to Bangladesh's GDP, including textiles, agriculture, manufacturing, and services. Its focus on corporate and SME banking drives financial inclusion and economic expansion.
- **Infrastructure Development:** The bank plays a significant role in financing infrastructure projects, which are essential for economic growth, such as energy, transportation, and communication networks.

2. Trade and Export Dependency

- **Textile Industry:** Bangladesh's economy is heavily reliant on exports, particularly the Ready-Made Garments (RMG) sector, which accounts for over 80% of export earnings. Dhaka Bank provides trade financing and working capital for businesses in this sector.
- **Import Financing:** The bank supports importers of essential goods like machinery, raw materials, and consumer products, which are vital for domestic production and consumption.

3. Remittances

- **Foreign Remittance Inflows:** Dhaka Bank benefits from Bangladesh's strong inflows of remittances, which constitute a significant portion of the country's GDP. It facilitates remittance services, contributing to its fee-based income.
- **Economic Stabilizer:** Remittances help stabilize the Bangladeshi Taka (BDT), supporting Dhaka Bank's foreign exchange operations.

4. Monetary Policy and Interest Rates

- **Central Bank Policies:** Dhaka Bank operates under the monetary policies of Bangladesh Bank, including interest rate ceilings and liquidity management guidelines. Changes in policy impact the bank's lending and deposit rates.
- **Inflation Control:** Rising inflation in Bangladesh can affect borrowing costs, loan defaults, and overall credit demand, influencing Dhaka Bank's profitability.

Chapter 3: A Brief Overview on L/C Procedure

3.1 Letter of Credit

A letter from a bank to a seller, at the buyer's risk and responsibility, allowing him to draw drafts up to a certain amount under certain conditions and promising, either unconditionally or conditionally, to eventually pay for drafts.

A letter of credit is a bank's official credit. This is a form of financing prior to shipment. With this letter, the bank guarantees the exporter that the importer will either accept the bills or pay the full amount owed. The unusual distance and unfamiliarity between the parties involved the importer and the exporter occurs in international trade. It will be difficult or too expensive for the exporter to recoup the price if the importer doesn't pay. Generally speaking, the importer must open a letter of credit with a specific bank that has branches or agents in both the importing and exporting nations. Therefore, the importer obtains a letter of credit from the foreign exporter to demonstrate his creditworthiness.

Letters of credit are the primary means of financing international trade. The international chamber of commerce has defined a letter of credit as:

“Any arrangement however named or prescribed whereby a bank (the issuing bank) acting at the request and in accordance with the instructions of a customer (the applicant of the credit), is to make payment to or to the order of a third party (the beneficiary) or is to pay, accept or negotiate bills of exchange (drafts) drawn by the beneficiary, or authorize such payments to be made or such drafts to be paid, accepted or negotiated, by another bank, against stipulated terms and conditions.”

A letter of credit is essentially a document that gives a person or business a line of credit. It is written by a bank on behalf of one of its clients. A banking tool called a letter of credit enables importers to provide exporters with safe terms.

Every Letters of Credit contain these elements:

- A payment undertaking given by the bank (issuing bank)
- On behalf of the buyer (applicant i.e.; importer)
- To pay a seller (beneficiary i.e.; exporter)
- A given amount of money

- On presentation of specified documents representing the supply of goods
- Within specific time limit
- These documents conforming to terms and conditions set out in the letter of credit
- Documents to be presented at a specified place.

Thus, the seller need not worry about whether the buyer will clear the goods upon arrival at the destination, and the buyer need not block up his funds by making payment in advance, when a clause is included in the sale contract that the goods shall be paid by a banker's letter of credit. Since a commercial letter of credit is a bank's pledge to pay or accept the bill, as long as the exporter (the beneficiary) complies with the terms and conditions outlined in the credit, it actually replaces the banker's creditworthiness.

3.2 Parties to a Letter of Credit

Several important parties are involved in a Letter of Credit (L/C), a financial document frequently used in international trade. Here are the parties typically associated with a Letter of Credit issued by Dhaka Bank:

1. Applicant (Buyer): The party who requests the issuance of the L/C from Dhaka Bank. Typically, this is the importer or buyer in a trade transaction who responsible for reimbursing the bank upon fulfillment of the L/C conditions.

2. Beneficiary (Seller): The party in whose favor the L/C is issued. Usually, this is the exporter or seller in the trade transaction and receives payment upon presenting required documents conforming to the L/C terms.

3. Issuing Bank (Dhaka Bank): The bank that issues the L/C on the applicant's behalf and accepts responsibility for paying the beneficiary after the beneficiary submits the necessary paperwork.

4. Advising Bank: The bank that provides the L/C beneficiary with advice or notifications. Usually found in the beneficiary's nation and attests to the legitimacy of the L/C that Dhaka Bank issued.

5. Confirming Bank (Optional): A bank that adds its guarantee to the L/C, ensuring payment to the beneficiary. This is typically required if the beneficiary lacks confidence in the issuing bank or faces country-specific risks.

6. Negotiating Bank: After confirming the documents, the bank that reviews the beneficiary's paperwork and sends it to the issuing bank offers the beneficiary payment (or credit).

7. Reimbursing Bank (Optional): a bank assigned by the issuing bank to pay back the negotiating or confirming bank. It usually contains the money from the issuing bank.

8. Carrier (Shipping Company): Indirectly involved, the carrier provides transport services for the goods. Issues shipping documents like the Bill of Lading, which are vital for fulfilling L/C conditions.

9. Customs Authorities: Facilitates the import/export process by inspecting and clearing goods. Ensures compliance with trade regulations.

3.3 Uniform Customs and Practices of L/C

The International Chamber of Commerce (ICC) created a set of global guidelines known as the Uniform Customs and Practice for Documentary Credits (UCP) that regulate the use of Letters of Credit (L/C). The regulations are intended to ensure safe and effective payment processing while standardizing and facilitating global trade.

When using letters of credit in international transactions, the UCP specifies the norms and procedures that must be adhered to. The following are important details about the most recent edition of the ICC's Uniform Customs and Practices for Documentary Credits (UCP 600):

1. General Provisions

- Definition of Documentary Credit: In international trade, a documentary credit, also known as a letter of credit, is a payment mechanism where a bank (the issuing bank) guarantees payment to a seller (the beneficiary) on behalf of a buyer (the applicant), as long as the seller provides certain documents that meet the credit's terms and conditions.
- Independence of the Credit: The underlying agreement between the buyer and the seller is unrelated to the letter of credit. It is only subject to the UCP and its own rules.

2. Types of Letters of Credit

- **Revocable:** may be changed or terminated at any time without the seller's consent by the buyer or the issuing bank.
- **Irrevocable:** cannot be changed or terminated without the consent of the buyer, seller, and banks.
- **Confirmed:** a letter of credit in which the commitment of the issuing bank is augmented by the guarantee of a second bank, typically located in the seller's nation.
- **Sight and Time Credits**: While a time L/C requires payment to be made later, a sight L/C requires payment to be made upon presentation of compliant documents.

3. Documentary Requirements

Depending on the conditions of the credit, the beneficiary may need to provide the bank with certain documents in order to claim payment, such as invoices, transport documents, insurance certificates, and more.

The documents must meet the conditions outlined in the letter of credit; otherwise, there may be delays or non-payment.

4. Role of the Banks

- **Issuing Bank:** The bank that represents the buyer in issuing the letter of credit.
- **Advising Bank:** The bank that provides the seller with guidance regarding the credit letter.
- **Confirming Bank**: The bank that ensures the seller will be paid in the event that the issuing bank fails.
- **Negotiating Bank:** A bank with the authority to reimburse the issuing bank and pay the seller.

5. Documents and Discrepancies

- **Documentary Examination:** Banks are in charge of reviewing the submitted documents to make sure they adhere to the L/C's terms. Small differences could result in delays or the documents being rejected.
- **Discrepancies:** The buyer and seller may need to settle the matter before the payment is made, or the bank may request clarification if there are inconsistencies in the documents

6. Payment and Settlement

- Once the documents are found to comply, the issuing or confirming bank will make the payment to the beneficiary as per the terms of the credit. Payment can be made at sight (immediately) or at a later date, depending on the conditions outlined in the credit.

7. Transfer and Assignment

- Some letters of credit can be transferred or assigned to other parties, usually to facilitate payment to a third party, like a supplier or intermediary.

8. Expiry and Amendments

- The letter of credit specifies an expiry date, which is the last date that documents can be presented. After this date, the letter of credit becomes invalid. Amendments can be made to the letter of credit, but only with the consent of all parties involved.

9. Risk Allocation

- The use of letters of credit helps mitigate risks such as payment default, non-shipment of goods, or non-compliance with the terms of sale, as the payment is guaranteed by the bank, provided that the documents presented are in order.

10. UCP 600 Principles

- **Documentary compliance:** In UCP 600, the presentation of conforming documents is prioritized over the underlying contract's performance. This indicates that banks are more interested in paperwork than in products or services.
- **Timeframes:** UCP 600 establishes deadlines for completing specific tasks, such as document review, payment, and discrepancy notice.

3.4 Advantages of L/C

The International Chamber of Commerce (ICC) created a set of global guidelines known as the Uniform Customs and Practice for Documentary Credits (UCP) that regulate the use of Letters of Credit (L/C). The regulations are intended to standardize and ease global trade while guaranteeing safe and effective payment processing.

When using letters of credit in international transactions, the UCP specifies the norms and procedures that must be adhered to. The following are important details about the most recent edition of the ICC's Uniform Customs and Practices for Documentary Credits (UCP 600):

1. General Provisions

- **Definition of Documentary Credit**: In international trade, a documentary credit, also known as a letter of credit, is a payment mechanism where a bank (the issuing bank) guarantees payment to a seller (the beneficiary) on behalf of a buyer (the applicant), as long as the seller provides certain documents that meet the credit's terms and conditions.
- **Independence of the Credit**: The underlying agreement between the buyer and the seller is unrelated to the letter of credit. It is only subject to the UCP and its own rules.

2. Types of Letters of Credit

- **Revocable**: may be changed or terminated at any time without the seller's consent by the buyer or the issuing bank.
- **Irrevocable**: cannot be changed or terminated without the consent of the buyer, seller, and banks.
- **Confirmed**: A letter of credit wherein a second bank, typically located in the seller's nation, adds its guarantee to the commitment made by the issuing bank.
- **Sight and Time Credits**: While a time L/C requires payment to be made later, a sight L/C requires payment to be made upon presentation of compliant documents.

3. Documentary Requirements

- Depending on the terms of the credit, the beneficiary must provide the bank with certain documents in order to claim payment, such as invoices, transport documents, insurance certificates, and others.
- The documents must meet the specifications outlined in the letter of credit; otherwise, there may be delays or non-payment.

4. Role of the Banks

- **Issuing Bank**: The bank that represents the buyer in issuing the letter of credit.
- **Advising Bank**: The bank that provides the seller with guidance regarding the credit letter.

- **Confirming Bank**: The bank that, in the event that the issuing bank defaults, ensures payment to the seller.
- **Negotiating Bank**: A bank with the authority to reimburse the issuing bank and pay the seller.

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- The use of letters of credit helps mitigate risks such as payment default, non-shipment of goods, or non-compliance with the terms of sale, as the payment is guaranteed by the bank, provided that the documents presented are in order.

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- **Documentary compliance:** In UCP 600, the presentation of conforming documents is prioritized over the underlying contract's performance. This indicates that banks are more interested in paperwork than in products or services.
- **Timeframes**: UCP 600 specifies timeframes within which certain actions should be completed (e.g., document examination, payment, and notice of discrepancies).

3.5 Regulatory Provisions Regarding L/C

The regulatory provisions regarding Letters of Credit (L/C) at Dhaka Bank are guided by a combination of national regulations, international standards, and the banks own internal policies. These provisions ensure that the L/C transactions comply with relevant laws, international trade practices, and ensure the security and reliability of payments.

Here’s an overview of the regulatory provisions that govern the L/C process at Dhaka Bank:

1. Compliance with UCP 600 (Uniform Customs and Practice for Documentary Credits)

- Dhaka Bank follows the UCP 600 rules, which are established by the International Chamber of Commerce (ICC) for documentary credits (L/Cs). This is the international standard that governs L/C transactions globally. UCP 600 provides rules on the issuance, amendments, and payments under Letters of Credit, including document examination and risk management.

2. National Regulatory Framework (Bangladesh Bank Regulations)

- Dhaka Bank adheres to the rules and policies established by Bangladesh Bank, the country's central bank, in addition to international standards. These rules oversee the activities of all commercial banks in Bangladesh and guarantee adherence to national laws, such as those pertaining to trade, foreign exchange, and anti-money laundering (AML).
- **Foreign Exchange Regulations**: Dhaka Bank must adhere to the Foreign Exchange Guidelines issued by Bangladesh Bank for cross-border trade, including regulations on currency conversion, repatriation of funds, and foreign exchange management.
- **Export and Import Procedures**: Bangladesh Bank also regulates the process of issuing L/Cs for imports and exports to ensure that the transactions are legitimate and compliant with the country's trade policies.

3. Know Your Customer (KYC) and Anti-Money Laundering (AML) Requirements

- Dhaka Bank must perform due diligence on the importer (buyer) and exporter (seller) involved in the L/C transaction in accordance with Bangladesh Bank's KYC and AML regulations. This is to stop illicit activities like fraud, money laundering, and financing of terrorism.
- Banks must verify the identity of the parties involved, the source of funds, and the legitimacy of the underlying transactions. This regulatory framework is essential for maintaining transparency in trade finance.

4. Documentary Compliance and Discrepancy Handling

- All documents submitted under the L/C must adhere to the precise terms and conditions of the credit, according to the L/C regulations. Dhaka Bank makes sure that all paperwork, including invoices, insurance certificates, and bills of lading, complies with the credit agreement.
- If there are discrepancies in the documents, Dhaka Bank is required to follow the UCP 600 guidelines on handling discrepancies. This may include notifying the applicant or beneficiary, and the bank must carefully evaluate the severity of the discrepancies before proceeding with payment.

5. Trade-Based Financial Reporting and Documentation

- Dhaka Bank must maintain proper records of all L/C transactions for regulatory compliance, including reporting to Bangladesh Bank and other relevant authorities. These reports may include details on the value of transactions, the parties involved, and compliance with foreign exchange regulations.
- Reporting of Foreign Exchange Transactions: According to Bangladesh Bank's regulations, all foreign exchange transactions, including those related to L/Cs, must be reported to the central bank. This includes details of both incoming and outgoing payments, as well as the purpose of the transactions.

6. Import Control Regulations

- For import L/Cs, Dhaka Bank ensures compliance with import control regulations set by the government of Bangladesh. These regulations dictate what goods can be imported, import duties, and any restrictions or licensing requirements for certain goods.
- **Import Declaration Forms (IDF)**: In cases where goods are being imported using an L/C, Dhaka Bank ensures that the relevant Import Declaration Forms (IDF) are filed as required by Bangladesh Customs.

7. Risk Management and Prudential Guidelines

- Dhaka Bank adheres to the prudential guidelines for risk management set by Bangladesh Bank. These guidelines help ensure that the bank maintains adequate liquidity and capital reserves to manage potential risks from L/C transactions, especially in cases of payment defaults or discrepancies.
- The bank must evaluate the financial stability of both parties in the L/C transaction and may require additional collateral or guarantees for higher-risk transactions.

8. Operational Guidelines of Dhaka Bank

- Dhaka Bank has its own set of internal operational guidelines for processing L/Cs. These include procedures for the issuance, amendment, and settlement of L/Cs, and steps for ensuring that all L/C transactions comply with the agreed terms and international standards.

- The internal guidelines ensure the efficiency and safety of the L/C processing system at the bank, addressing issues such as document verification, dispute resolution, and customer communication.

9. International Sanctions and Export Control Regulations

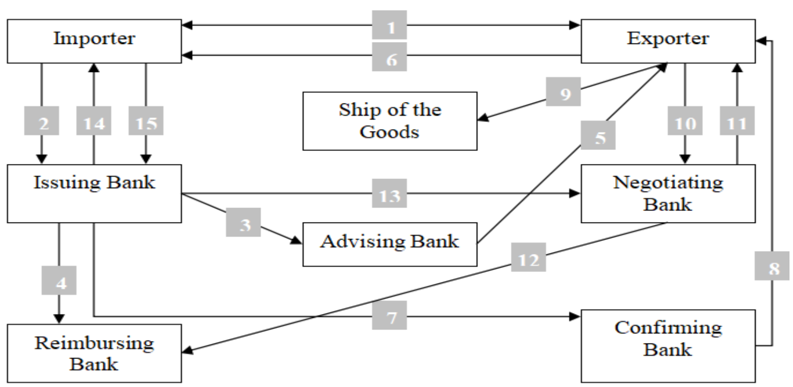
- Dhaka Bank is obligated to comply with international sanctions and export control regulations that apply to the countries involved in the L/C transaction. This includes ensuring that the transaction does not involve any entities or countries that are subject to international sanctions.
- The bank must conduct checks to ensure that the parties involved in the L/C transaction are not on any sanction lists issued by international bodies such as the United Nations, the U.S. Department of the Treasury, or the European Union.

10. Dispute Resolution and Arbitration

- In cases of disputes over L/C transactions, Dhaka Bank follows the dispute resolution procedures outlined in the UCP 600 rules. This typically involves mediation or arbitration, and the bank may act as an intermediary between the buyer and seller to resolve issues without going to court.

3.6 Operational Flow of the Process

The following steps are part of the entire import and export process. This flow involves both the importer and the exporter. Some tasks are completed by the importer, some by the exporter, and some by someone else. The procedure is quite similar to this:



(Figure-1)

3.7 Description of the Flow

Step 1: Establish a Buying and Selling Contract: A legally binding agreement outlining the terms and conditions of the transaction is made between the buyer and the seller. This includes:

- Description of goods or services.
- Quantity and quality standards.
- Price and payment terms.
- Delivery timeline and terms (e.g., FOB, CIF).
- Dispute resolution mechanisms.

Step 2: Submission of Application to the Bank: The buyer submits an application to their bank (the issuing bank) to issue a Letter of Credit (L/C). The application must include:

- The signed contract or proforma invoice.
- Details of the seller (beneficiary).
- Terms of the L/C, including amount, currency, and validity.
- Shipping and documentation requirements.

Step 3: Issuance of the L/C: After reviewing the application, the issuing bank issues the L/C. Through a secure banking network (such as SWIFT), the L/C is transmitted to the advising bank in the seller's nation.

Step 4: Issue Reimbursing Instruction: The issuing bank provides instructions to the reimbursing bank (if involved) on how to make payments under the L/C. These instructions ensure that the funds are available when the L/C terms are met.

Step 5: Verification and Advising of L/C: The advising bank advises the seller (exporter) after confirming the L/C's legitimacy. This process confirms that the L/C has been issued and the terms are as expected.

Step 6: Confirmation of L/C by Importer: The importer reviews the advised L/C to ensure all terms align with the agreed contract and requests any necessary amendments. This step ensures mutual understanding of the L/C terms.

Step 7: Request for L/C Confirmation: The issuing bank formally requests confirmation of the L/C from the confirming bank if the exporter requests it. For the exporter, this provides an extra degree of payment assurance.

Step 8: Issuance of Confirmation: The confirming bank adds its confirmation to the L/C, guaranteeing payment to the exporter, provided the terms are met. This step is critical for transactions where the exporter requires added security.

Step 9: Shipment of Goods: The seller prepares the necessary paperwork (such as the bill of lading, invoice, and packing list) and ships the goods in accordance with the terms of the contract. These records attest to the terms of the L/C.

Step 10: Submission of Documents to Negotiating Bank: For verification and negotiation, the seller sends the shipping and associated paperwork to their bank (the negotiating bank). The L/C terms must be met by the documents.

Step 11: Negotiation of Documents: The documents are examined by the negotiating bank. The bank negotiates the bill and pays the seller if the seller complies. Paying the seller on time is ensured by this step.

Step 12: Claim for Payment: According to the terms of the L/C, the negotiating bank demands payment from the issuing or reimbursing bank. By doing this, the negotiating bank is guaranteed to recoup the money paid to the seller.

Step 13: Payment Reimbursement: The negotiating bank receives reimbursement from the issuing or reimbursing bank for the money paid to the seller. The payment cycle is finished with this step.

Step 14: Document Collection Notification: The importer receives notification from the issuing bank to pick up the shipping and payment documents. To claim the goods from the carrier, these documents are required.

Step 15: Collection of Documents by Importer: The importer pays the bank’s dues (e.g., L/C fees, payment settlement) and collects the documents to claim the goods. This step concludes the transaction and enables the importer to take delivery of the goods.

Chapter 4: L/C Operation in Dhaka Bank PLC

4.1 L/C Operation

When Dhaka Bank evaluates an L/C (Letter of Credit) applicant, several factors are considered to ensure the transaction's security, legitimacy, and successful processing. These factors help the bank assess the applicant's ability to fulfill the terms of the credit and manage the financial risks involved. Below are the key factors that Dhaka Bank typically considers when reviewing an L/C applicant:

1. Financial Stability and Creditworthiness

- **Financial Statements**: To evaluate the company's financial health, Dhaka Bank looks at the applicant's financial statements, including cash flow, profit and loss statements, and balance sheets.
- **Credit Rating**: The bank evaluates the applicant's credit history and credit rating from credit agencies to understand their ability to repay debts.
- **Banking Relationships**: The history of the applicant's relationships with their existing banks is reviewed, including how they have managed previous credit facilities and L/C transactions.

2. Nature of the Business and Industry

- **Business Sector**: Dhaka Bank assesses the industry in which the applicant operates to understand any specific risks related to that sector. For example, industries with fluctuating markets (like commodities) may pose a higher risk.
- **Business Longevity and Reputation**: The bank looks at how long the applicant has been in business and their reputation in the industry. A long-established business with a positive reputation is considered more reliable.

3. Purpose and Size of the L/C

- **Transaction Amount**: The bank considers the size of the L/C in relation to the applicant's financial capabilities. A very large L/C may require additional collateral or guarantees.
- **Purpose of the L/C**: The specific purpose of the L/C is evaluated (e.g., import or export, raw materials or finished goods). The bank assesses whether the purpose is aligned with the applicant's business operations.

4. Risk Profile and Guarantees

- **Risk of Default**: The applicant's risk profile, including any previous defaults or financial difficulties, is considered. The bank evaluates whether the applicant's business is stable enough to handle the transaction.
- **Collateral and Guarantees**: If the applicant's creditworthiness is uncertain, Dhaka Bank may request collateral or additional guarantees (e.g., a guarantee from a third-party institution).

5. Payment History and Past L/C Performance

- **Previous L/C Transactions**: Dhaka Bank reviews the applicant's history with L/Cs, particularly whether they have successfully fulfilled terms in the past. A good history with previous L/Cs indicates reliability.
- **Payment Behavior**: The applicant's history of meeting payment obligations in a timely manner is also taken into account.

6. Compliance with Legal and Regulatory Standards

- **Adherence to Bangladesh Bank Regulations**: Dhaka Bank ensures that the applicant complies with the foreign exchange and trade regulations set by Bangladesh Bank. This includes ensuring that the transaction does not involve prohibited goods or countries subject to sanctions.
- **Documentation and Licensing**: The bank verifies that the applicant has all necessary licenses, permits, and documentation to import/export goods and that they comply with applicable import/export laws.

7. Import/Export Experience and Trade Documentation

- **Experience in International Trade**: The applicant's familiarity and experience with international trade procedures, including documentation requirements (e.g., invoices, bills of lading, insurance certificates), are evaluated.
- **Trade Reputation**: The applicant's reputation with international suppliers or buyers can impact the bank's decision. A reputable applicant is more likely to engage in smooth international transactions.

8. Relationship with the Beneficiary

- **Trust and Transparency**: The bank assesses the nature of the applicant's relationship with the beneficiary (the party receiving payment under the L/C). If the applicant has a longstanding, transparent relationship with the seller, the bank may be more comfortable approving the L/C.
- **Dispute History**: If there have been disputes between the applicant and the beneficiary in past transactions, this may affect the bank's decision.

9. Payment Terms and Conditions of the L/C

- **Payment Terms**: The payment terms of the L/C (whether it is a sight or usance L/C) are reviewed to ensure they are reasonable and feasible for both the applicant and the beneficiary.
- **Amendment and Cancellation Clauses**: Dhaka Bank checks the L/C terms for clauses related to amendments, cancellations, or extensions, ensuring that they align with the applicant's needs and the bank's policies.

10. Foreign Exchange and Currency Risk

- **Currency Conversion**: The applicant's ability to manage foreign exchange risk is considered, especially if the transaction involves multiple currencies. The bank may offer advice on hedging strategies or currency risk management.
- **Foreign Currency Requirements**: If the L/C involves foreign currencies, the applicant's ability to meet the currency requirements will be assessed.

Summary of L/C Applicant Evaluation Process

- **Assess Financial Stability:** Check credit rating, financial history, and cash flow.
- **Evaluate Business Nature:** Understand the industry and business longevity.
- **Analyze L/C Size and Purpose:** Ensure the applicant can handle the amount and nature of the transaction.
- **Review Risk and Guarantees:** Assess collateral or guarantees for high-risk applicants.
- **Examine Past L/C and Payment History:** look at previous L/C performance and payment behavior.

- **Check Legal and Regulatory Compliance:** Ensure the transaction complies with national and international regulations.
- **Assess Import/Export Experience:** Ensure the applicant understands international trade practices and documentation.
- **Review Relationship with Beneficiary:** Evaluate the trustworthiness of the relationship with the seller or buyer.
- **Evaluate Payment Terms:** Review the L/C terms for feasibility and fairness.
- **Foreign Exchange and Currency Risk:** Understand the applicant's ability to manage foreign exchange issues.

4.2 Documents required while applying for L/C

All parties in a credit operation deal with documents rather than products, services, or other performances that documents may be related to. Therefore, in all forms of L/C processing and operations, documentation is crucial. In order to open an L/C with Dhaka Bank PLC, the following paperwork is needed. for a new applicant-

- Trade License (up to date)
- Import Registration Certificate (IRC) (up to date)
- Tax Identification Number (TIN) (up to date)
- VAT Registration Certificate (up to date)
- Membership Certificate of a bona fide trade body (up to date)
- Chamber Membership Certificate
- L/C Application (in letterhead pad of the client)
- L/CA (L/C Application) form-duly filled in and signed by the importer
- IMP Form- duly filled in and signed by the importer
- Charge documents
- Supplier’s Credit Report
- Applicant’s Credit Report
- Other necessary papers depending on the nature of import.

4.3 L/C Application Form

The L/C Application Form serves as a kind of contract between the bank and the client that serves as the foundation for opening a letter of credit. A printed form for opening an L/C is given to the importer by Dhaka Bank PLC. In compliance with the current stamp act, a special adhesive stamp worth TK. 150 is applied to the form. The importer typically quotes the margin amount in percentage terms when expressing his decision to open the L/C. The importer must fill out the following information on the form:

- Full name and address of the importer
- Full name and address of the beneficiary
- Draft amount
- Time bar within which the documents should be presented
- Sales type (CIF/FOB/C&F)
- Brief specification of commodities, price, quantity, indent no. etc.
- Country of origin
- Import license 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 (it 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 the issuing bank.

4.4 L/C Authorization Form

In place of an import license, the Letter of Credit Authorization Form (LACF) is the form required for the authorization of opening a Letter of Credit or payment against import. Based on licensing of the current Import Policy Order to permit import into Bangladesh, authorized dealers are able to provide L/CA Forms to importers. Foreign currency must be registered with Bangladesh Bank's Registration Unit, which is situated in the relevant CCI&E area office, if it is to be purchased from the bank against an L/CAF. Each authorized dealer receives a set of five (5) copies of the L/CA Forms. The first copy, known as the exchange control copy, is used to open the L/C and complete the remittance. The custom purpose copy, which is the second copy, is used to get imported goods cleared by the customs authority. The authorized dealer or Bangladesh Bank Registration Unit is responsible for sending the third and fourth copies of the L/CAF to the relevant section of the CCI&E office. The fifth copy is retained by the Registration Unit or authorized dealer as an office copy. The following information is included in the Letter of Credit Authorization Form (L/CAF):

- Name and address of the importer
- IRC No. and the year of renewal
- Amount of L/C applied for (both in figure and in word)
- Description of item(s) to be imported
- ITC number / HS Code number
- Signature of the importer with seal
- List of goods to be imported

4.5 Import Permit Form

Import Permit Form contains the following-

- L/C authorization form no.
- date
- value in taka
- registration of L/CAF
- quantity of goods
- invoice value

- country of origin
- port of shipment
- indenter's address

4.6 Communication Media

Dhaka Bank employs various communication media to ensure effective interaction with its customers, stakeholders, and the public. These media are designed to provide customer service, updates, and manage banking operations efficiently. Below are the key communication channels used by Dhaka Bank:

1. **Branch Visits:** In-person communication for detailed inquiries.
2. **Telephone & Call Centers:** Dedicated customer support hotlines.
3. **Email:** Official email channels for inquiries and support.
4. **Internet Banking & Mobile Banking:** Online and mobile platforms for transactions and communication.
5. **Social Media:** Facebook, Twitter, LinkedIn, and Instagram for customer engagement.
6. **Official Website:** Full range of banking information and online services.
7. **SMS:** Alerts, security messages, and transaction updates.
8. **Postal Mail:** Traditional communication for formal notices and statements.
9. **ATMs & Kiosks:** Self-service for account management and transactions.
10. **Relationship Managers:** Personalized communication for corporate and premium clients.
11. **Customer Support Centers:** Feedback, complaint handling, and support services.

These diverse communication channels allow Dhaka Bank to serve a wide range of customer needs and ensure effective, timely, and secure communication for both individual and business clients.

4.7 L/C Using Process

The L/C (Letter of Credit) process at Dhaka Bank involves a series of well-defined steps designed to ensure that both the buyer (importer) and seller (exporter) fulfill their contractual obligations in international trade transactions. This process is structured to provide security for both parties, ensuring that the seller gets paid upon delivery of goods/services and the buyer receives the goods in conformity with the terms of the agreement.

Here's a step-by-step overview of the L/C process at Dhaka Bank:

1. L/C Application (Importer's Request)

- The importer (buyer) submits an L/C application to Dhaka Bank, requesting the bank to issue an L/C in favor of the exporter (beneficiary).
- The application typically includes details such as:
  - The buyer's and seller's names and addresses.
  - The amount of the L/C and currency.
  - Description of goods or services being purchased.
  - Terms and conditions of the trade (shipment, payment, documents required).
  - Delivery and payment terms (sight, usance, etc.).

2. L/C Issuance by Dhaka Bank

- Dhaka Bank checks the L/C application for accuracy and adherence to Bangladesh Bank guidelines, foreign exchange laws, and internal policies.
- Dhaka Bank issues the L/C in the exporter's favor after examining the application. Depending on the agreement, the bank either sends the L/C directly to the exporter or to the exporter's bank (also referred to as the advising bank).

3. L/C Communication and Confirmation

- The advising bank (which could be another branch of Dhaka Bank or a foreign bank) receives the L/C from Dhaka Bank and notifies the exporter of the credit's issuance.
- In some cases, Dhaka Bank may confirm the L/C, adding its guarantee of payment to the exporter. This is particularly common in situations where the buyer's bank is in a less stable jurisdiction, or the exporter wants additional security.
- The exporter verifies the terms of the L/C and confirms that they are acceptable before proceeding with the shipment of goods.

4. Shipment of Goods (Exporter's Responsibility)

- Once the L/C is received and verified, the exporter arranges the shipment of goods as per the agreed terms (e.g., delivery method, quantity, quality, etc.).

- The exporter prepares the necessary documents, including:
  - Bill of Lading or other transport documents.
  - Commercial Invoice.
  - Packing List.
  - Insurance Certificate (if required).
  - Any other documents specified in the L/C, such as certificates of origin or inspection certificates.

5. Document Submission by Exporter

- The exporter submits the required shipping and trade documents to their bank (the advising or negotiating bank). This submission includes:
  - Shipping documents.
  - A letter of credit compliance document confirming that all conditions of the L/C have been met.
  - Other supporting documents (e.g., insurance, certificates).

6. Document Review by Dhaka Bank

- Dhaka Bank (or the confirming bank, if applicable) carefully examines the documents after they are received from the exporter's bank to make sure they meet the terms and conditions of the L/C. This is a crucial step because any inconsistencies in the paperwork could cause the payment to be delayed or denied.
- **Key criteria**:
  - The documents must match the description and quantity of the goods.
  - The shipment date and delivery terms must align with the L/C.
  - The documents must meet the L/C's specific requirements (e.g., certificate of origin, inspection reports).

7. Payment Processing

- If the documents are compliant, Dhaka Bank processes the payment to the exporter, either by paying immediately (if the L/C is a sight L/C) or at a later date (if it is a usance L/C).
- The bank sends the payment to the exporter’s bank, which then credits the exporter’s account.

- If there are discrepancies in the documents, Dhaka Bank contacts the importer to address the issues. The importer may have the option to accept the discrepancies or request amendments to the L/C.

8. L/C Settlement and Notification to Importer

- Once the payment is processed, Dhaka Bank informs the importer (buyer) of the successful completion of the transaction.
- The importer is required to settle the payment with the bank for the L/C (in cases of usance L/C, this will be after the maturity date).
- If the L/C was backed by financing (e.g., a short-term loan), the importer repays Dhaka Bank according to the agreed terms.

9. Delivery of Goods to the Importer

- Following payment, Dhaka Bank provides the importer with the necessary paperwork, such as the bill of lading, so they can pick up the goods.
- The importer can then take the goods from the shipping agent or port, completing the trade process.

10. Closure of the L/C Transaction

- The L/C is considered closed once the goods have been delivered, the payment has been made, and all parties are satisfied.
- Dhaka Bank will archive the records of the L/C for future reference, as required by Bangladesh Bank and other regulatory bodies

4.8 Flow-Chart of L/C Using Process

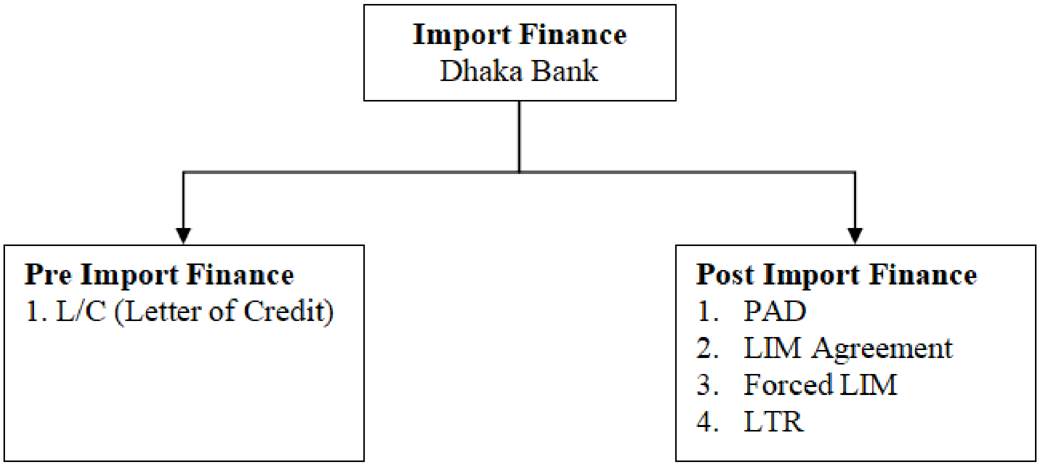
Flowchart of the L/C Process at Dhaka Bank

1. L/C Application by Importer   ↓
2. Review and Issuance of L/C by Dhaka Bank   ↓
3. L/C Sent to Exporter via Advising Bank   ↓
4. Exporter Reviews L/C Terms and Ships Goods   ↓
5. Exporter Submits Documents to Bank   ↓
6. Dhaka Bank Reviews Documents for Compliance   ↓
7. Payment to Exporter (Sight or Usance)   ↓
8. Notification to Importer & Document Delivery   ↓
9. Importer Receives Goods   ↓
10. Closure of L/C Transaction

(Figure-2)

4.9 Letter of Credit in Import Financing

Importing goods into the nation and paying foreign exchange to foreign suppliers for the cost of the goods is one of the major responsibilities of commercial banks worldwide. Letters of credit (L/C) are required for all imports of goods into Bangladesh under its import policy. Goods may, however, be imported under specific circumstances without a letter of credit, up to a maximum of US $25,000 per importer per year. Both the importer and the exporter gain from L/C as a financing tool. The diagram below illustrates Dhaka Bank PLC's import financing:



(Figure-3)

Post-import finance, however, is outside the purview of this report. Therefore, the import L/C processing of Dhaka Bank PLC will be explained in the next few sections.

4.10 Import L/C – The Process

The whole process of L/C in Dhaka Bank PLC. completes in three stages:

- **L/C Issuance:** In this step, the importer opens a letter of credit with the bank. This will be the primary focus of the report and will be covered in more detail later
- **Lodgment:** The L/C issuing bank will prepare the voucher by converting the foreign currency into Bangladeshi Taka and enter the details of the documents in the "Inward Foreign Bills Register" after receiving the documents from the negotiating bank. The loading of import bills is the name given to this phase.
- **Retirement:** The importer will deposit the necessary sum and accept delivery of the shipping documents after receiving a copy of the bank's deposit. The Retirement of Import Bills is the name of this phase.

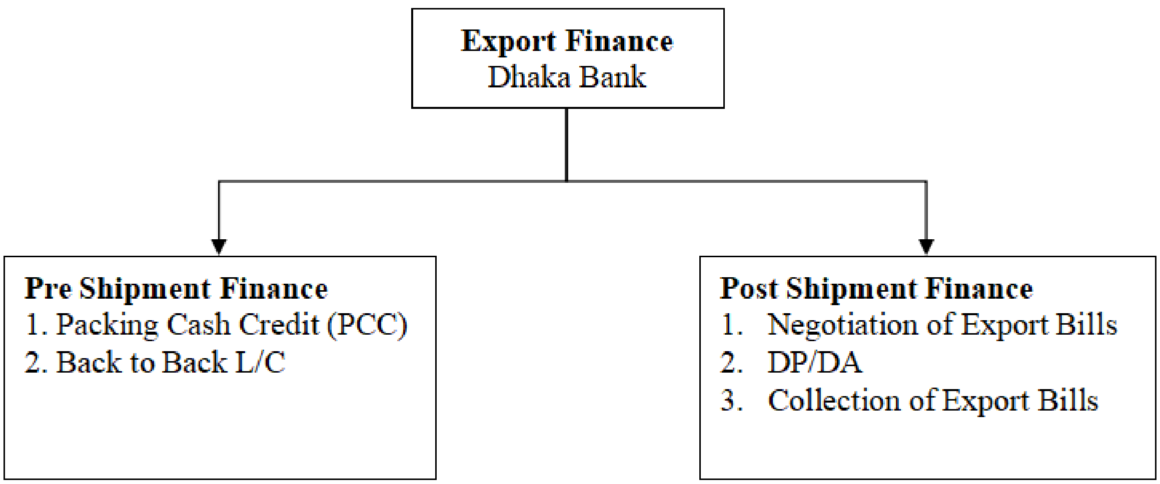
4.11 Check list for Import L/C

- Dhaka Bank PLC verifies the entire import L/C issuing procedure using a checklist. The following is included in the check list:

- The importer's written request to issue an L/C is received.
- The L/C application form is properly completed, the importer's or guarantor's signature is obtained and confirmed, an adhesive stamp of the correct value is applied, and it is defaced.
- They obtained the IMD form.
- L/CAF properly completed, importer-signed, and bank official-verified with the appropriate seal
- The pro forma invoice and indent copy have been duly signed and accepted.
- An insurance cover note covering the minimum risk in the "B" category was obtained.
- Proof that the VAT registration fee was paid using Form-Ga (VAT registration certificate).
- The pass book and IRC are valid.
- The opening of L/C has been duly authorized by the appropriate authority in accordance with the assigned power.
- Commission, margin, and other fees are appropriately and promptly realized at the specified rates.
- Proof regarding obtainment of TIN (Tax identification No.)
- Valid membership certificate issued by member organization of FBCCI
- Contra liability entries are passed on the same day of opening of L/C
- Margin is realized on the same day of the opening of L/C
- Commission and other charges are realized on the same day of the opening of L/C
- L/C’s is advised promptly within 24 hours’ time
- Amendments of L/C in respect of time, value or items are effected in accordance with written request of L/C openers and charges thereof realized
- L/C copy along with L/CAF is sent to the office of the CCI&E within fifth of every month covering the entire previous month
- Registration of indenter is valid. Indenter must incorporate Bangladesh Bank permission no. in indent
- VAT is being deducted on L/C commission and sent to competent authority of Dhaka Bank PLC.

4.12 Letter of Credit in Export Financing

Inward remittances are produced by export businesses. Because of this, the government promotes export business investment and provides incentives such as tax and duty-free raw material entry for RMG companies operating in our nation. L/C is also essential for export financing because an import to one party is an export to the other. The export financing methods that Dhaka Bank PLC handles are depicted in the following diagram.



(Figure-4)

In this report, post-shipment finance has not been discussed. Thus, the PCC and BTB L/C methods used by Dhaka Bank PLC for pre-shipment financing are covered in the next few sections.

Packing Cash Credit (PCC)

A PCC is a short-term credit that the bank extends to a qualified exporter with a set payback date. This loan is typically granted to valued constituents or exporters on the basis of an irrevocable L/C, but occasionally it may be granted without an L/C based on an agreement. The purpose of PCC is as follows:

- To buy raw materials
- To process raw materials
- To pay freight
- To pay insurance

- To pay inspection fees
- To pay packing charge

Documents verified for granting PCC

The bank begins processing all of the documents in accordance with the terms and conditions of the L/C as soon as the L/C is delivered to the bank counter. The following details are confirmed at Dhaka Bank PLC prior to the PCC being approved:

- Check whether the L/C is issued by the reputed bank (1st class bank).
- Obtain the credit report of importer, especially when the applied loan amount is large.
- L/C expiry date is checked and PCC is not allowed after that date.
- Stock report must be submitted regularly to the bank
- Loans are given for the period from the time of purchasing raw materials up to shipment of goods.

Back to Back L/C

Back-to-back an L/C that is supported by another can be referred to as an L/C. This kind of L/C is utilized in Bangladesh as pre-shipment financing, particularly in relation to export orders for ready-made clothing. The most processed L/C at Dhaka Bank PLC is the BTB L/C. Bangladesh Bank has added a special chapter to its "Guidelines for Foreign Exchange Transaction" because of the widespread use of BTB L/C.

A BTB L/C is opened in relation to another credit's lien. Under this L/C, the beneficiary purchases goods from suppliers and prefers that the suppliers receive the credit's benefits. The beneficiary might have to open a second L/C in favor of the ultimate supplier in order to pay for the accessories and raw materials. The beneficiary needs Dhaka Bank PLC to open a second L/C in the supplier's name on the original credit in order to accomplish this. Back to Back L/C is the name given to such an ancillary L/C.

The bank assumes the risk under the BTB L/C based on the security provided by the original or master L/C. The terms and conditions outlined in the master L/C are followed when issuing a BTB L/C. BTB L/C is typically opened in our nation for the purpose of reprocessing in order to create exportable goods. The maximum FOB value of the master export L/C is the upper limit on the value of the BTB L/C.

4.13 Documents Necessary for Export L/C

The seller or exporter can load the goods and ship them as soon as he gets the credit and is confident he can fulfill its terms and conditions. The seller then forwards the shipment documentation to the bank. In compliance with the terms and conditions specified in the L/C, the exporter will submit those documents. In general, the following documents were seen by the bank:

- Bill of Exchange
- Commercial Invoice
- Bill of Lading
- Air Way Bill
- Rail Way Receipt
- Insurance Policy
- Certificate of Origin
- Certificate of Manufacture
- Inspection Certificate
- Packing List
- Clean Report of Finding (CRF)

4.14 Check List for Export L/C

Similar to import L/C, Dhaka Bank PLC officials use a checklist to ensure that export L/C runs flawlessly. The following are the items on the Export L/C checklist:

- Authenticity of Export L/C established
- If advised by another local bank bona fide of L/C established through paper communication which is documented
- In case of 2nd beneficiary L/C, KYC of both beneficiary established and documented
- BTB L/C pro forma invoice apparent legitimacy established by connected papers
- Possible in-house L/C or BTB L/C transaction eliminated
- Exporter or BTB L/C opener is not a first time client
- L/C opener has established adequate collateral security with the bank

- Present L/C value is not disproportionate to past business record of the client
- CIB report is clean
- BTB L/C is within the production capacity of the RMG unit/exporter's unit
- Quota availability and validity
- Sufficient lead time is available to ensure export in time
- No track record of forced payment of BTB L/C due to shortage of funds
- Value addition requirement as per IPO in force.

4.15 Amendments to Letter of Credit

Changing the terms of the credit is known as an amendment to L/C. Following the opening of an L/C, the applicant or beneficiary may occasionally notice that the terms and conditions specified in the credit are insufficient to fulfill their intended function. To make it feasible, they must modify the credit in some way. This is accomplished through the issuance of an L/C amendment.

Since Dhaka Bank PLC, the issuing bank, can only make changes to the L/C at the applicant's request, a credit may be amended more than once. Every modification is an essential component of the original credit. L/C amendments must be sent by mail, SWIFT, or authenticated telex. If a credit has multiple amendments, each one must have a sequential serial number so that the beneficiary or the advising bank can identify any missing amendments.

The amendment cannot be made if the L/C is irrevocable without the approval of both parties, i.e., the applicant and the beneficiary. Amendments may be made by Dhaka Bank PLC, the issuing bank, but they won't take effect if the beneficiary rejects them. If the loan is revocable, the applicant may change it whenever he wants, and if the credit is not executed, the change will take effect. Dhaka Bank PLC. generally asks for amendment on the following points:

- Extension of shipping date
- Extension of expiry date
- Increase or decrease of L/C value
- Increase or decrease of quantity of goods
- Change in description of merchandise
- Name and address of the beneficiary

- Inserting of new clause
- Change the mode of transport
- Change of the loading port or destination
- Change of certain terms and conditions of L/C
- Terms of delivery; i.e. FOB, CFR, CIB
- Inspection clause

4.16 Bank Charge in Different Steps during L/C Processing

The primary cost accounts that the bank charges for the various stages of L/C processing are displayed in the following table: **(Table-3)**

Major charges in different steps for L/C processing

L/C opening charges		
Cash	**1st Quarter**	**.5%**
	Subsequent Qtr.	**.25%**
	Minimum	**Taka 250**
BTB	**1st Quarter**	**.75%**
	Subsequent Qtr.	**.5%**
	Minimum	**Taka 300**
Deferred	**1st Quarter**	**.8%**
	Subsequent Qtr.	**.4%**
	Minimum	**Taka 300**
Inland	**1st Quarter**	**.5%**
	Subsequent Qtr.	**.25%**
	Minimum	**Taka 250**
Postage charges		
Mail		**Taka 100**

Courier	**At actual, Min. Taka 1500**
Telex	**At actual, Min. Taka 1500**
SWIFT	**At actual, Min. Taka 1500**
Amendment Charges	
Value increased / decreased	**Taka 250**
Maturity extension	**Taka 250**
Others	**Taka 100**
Other Charges	
L/C cancellation	**Taka 500**
Export L/C advising charge	**Own party: Taka 250** **Other Bank party: Taka 500**
L/C transfer	**Taka 500 + Actual Telex Charge**
Issuance of Bank Certificate	**Taka 100**
Stamp	**Taka 150**
Source: Primary Data	

Required Time duration in L/C Processing

The banks' L/C customers are typically loyal and long-standing. Because of this, the bank usually has all the paperwork needed to open a client's L/C. Regular clients merely submit photocopies of the majority of the documents when they apply to open another L/C, and bank officials quickly review them. The process is often initiated by bank officials after a regular customer calls to express his desire to open another account; however, this greatly depends on the client's personal relationship with the bank. It usually takes less than an hour to open another L/C for a loyal customer. However, when dealing with a new client, bank officials who are involved in the L/C issuing process carefully review the documents, and it frequently takes some time to help the client comprehend the bank's requirements. Even for a new client applying to open an L/C, it usually takes no more than two days. **(Table -4)**

Average Time requirement for the basic activities of L/C issuing process

Activity	Average Required Time (in minutes)
Checking Documents	10
Putting L/C No.	2
Preparing Offering Sheet	12
Signing Offering Sheet	15
Typing the L/C	15
Checking the L/C	10
Crediting the account of the customer	15
Total Time*	90-120

Source: Primary Data

The time allotted here is not just the sum of the time needed for routine tasks. Instead, it comes from the bank officials' interview.

Relevant activities that affect the time structure

- Application for forms in company letterhead pad
- Discussion between bank and the applicant
- Filling in the forms
- Dispatching the L/C

Chapter 5: Conclusion and Recommendation

5.1 Conclusion

The internship at Dhaka Bank PLC provided invaluable insights into the intricate processes involved in international trade finance, particularly the Letter of Credit (L/C) operations. This comprehensive exposure not only enhanced theoretical understanding but also underscored the critical role of L/Cs in facilitating secure and efficient trade between buyers and sellers across international boundaries.

The bank's L/C operations are a cornerstone of its trade finance services, exemplifying its commitment to efficiency, risk management, and compliance with both local and international standards, including the UCP 600 guidelines. The meticulous procedures employed by Dhaka Bank—from L/C issuance to settlement—highlight the institution's focus on ensuring trust and reliability in international trade. The well-structured steps, encompassing documentation verification, regulatory adherence, and cross-departmental coordination, reflect the bank's robust operational framework.

Findings from the internship revealed several strengths in Dhaka Bank's L/C operations, such as its client-centric approach, efficient risk management strategies, and use of technology to streamline processes. However, challenges persist, including complex documentation requirements, dependency on correspondent banks, and occasional delays due to discrepancies in trade documents. Addressing these challenges through further digitalization and client education can significantly enhance operational efficiency and customer satisfaction.

The L/C procedure's impact on the bank's overall performance is substantial, contributing significantly to its revenue through fees and commissions, while also reinforcing its position as a leader in trade finance. By mitigating risks for both importers and exporters and ensuring compliance with regulatory requirements, Dhaka Bank not only supports its clients but also plays a vital role in Bangladesh's economic development.

From a personal perspective, the internship fostered professional growth, enhancing skills in trade finance operations, documentation scrutiny, communication, and compliance awareness. Observing Dhaka Bank's proactive approach to problem-solving and client handling provided a valuable learning experience, reinforcing the importance of precision, collaboration, and adaptability in a dynamic financial environment.

In conclusion, Dhaka Bank PLC's L/C operations are a testament to its expertise and dedication to fostering international trade. While the system is already robust, continuous investment in digital innovation and client education can further solidify its competitive edge. This internship has not only deepened understanding of trade finance but also inspired a commitment to pursuing excellence in this critical sector. The experience underscores the broader significance of financial institutions like Dhaka Bank in enabling global commerce, driving economic growth, and building bridges across markets.

5.2 Recommendation

Dhaka Bank PLC’s Letter of Credit (L/C) operations have demonstrated robust processes and adherence to international standards. However, to further enhance efficiency, mitigate risks, and improve client satisfaction, the following recommendations are proposed:

1.Digital Transformation

Investing in advanced digital tools and automation can streamline L/C operations. Implementing block chain technology, for example, can provide enhanced transparency, reduce discrepancies, and speed up document verification processes. A dedicated digital L/C platform could enable clients to track progress in real-time, thereby improving client satisfaction and operational efficiency.

2.Client Education Programs

Many clients face challenges due to limited understanding of L/C terms and procedures. Conducting regular workshops, webinars, and training sessions can bridge this gap. Providing comprehensive guides on L/C documentation and compliance requirements can reduce errors and associated delays.

3. Enhanced Risk Management Framework

While Dhaka Bank employs effective risk mitigation strategies, the introduction of predictive analytics can further enhance decision-making. Using AI-driven tools to analyze historical data and assess client profiles could help predict potential defaults or discrepancies, enabling proactive measures.

4. Collaboration with Correspondent Banks

Strengthening partnerships with international correspondent banks can minimize delays in cross-border transactions. Establishing agreements for faster document handling and payment processing could enhance efficiency and build stronger trust with exporters and importers.

5. Expedited Document Verification

The manual verification of documents often leads to delays and errors. Introducing Optical Character Recognition (OCR) and other automated document verification tools can significantly reduce processing time while ensuring accuracy.

6. Customized L/C Solutions for SME

Small and Medium Enterprises (SME) often struggle with high costs and stringent requirements. Dhaka Bank could develop tailored L/C products with flexible terms, lower fees, and simplified documentation processes to attract and support this crucial client segment.

7. Regulatory Compliance and Training

Regular updates and training on international standards such as UCP 600 and local banking regulations for employees will ensure that the L/C operations remain compliant and efficient. Incorporating these training into routine operations will also enhance staff proficiency.

8. Improved Communication Channels

Establishing a dedicated L/C helpdesk and a 24/7 support system could resolve client queries promptly. Additionally, leveraging digital communication platforms for notifications and updates can enhance transparency and trust.

9. Performance Metrics and Feedback Systems

Introducing a performance monitoring system to track the efficiency of L/C operations could identify bottlenecks and areas for improvement. Collecting feedback from clients through surveys and regular interactions will also provide insights into their needs and expectations.

10. Green Initiatives in L/C Operations

To align with global sustainability goals, Dhaka Bank could promote environmentally friendly practices in L/C transactions. For instance, encouraging digital documentation instead of paper-based processes could significantly reduce the carbon footprint of trade finance activities.

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Appendices

DHAKABANK PLC.
HUMAN RESOURCES DIVISION

DBL/HR/24/11549
01 October 2024

Ms. Fatema kaniz Mitu
Student of BBA
United International University
United City, Madani Avenue, Dhaka

Subject: Internship Offer Letter

Dear Ms. Mitu,

With reference to your recent letter, we are pleased to inform you that the Management of Dhaka Bank PLC. is willing to accept you as an Intern at our CPC - Trade Operations from 01 October to 31 December 2024 at a monthly pocket allowance of Tk. 4000/= (Four Thousand Only) per month.

You are advised to report to the In-Charge, CPC - Trade Operations on 01 October 2024 at 10.00 A.M. and have to submit 01 (one) copy of your internship report to him upon *completion of the* Internship.

Yours sincerely,

Md. Shofiur Rahman
Senior Vice President
Human Resources Division

Head Office : CWS (C)-10, Bir Uttam AK Khandakar Road, Gulshan, Dhaka-1212
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