

# Overall Activities of The City Bank Limited

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Prepared for

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Comments  
• Good overall description of organizational activities  
• Good analysis of job performance  
• Good market knowledge  
• Formatting → Good

Report-164

August 27, 2006

Tamim Rahman

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Department of Business Administration

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**Giving authority to accomplish internship report on “Overall Activities of The City Bank Limited”**

Dear Student:

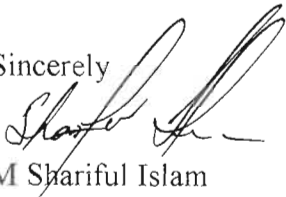
I am assigning you a term paper on “Overall Activities of The City Bank Limited” as a part of your course Internship (BUS 499).

You are requested to follow the proposed system and methodology. I will appreciate any additional benefit that can be obtained from your report.

You are requested to submit the report on December 23, 2006

I wish you all the best.

Sincerely



M Shariful Islam

Lecturer

Department of Business Administration

East West University

November 25, 2006

M Shariful Islam

Lecturer

Department of Business Administration

East West University

**Thanking for permit and help me to prepare the Internship Report.**

Dear Sir:

It gives me immense pleasure in presenting herewith the report, which was assigned to me. In preparing this report I had the opportunity to study related materials, documents, observe operations performed in The City Bank Limited and inspect relevant records for preparation of the report. I tried my best to fulfill the requirements assigned to me.

This report is very much useful to me and I am grateful to you for providing this opportunity of gaining such familiarity.

I shall be pleased to answer any query to clarify the doubts, if any.

Thank you.

Sincerely yours,



Tamim Rahman

ID: 2003-1-10-064

## **ACKNOWLEDGEMENTS**

I express my sincere gratitude and thanks to my course instructor M Shariful Islam, Lecturer, Department of Business Administration, East West University for his brilliant and excellence guidance and assistance to complete this report.

On the other hand, I am really thankful from my deep heart to dear Mr. Omor Faruk, Senior Assistant Vice-President (SAVP), and Branch in-charge, The City Bank Limited, Johnson Road Branch, Dhaka. I also wish to express my gratitude to Mr. Monjur Morshed Ahmed, Assistant Vice-President (AVP) and many special thanks to Mr. Rafiqul Islam, Senior Officer, Foreign Exchange Department, The City Bank Limited, Johnson Road Branch, Dhaka, for solving my problems with a smiling face.

Finally, I gratefully acknowledge the help and guidance of all Executive, Senior and Junior Officers of The City Bank Limited.

## TABLE OF CONTENT

1. Executive Summary-----	vi
2. Introduction -----	01
3. An Overview of The City Bank Limited -----	04-16
4. General Banking Department -----	17-47
5. Foreign Exchange Department -----	48-73
6. Advance Department -----	74-91
7. SWOT Analysis -----	92-94
8. Performance Highlights -----	95-96
9. Ratio Analysis -----	97-100
10. Comparison of Bank Interest Rates -----	101
11. Problems -----	102-103
12. Recommendations -----	104-105
13. Conclusion -----	106
14. Bibliography -----	107

## **EXECUTIVE SUMMARY**

A bank generates profits from transaction fees on financial services and from the interest it charges for lending. In recent history, with historically low interest rates limiting banks' ability to earn money by lending deposited funds, much of a bank's income is provided by overdraft fees and riskier investments.

The City Bank Limited overall activities include general banking, foreign exchange, and Advances.

- **General Banking:** It provides additional services to customers with who banks are doing its business frequently. The City Bank Limited general banking divided in to six sections:
  - ➔ Account Opening Section.
  - ➔ Bills Section.
  - ➔ Clearing Section.
  - ➔ Remittance Section.
  - ➔ Cash Section.
  - ➔ Accounts Section.
  
- **Foreign Exchange:** "Foreign Exchange" means foreign currency and includes any instrument drawn, accepted, made or issued under clause (13) of Article 16 of the Bangladesh Bank Order, 1972, all deposits, credits and balances payable in any foreign currency and any draft, letter of credit and bill of exchange expressed or drawn in Bangladesh currency but payable in any foreign currency.
  
- **Advance:** An arrangement about lending money when the customer agrees to pay the money back after a certain period of time with some interest. All credit extension must comply with the requirements of Bank's Memorandum and Article of Association, Banking Company's Act, Bangladesh Bank's instructions.

The services encompass wide diversified areas of trade, commerce and industry tailored to the specific needs of the customers and is distinguished by an exceptional level of prompt and personal attention. Over the years the bank has expanded the spectrums of its services.

## **INTRODUCTION**

A bank is a business that borrows from its customers on accounts repayable to its customers' cheques and collects cheques for its customers' accounts. Banks may also issue bank notes, and lend money to customers account (called overdraft), accept term deposits and make term loans and provide other financial services.

Currently in most jurisdictions the business of banking is regulated and banks require a licence. Banking licenses are granted by bank regulatory authorities and provide rights to conduct the most fundamental banking services such as accepting deposits and making loans. There are also financial institutions that provide certain banking services without meeting the legal definition of a bank, a so called non-banking financial company.

Banks have a long history, and have influenced economies and politics for centuries.

The Jews in Jerusalem introduced a kind of banking in the form of money lending before the birth of Christ. The word 'bank' was probably derived from the word 'bench' as during ancient time Jews used to do money-lending business sitting on long benches. First modern banking was introduced in 1668 in Stockholm as 'Savings Pies Bank' which opened up a new era of banking activities throughout the European Mainland. In the South Asian region, early banking system was introduced by the Afghan traders popularly known as Kabuliwallas. Muslim businessmen from Kabul, Afghanistan came to India and started money lending business in exchange of interest sometime in 1312 A.D. They were known as 'Kabuliwallas'.

Goals and Functions of Bank Regulation are-

- Ensure the Safety and Soundness of Banks.
- Provide an Efficient and Competitive Financial System.
- Provide Monetary Stability.
- Maintain the Integrity of the Payments System.
- Protect Consumers from Abuses.

Traditionally, a bank generates profits from transaction fees on financial services and from the interest it charges for lending. In recent history, with historically low interest rates limiting banks' ability to earn money by lending deposited funds, much of a bank's income is provided by overdraft fees and riskier investments.

## **ORIGIN OF THE STUDY**

The report titled “The Overall Activities of The City Bank Limited”, oriented in accomplishment of “Internship Program”.

## **BACKGROUND OF THE STUDY**

While preparing the report, I have a great opportunity to have in depth knowledge of all the divisional work practice by The City Bank Limited. It also helps me to acquire a first hand perspective of a leading private bank in Bangladesh. The managers, employers, and some of the top level managements are provided information to make this report. The City Bank Limited is the first private bank in Bangladesh, is trying to reach better quality and minimize discrepancies.

## **OBJECTIVE OF THE STUDY**

The main objective of this report is to have assessment about The City Bank Limited. How well the bank is doing business in Bangladeshi banking sector and how well it provides services to its customers. In addition, the study seeks to achieve the following objectives:

1. To present an overview of The City Bank Limited.
2. To assess the function of The City Bank Limited.
3. To measure the credit financing criteria of The City Bank Limited.
4. To evaluate the financial performance of The City Bank Limited.
5. To identify the problems of The City Bank Limited.
6. To recommend remedial measures for development of The City Bank Limited.

## **METHODOLOGY OF THE STUDY**

This report is fully exploratory in nature. The report has been developed based on both primary and secondary data. Data of last five years have been analysed in this report.

The data collected through both quantitative and qualitative technique. For evaluating the activities and performances of The City Bank, data and information collected mainly from secondary sources. For primary information, some of the executives are interviewed. The relevant statistical tools and technique are used for evaluating The City Bank Limited.



## **LIMITATIONS OF THE STUDY**

The present study is not free from limitations. However, it is a competitive market; The City Bank Limited was not quite liberal in disclosing the confidential information to me. For my report it was expected to keep the confidential things at my discretion. So, it is important to note that these limitations have somehow contributed in developing this report. The limitations are discussed briefly below:

- In case of secondary data collection, there was very little secondary information available. There were few supporting books, reports journals etc. moreover the branch office had very little of these information. That is why; the bulk of it had to be gathered from the head office.
- Limitations of time were other most important factors that influenced the present study. Due to time limitations many of the aspects could not be discussed in the present report.
- Referring to others is another limitation of the study.

# **AN OVER VIEW OF THE CITY BANK LIMITED**

## **INTRODUCTION OF THE CITY BANK LIMITED**

The City Bank Limited is the first private sector bank in Bangladesh. The bank has been operating since 1983 with an authorized capital of Tk. 1.75 billion under the entrepreneurship of twelve prominent & leading businessmen of the country. The noble intention behind starting this bank was to bring about qualitative changes in the sphere of Banking and Financial management. Today The City Bank Limited serves its customers at home and abroad with 77 branches spread over the country and about three hundred overseas correspondences covering all the major cities and business centres of the world.

The services encompass wide diversified areas of trade, commerce and industry which are tailored to the specific needs of the customers and are distinguished by an exceptional level of prompt and personal attention. Over the years the bank has expanded the spectrums of its services. The extensive and ever growing domestic network provides and carries various products and services to the doorsteps of millions.

## **VISION OF THE CITY BANK LIMITED**

To be the leading bank in the country with best practices and highest social commitment.

## **MISSION OF THE CITY BANK LIMITED**

- To contribute to the socioeconomic development of the country
- To attain highest level of customer satisfaction through extension of services by dedicated and motivated team of professionals
- To maintain continuous growth of market share ensuring Quality
- To maximize bank's profits by ensuring its steady growth
- To maintain the high moral and ethical standards
- To ensure participative management system and empowerment of Human Resources
- To nurture an enabling environment where innovativeness and performance is rewarded

## BRANCHES

At present The City Bank Limited has number of branches including newly inaugurated Dhanmondi Branch.

### Dhaka Zone:

- **Principal Office:** Jiban Bima Tower, 10 Dilkusha C/A, Dhaka-1000.
- **New Market Branch:** 28 Mirpur Road, Dhaka-1205
- **B. B. Avenue branch:** 12 B.B. Avenue, Dhaka-1000
- **Gulshan Branch:** 49, Gulshan south (Near Market-1), Gulshan Resident Area, Dhaka-1212
- **Imamgonj Branch:** 44-45/2 Imamgonj, Dhaka-1100
- **Dhanmondi Branch:** Suvastu Zenim Plaza (2nd Floor), House - 312 (Old), 37 (New), Road - 27 (Old), 16 (New), Dhanmomdi R/A, Dhaka – 1205
- **Islampur Road Branch:** 108 islampur Raod, Dhaka-1100
- **Kawran Bazar Branch:** 8, Panthapath (UTC), Kawran Bazar, Dhaka-1215
- **Johnson Road Branch:** Aziz Center (1st Floor) 31 Johnson Road, Dhaka-1100
- **Shaymoli Branch:** 23/6 Khilji Road, Shaymoli, Mohammadpur Road. Dhaka-1207
- **Posta Branch:** 35 Shaista Khan Road, Dhaka-1211
- **Mouchak Branch:** 80/A, Siddeswari Circular Road, Malibagh, Dhaka-1217
- **Islami Banking Branch:** Ismail Mansion, 9/H, Motijheel C/A, Dhaka-1000
- **Foreign Exchange Branch:** 27 Dilkusha, Commercial Area, Dhaka-1000
- **Zinzira Branch:** Tinpatty Zinzira Bazar, Keranigonj, Dhaka-1310
- **Mirpur Branch:** 1 Dar-us-Salam Road(1st Floor), Section-1, Mirpur, Dhaka-1218
- **Nawabgonj Branch:** P.O. Nawabgonj, Dhaka-1320
- **Nawabpur Branch:** 219-220 Nawabpur Road, Dhaka-1100
- **Bowbazar Branch:** P.O. Deotala Golla, Nababgonj, Dhaka-1320
- **Urdu Road Branch:** 10 Urdu Road Lalbag, Dhaka-1100
- **Kaligonj:** P.O. Shubhadda, Keranigonj, Dhaka-1310
- **Sadarghat Branch:** 78 Loyal Street, Patuali, Sadarghat, Dhaka-1100
- **Dhaka Chamber Branch:** Chamber Bhaban, 65-66 Motijheel Commercial Area, Dhaka-1000

- **Tangail Branch:** 1869/77 Main Road, Habib Super Market, Tangail-1900
- **Tanbazar Branch:** 52 S.M. Maleh Road, Narayangonj-1400
- **Bhairab Bazar Branch:** 110/111 Kalibari Road, Bhairab Bazar Kishorgonj-2350
- **Netaigong Branch:** 217 B.K. Road Netaigonj, Narayangonj-1400
- **Mymensing Branch:** 20 Choto Bazar, Mymensing-2200
- **Rekabibazar Branch:** Binodpur Panchashar, Munshigonj-1501
- **Narsingdi Branch:** Holding: 192, Bazar Sarwardi Park, Narsingdi
- **Tongi Branch:** Tongi Bazar Gazipur-1710
- **Madhabdi Branch:** Madhabdi Bazar, Narsingdhi-1604
- **Manikgonj Branch:** 106/2 Shaheed Rafique Sarak, Manikgonj-1800
- **Uttara Branch:** House-8, Sector-7, Rabindra Sarani, Dhaka-1230

#### Chittagong Zone:

- **Jubilee Road Branch:** 36/44, Enayet Bazar, Jubilee Road, Chittagong-4000
- **Agrabad Branch:** Finlay House Agrabad Commercial Area Chittagong –4100
- **Kadamtali Branch:** Dhaka Trunk Road, Chittagong-4100
- **Khatungonj Branch:** 282, Khatungonj, Chittagong-4000
- **Bandartila Branch:** 2461 Bandartila, South Haliashahar, Chittagong-4218
- **Patherhat Branch:** P.O. Gujra Nowapara, Raozan Chittagong - 4200
- **Andarkilla Branch:** 38 Nasir Ahmed Chowdury Road, Anderkilla Chittagong-4000
- **O.R. Nizamroad Branch:** 28/29 Asian Highway, CDA Avenue, Chittagong-4000
- **Pahartali Branch:** Dhaka Trunk Road Double Mooring Chittagong- 4202
- **Cox's Bazar Branch:** Ali Noor Plaza, 350/A, Main Road, West Bazar Ghata, Cox's Bazar-4700
- **Feni Branch:** Panchgachia Road, Feni-3900
- **Satkania Branch:** Satkania Chittagong-4386
- **Laxmipur Branch:** Arat Patti Thana Road, Laxmipur-3700
- **Chowmuhani Branch:** 49 Kalitala Raod Begumgonj, Noakhali-3821

#### Comilla Zone:

- **Comilla Branch:** Monohorpur Kandirpar, Comilla-3500

- **Chandpur Branch:** 57/54, Comilla road, P.O. Box-44, Chandpur-3600
- **Daulatgonj Branch:** Daulatgonj Laksham, Comilla-3570
- **Hajigonj Branch:** Hajigonj, Chandpur-3610
- **Chouddagram Branch:** P.O. Chouddagram, Comilla-3550

#### Sylhet Zone:

- **Jagannathpur Branch:** P.O. Jagannathpur, Sunamgonj-3060
- **Bandarbazar Branch:** 897 Bandarbazar Sylhet- 3100
- **Zindabazar Branch:** Zindabazar Sylhet-3100
- **Amberkhana Branch:** Airport Road Amberkhana, Sylhet-3100
- **Dhaka Dakshin Branch:** Dhaka Dakshin Golapgonj, Sylhet-3161
- **Moulvi Bazar Branch:** Kusumbagh Shopping City (2nd Floor), Kusumbagh, Sylhet Road, Moulvi Bazar-3200
- **Sreemangal Branch:** Moulvibazar Road Sreemangal, Moulvibazar-3210

#### Bogra Zone:

- **Rajshahi Branch:** 125 Natore Road Shaheb Bazar, Ghoramara Rajshahi-6100
- **Bogra Branch:** 200, Razabazar, Bogra-5800, P.O. Box-17
- **Chapainawabgonj Branch:** Zebunnessa Super Market, 11 Godagari Road, Nawabgonj Sadar, Nawabgonj-6300
- **Sherpur Branch:** Dhunat Road, P.O. Sherpur, Bogra
- **Rangpur Branch:** Station Road Rangpur-5400
- **Gobindagonj Branch:** PS. Gobindagonj, Gobindagonj-5700
- **Saidpur Branch:** 361 Shahid Dr. Zikrul Hoque Sarak, Sahidpur, Nilphamari-5310
- **Pabna Branch:** 288/1 aurangzeb Road, Pabna-6600
- **Sirajgonj Branch:** Shaheed Sohrawardi Sarak, Sirajgonj-6700
- **Dinajpur Branch:** Nimatla Dinajpur-5200

#### Khulna Zone:

- **Jessore Branch:** 28/29 Netajee Subash chandra Road, Jessore-7400
- **Khulna Branch:** 7 Sir Iqbal Road, Khulna-9100

- **Benapole Branch:** Selim Sumon Super Market, Jessore Road Benapole, Jessore-7431
- **Satkhira Branch:** 400/367 Baro Bazar Sarak, Satkhira-9400
- **Kushtia Branch:** 14 R. K. Khan Chowdury Sarak, Kaderi Super Market, Kushtia-7000
- **Barisal Branch:** Maulana Enayetur Rahman Road, Barisal-8200
- **Faridpur Branch:** 5/1 Shaikh Mujib Road Neeltuly, Faridpur - 7800

Source: - The City Bank Limited Annual Report 2005



## COMPANY PROFILE

### **Corporate Information**

The City Bank Limited  
ESTABLISHED IN March 14, 1983

#### **Head Office**

Jiban Bima Tower  
10 Dilkusha Commercial Area,  
Dhaka-1000, Bangladesh

#### **Auditors**

Zoha Zaman Kabir Rashid & Co.  
Chartered Accountants

### **BOARD OF DIRECTORS**

#### **Chairman**

Deen Mohammad

#### **Vice Chairman**

Aziz Al-Kaiser

#### **Directors**

Mr. Rubel Aziz  
Mrs. Evana Fahmida Samdani  
Mr. Hossain Khaled Saifullah  
Mr. Mohammad Shoeb  
Mr. Rajibul Huq Chowdhury  
Mr. Ahmed Rajeeb Samdani  
Mr. Hossain Mehmood  
Mrs. Tabassum Kaiser  
Mr. Rafiqul Islam Khan  
Mrs. Meherun Haque  
Mr. Mobarak Ali

#### **Managing Director**

Mr. Abbas Uddin Ahmed

Source: - The City Bank Limited Annual Report 2005



## **CUSTOMER SERVICE**

The City Bank Limited is manned by well-qualified and experienced officials, always prepared to provide efficient, personalized and quality service. The bank's objective is to provide high quality products and services to the customers. The bank also performs according to the needs of its corporate clients and provides a comprehensive range of financial services.

## **FINACLE CORE BANKING:**

The City Bank Limited, Bangladesh's first private sector bank will replace its existing distributed software with the centralized Finacle Core Banking solution - Retail, Corporate and Trade Finance modules. With its new generation technology architecture coupled with rich functionality and reliable delivery track record, Finacle Core Banking has emerged as a very low risk and cost effective option for banks embarking on a core banking change world over. Finacle Core Banking is a completely web based, centralized, customer centric, fully integrated, multilingual, multi-currency solution addressing retail and corporate banking and trade finance requirements. The City Bank Limited provides services tailored to the specific needs of customers in the areas of trade, commerce and industry, besides the domestic network.

## **ORGANIZATIONAL STRUCTURE**

The Organizational Structure of the City Bank Limited is little different than any other organization. There are a few different committees and departments; those are again followed by a number of other departments. These departments are inclined to each other.

The City Bank Limited has a very modern Organizational structure. Though the organogram starts from the Board of Directors then it follows gradually to the Chairman, Vice President and then Managing Director. The organogram actually does not provide a very clear picture of the organizational structure because all the divisions to some extent are working together with a common goal, which is earning revenue.

But there is a company advisor who is directly related to the top management division. Whatever decision is to be taken, the advisor suggests it after consulting the Managing director, Chairman and the Board of Directors.

## **GROWTH AND DEVELOPMENT OF THE ORGANIZATION**

With the growth of the global economy the entire world's business environment has been influenced. Although Bangladesh is a small country but still a very powerful influence is being observed in today's corporate business world. While competing with the local private banks The City Bank Limited has earned its own reputation. Thus the competition today is more or less with the broader banking sector that includes the entrance to the online banking.

Day by day The City Bank Limited is getting into the modern banking styles or system. The professionals are working hard every day to bring out the best service from the workforce. The bank is blessed with a very efficient and hardworking team of personnel whose dedication leads the bank to reach its objective year after year.

## **FINANCIAL HIGHLIGHTS**

(Figure in Million Taka)

Table: Last five-years' financial state of the organization.

<b>Particulars</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Authorized Capital</b>	400.00	400.00	400.00	1,750.00	1,750.00
<b>Deposits</b>	17183.98	19683.30	20046.31	22236.96	30647.83
<b>Loans and Advances</b>	12729.22	13884.90	14778.55	17027.84	23326.34
<b>Profit after Tax</b>	80.00	13.33	13.46	380.26	540.93
<b>Number of Branches</b>	76	76	77	77	77

Source: - The City Bank Limited Annual Report 2005

## **BASIC FUNCTIONAL DEPARTMENTS OF THE BANK**

As one of the most renowned Private Commercial Bank of the country; The City Bank Limited performs the following broad functions:

- i. Mobilization of savings of the people in terms of current, savings and keeping of all types of deposits. Creating different loan schemes especially for productive activities and generally for other commercial and socio-economic purpose.

- ii. Mobilization of deposit under special deposit scheme. It has been designed for the convenient of the payment of pension bill of government / private service holders, retired government / private service holders.
- iii. Handling of export and import trade and foreign remittances with special support to export activities including supply of long-term as well as working capital finance towards industrial sector. Disbursement of credit to Trade, Commerce, Industry and Agriculture within the jurisdiction of norms.
- iv. Providing banking services to common people through the network of branches throughout the country.
- v. To offer a greater banking convenience, customers can pay their following utility bills from any of the locations:
  - DESA
  - WASA
  - Grameen Phone
  - City Cell
  - Aktel
  - Tele Talk
  - Titas

### **SWIFT BANKING**

The City Bank Limited is one of the first few Bangladeshi Banks who has become member of SWIFT (Society for Worldwide Inter-bank Financial Telecommunication) in 1983. SWIFT is members owned co-operative, which provides a fast and accurate communication network for financial transactions such as Letters of Credit, Fund transfer etc. By becoming a member of SWIFT, the bank has opened up possibilities for uninterrupted connectivity with over 5,700 user institutions in 150 countries around the world.

### **CORPORATE BANKING**

Corporate banking deals with both the Local and Multi City Bank corporate clients offering trade, treasury, investment, transaction and other banking activities. The bank offers a wide range of services to these clients:

- Tailored advisory services
- Project finance
- Term loan
- Trade finance
- A working capital requirement for a foreign currency transaction.

The City Bank's corporate sector covers a wide span of business with number of industry working in different sectors-

- Textile, ready made garments
- Consumer and diversified industries
- Power Plant Industries.

### **ISLAMIC BANKING**

The city Bank Limited started its Islamic Banking operation by opening its first Islamic Banking Branch at 9/H, Motijheel C/A, Dhaka. The salient features of Islamic Banking are as under :

- To conduct all its activities as per Islamic Shariah.
- To conduct its monetary matters free of interest.
- To establish banker-customer relationship on the basis of partnership.
- To follow Islamic principle in all its investment port-folio.
- To develop living standard of the poor incoming group.
- To render excellent services to the clients cordially.
- To conduct welfare related activities to the people.

Islamic Branch of The City Bank Limited conduct the following activities:

- Deposit.
- Investment.
- Foreign Exchange and International Trade
- Other Service

#### **Deposit:**

- Al-Wadiah Current Deposit Account
- Mudaraba Savings Deposit Account

- Mudaraba Term Deposit Receipt
- Mudaraba Short Notice Deposit Account

**Investment:**

- Murabaha (Cost-Plus Sale)
- Bai-e-Muazzal (Sales Under Deferred Payment)
- Bai-e-Salam (Forward Purchase)
- Ezara (Leasing)
- Hire Purchase
- Direct Investment
- Quard

**Foreign Exchange and International Trade:**

- Import Business
- Export Business
- Remittance

**Other Services:**

- Receipt Payment of different bills of clients. collection of cheques. execution of standing instructions, Issuance of Bank Guarantee, Quard, etc.

**LEASE FINANCING**

**Intend to have**

- Equipments/Machinery for Industry or for BMRE of project.
- Capital machinery & equipments for business/profession or everyday life.

**The City Bank Limited Finance Leasing of**

- Capital Machinery.
- Heavy construction equipments.
- Lifts/ Elevators.
- Air Conditioners.
- Vehicles like Luxury bus, Mini-bus, Taxi-cab, Car, Pick-up, Trucks, etc.
- Medical equipments.
- Generators, Computers, etc.

- Apartment/Building.
- Other costly consumer's durable.

The City Bank Limited offers lease financing facilities on the' above items under pleasing atmosphere.

### **SME FINANCING**

- An enterprise with minimum 3 and maximum of 60 employees
- Minimum 2 years in business (exceptional cases for start-up business will be considered if projections are very good)
- Minimum annual turnover Taka 500,000 to maximum Taka 5 cores
- Loan size of minimum Taka 100,000 to a maximum of 1 core (funded line not to exceed 70% of the maximum).The City Bank Limited. provides working capital or asset finance through :
  - Overdraft - secured & unsecured
  - Instalment loan
  - Revolving loan
  - Letter of credit
  - Guarantee / bonds
- Who can avail the facilities?
  - Shop keepers
  - Small & medium entrepreneurs, manufacturers, traders etc.
  - Suppliers to corporate businesses
  - Professionals (doctors, engineers, etc)
  - Business services
  - Cottage industries
  - Fleet financing

## **GENERAL BANKING DEPARTMENT**

Financial Institution/Intermediary that mediates or stands between ultimate borrowers and ultimate lenders is known as Banking Financial Institution. Banking performs this function in two ways- taking deposit from various areas in different forms and lending that accumulated amount of money to the potential investors in other different forms. General banking department aids in taking deposits and simultaneously provides some ancillary services.

General banking is the front-side banking service department. It provides ancillary service to customers who come frequently on time in the bank. There are some customers with whom bank are doing its business frequently. The City Bank Limited general banking divided into six sections.

- 1) Account Opening Section.
- 2) Bills Section.
- 3) Clearing Section.
- 4) Remittance Section.
- 5) Cash Section.
- 6) Accounts Section.

### **ACCOUNT OPENING SECTION:**

Under this section, The City Bank Limited officer opens different types of account on the request of clients.

#### **Procedure for Opening of Accounts:**

Before opening of a current or savings account, the following formalities must be completed by the customers.

Following are the contents of the application form for opening savings or current account in the City Bank Limited -

- 1) Nature of Account: Proprietorship / Partnership / Private Limited Company / Public Limited Company / School, College, Club, Association, Committee etc. / Trust or Executors / N.G.O
- 2) Name of Proprietor / Authorized Partners / Directors / Trustees
- 3) Father's / Husband's name

- 4) Marital Status
- 5) Date(s) of birth
- 6) Nationality
- 7) Occupation & its Nature
- 8) Business / Professional Address
- 9) Present address
- 10) Permanent address
- 11) Phone No
- 12) Passport / Voter ID Card (if any)
- 13) Initial deposit
- 14) Nominee (s)
- 15) Specimen instruction of operation of the account (s)
- 16) Specimen signature (s) of the applicant (s)
- 17) Introducers Information (Name, Account Number, Specimen Signature)
- 18) Mandate if necessary

After fulfilling the above formalities, The City Bank Limited provides the customer a requisition slip and a checkbook.

**Requirements for Opening of Accounts:**

Opening Accounts for Sole Proprietorship:

The following formality along with the documents is to be completed before opening an account:

- a) Copy of Trade Licence, (up to date)
- b) Photographs of the proprietor
- c) Photocopy of the passport of the proprietor. (if any)

Opening Accounts for Limited Company:

- a) Certified true copy of the Memorandum and Articles of Association of the company.
- b) Certificate of incorporation of the company for inspection and return (along with a duly certified photocopy for bank's records).



- c) Extract of the Resolution of the Board / General Meeting of the company for opening the account and authorization for its operation duly certified by the chairman of the company.
- d) Certificate of Commencement of Business. (In case of Public Limited Company)
- e) Photocopy of passport of the Chairman / Managing Director.
- f) Photographs of signatories.
- g) Certified true copy of the list of directors of the company along with their Signature.
- h) Copy of Trade Licence. (up to date)

Opening Accounts for Partnership Concern:

- a) Certified true copy of the Partnership Deed of the Partnership concern.
- b) Notarized copy of the Partnership Deed of the Partnership concern-(For unregistered partnership concern)
- c) Resolution of the Partners of the Partnership concern for opening the account and authorization for its operation duly certified by the Managing Partner of the Partnership concern.
- d) Copy of Trade Licence. (up to date)
- e) List of Partners with their addresses.
- f) Photocopy of passport of the Partners.
- g) Photographs of signatories.
- h) Partnership letter duly filled & signed by the Partners.

Opening Accounts for School/College/Association/Club/Charity/Trust/Society:

- a) Certified true copy of the Constitution/By-laws/Trust Deed/Memorandum and Articles of Association.
- b) Certificate of Registration of the Association/Club/Charity/Trust/Society/School/College for inspection and return (along with a duly certified photocopy for bank's records) & Particulars of office bearer.
- c) List of members of the Governing Body/Executive Committee of the Association/Club/Charity/Trust/Society/School/College with their addresses.
- d) Extract of Resolution of the School/College/Association/Club/Charity/Trust/Society for opening the account and authorization for its operation duly

certified by the Chairman of the School/College/Association/Club/Charity/Trust/Society etc.

e) Photographs of signatories.

### **Cheque and Crossing:**

A "Cheque" is a bill of exchange drawn on a specified banker and not expressed to be payable other wise than on demand. [According to section-6, negotiable Instrument Act, 1881.]

A cheque may be classified into:

- a) An open cheque which can be presented for payment by the holder or by the bearer at the counter of the drawer's bank.
- b) A crossed cheque, which can be paid only through a collecting bank,

Crossing Cheque: A cheque is said to be crossed when two transverse parallel lines with or without any words are drawn across the face. Crossing may be general, special or restrictive.

### **Issuing Cheque Book:**

The account holders have sufficient balance or not, check through computer. Following procedures are maintained by The City Bank, Johnson Road Branch for issuing cheque book:

- Submissions of the cheque requisition slip from the account holder. Here it is to be mention that, the cheque requisition slip must contain the account holder's signature. A new account holder will get a new requisition slip.
- Signature Verification of the prayer from the authorized officer.
- Writing down the cheque book page number from beginning to last and the account number in the cheque register book.
- Putting the special seals on the specified area. The seals are about the account number, account holder name, issuing date, branch name, and the bank's name.
- Writing down the new cheque's page number on the previous cheque prayer (which has been submitted). Then the officer sightseer and cheque book.
- Getting the signature from the account holder at the time of cheque book disbursement.

A cover file containing the requisition slip is effectively preserved as vouchers. If any defect is noticed by the ledger keeper, he makes a remark to that effect on the requisition slip and forward it to the cancellation officer to decide whether a new cheque book to be issued to the customer or not.

### **Deposit Accepted by The City Bank Limited (Johnson Road)**

Deposits that are taken by The City Bank Limited are:

- (a) Current Deposit.
- (b) Saving Deposit.
- (c) Term Deposit (FDR).
- (d) Short Term deposit
- (e) Foreign Currency Account (For Bangladeshi wage earners)
- (f) Foreign Currency Account (Other than Bangladeshi wage earners)
- (g) Convertible Taka Account
- (h) Non-Resident Taka Account
- (i) Resident Foreign Currency Deposit Account.

Features of some important Deposit Schemes of The City Bank Limited, Johnson Road Branch are-

#### **Current Account:**

- Current account meets the needs of individual and commercial customers through schedule benefit.
- Minimum balance : Taka 1,000/-
- Interest Rate : Nil
- Customer Benefit:
  - ✓ Cheque-book facility
  - ✓ Opportunity to apply for - safe deposit locker facility
  - ✓ Collect foreign remittance in both T.C. & Taka draft.
  - ✓ Transfer of fund from one branch to another by -
    - Demand Draft
    - Mail Transfer
    - Telegraphic Transfer
  - ✓ Transfer of fund on Standing Instruction Arrangement

- ✓ Collection of cheques through Clearing House.
- ✓ Online banking service.

### Savings Account

- It is a sound savings for retail customer. We give the major facilities and services to our customer through 77 branches all over in Bangladesh with our skilled manpower.
- Minimum balance : Taka 500/-
- Interest rates are given below:

Up to Tk. 5.00 Lac	5.75 %
Above Tk. 5.00 Lac up to Tk. 10.00 Lac	6.50 %
Above Tk. 10.00 Lac	7.00 %

- Customer Benefit:
  - ✓ Cheque-book facility
  - ✓ Opportunity to apply for - safe deposit locker facility
  - ✓ Utility payment service
  - ✓ Collect foreign remittance in both T.C. & Taka draft.
  - ✓ Transfer of fund from one branch to another by-
    - Demand Draft
    - Mail Transfer
    - Telegraphic Transfer
  - ✓ Transfer of fund on Standing Instruction Arrangement
  - ✓ Collection of cheques through Clearing House.
  - ✓ Online banking service.

### Term Deposit (FDR)

- Period of Scheme:
- Can be opened for a 1 month to 12 months.
- Principal amount: Any handsome amount.
- Interest rates are given below:

Period	Rate (%)
1 Month to 2 Months	10.00

3 Months to 5 Months	11.00
6 Months to 11 Months	11.50
12 months	13.00

- Features-
  - ✓ Interest is compounded once a quarter
  - ✓ Loan may be allowed up to 80% of the deposited amount under lien.
  - ✓ Excise duty and source tax etc. are deductible from the depositor profit.

### Short Term Deposit (STD)

- Short-term deposit (STD) is hybrid account in which is the futures of current and savings account exist.
- In short term deposit account the deposit should be kept for at least 7 days to get interest.
- The interest offered for STD is less than that of savings deposit.
- In The City Bank Limited, various big companies, organizations, government departments keep money in STD accounts. Frequent withdrawal is discouraged and requires prior notice.
- The interest rates for STD are:

<b>1) Bank Deposit:</b>	
↗ Up to Tk. 5.00 crore	4.00%
↗ Above Tk. 5.00 crore to Tk. 10.00 crore	5.50%
↗ Above Tk. 10.00 crore	6.50%
<b>2) Other than Bank Deposit</b>	
<b>a) Public Deposit</b> <b>(Government, Semi-Government &amp; Autonomous Bodies, Sector Corporation, Educational Institute, NGO and Social Welfare organization)</b>	
↗ Up to Tk. 1.00 crore	6.00%
↗ Above Tk. 1.00 crore to Tk. 5.00 crore	7.00%
↗ Above Tk. 5.00 crore to Tk. 10.00 crore	7.50%
↗ Above Tk. 10.00 crore	9.00%

<b>b) Private Deposit</b>	
↗ Up to Tk. 1.00 crore	5.50%
↗ Above Tk. 1.00 crore to Tk. 5.00 crore	6.00%
↗ Above Tk. 5.00 crore to Tk. 10.00 crore	6.50%
↗ Above Tk. 10.00 crore	7.00%

### **Liabilities Product**

The City Bank Limited has some liabilities product which is a perfect way to encourage saving for some income generating venture to improve the quality of their life and meet any future financial obligations. These are describing below:

### **Marriage Savings Scheme**

#### **Period of Scheme:**

The term of savings shall be for 12 years.

#### **Instalments size:**

Monthly instalments Size is Tk. 250, Tk. 500, Tk. 1000, Tk. 1500, Tk. 2000 and Tk. 2500

#### **Maturity:**

Depositor draws the following maturity amount at a time

<b>Monthly Deposit</b>	<b>Maturity Amount</b>
250.00	65,000.00
500.00	1,30,000.00
1000.00	2,60,000.00
1500.00	3,90,000.00
2000.00	5,20,000.00
2500.00	6,50,000.00

#### **Loan Facility:**

- Loan may be allowed up to 80% of the deposited amount under lien on the same after at least 2 (Two) years of regular payment of instalments
- Excise duty and source tax etc. are deductible from the depositor profit.

### **Three Stage Savings Scheme**

Open a Three Stage Savings Scheme with BDT 500 or it's multiple up to BDT 5000 and receives high return on maturity.

#### **Product Name**

The name of the scheme is "Three Stage Savings Scheme"

#### **What is TSSS Scheme?**

The Scheme is designed to help the fixed income group to save money and build up a sizable fund with which they can go for some income generating venture to improve the quality of their life and/or meet any future financial obligations.

#### **Who can open/ apply?**

Any citizen of Bangladesh can open this scheme. The scheme can be opened in the name of an individual only. TSSS is perfect for those 18 years of age or elder.

#### **How it works? (Monthly Deposit Amount)**

To open the scheme requires monthly instalments of BDT 500 or its multiple up to BDT 5000 till maturity. This is a fixed term deposit savings scheme.

#### **Tenure**

The scheme is for 2, 4 & 6 years (every 2nd year is known as a stage)

#### **Maturity:**

Depositor draws the following maturity amount at a time

<b>Period</b>	<b>Interest Rate</b>	<b>Matured Value</b>
1 Year	8%	BDT 13,093.00 in the First Stage
2 Year	9%	
3 Year	10%	BDT 28,955.00 in the Second Stage
4 Year	11%	
5 Year	12%	BDT 48,548.00 in the Third Stage
6 Year	13%	

**Loan Benefit:**

In order to meet the urgent and short term requirements, the depositor can avail loans up to 80% of their deposit amount after 2 years regular continuing the scheme and the rate of interest will be charged on prevailing loan structure. In case of failure of repayment of 3 consecutive instalments against the loan then the scheme will be closed automatically and adjusted with the scheme.

**Monthly Benefit Scheme**

Open a Monthly Benefit Scheme with BDT 1,00,000/= or its multiples, but maximum BDT 1, 00,00,000/- shall be acceptable under the Scheme and receive high return on monthly basis.

**Product Name**

The name of the scheme is "Monthly Benefit Scheme"

**What is Monthly Benefit Scheme?**

The Monthly Benefit Scheme is a Deposit Scheme where the depositor gets monthly benefit out of his deposit. The scheme is designed for the benefit of the persons who intend to meet the monthly budget of their families from the income out of their deposit.

**Who can open/ apply?**

Any citizen of Bangladesh can open this scheme. The scheme can be opened in the name of an individual only. MBS is perfect for those 18 years of age or elder.

**How it works? (Monthly Deposit Amount)**

To open the scheme requires deposit BDT 1,00,000/= or its multiples but maximum BDT 1,00,00,000/=. The deposit for a period for 2/3/5 years and the principal amount is refundable on maturity.

**Tenure**

The scheme is for 2/3/5 YEARS



**Maturity:**

Depositor draws the following maturity amount at a time:

<b>Period</b>	<b>Deposit</b>	<b>Monthly Instalment</b>	<b>Matured Value</b>
2 Years	BDT 100,000	BDT 900	BDT 810
3 Years	BDT 100,000	BDT 900	BDT 810
5 Years	BDT 100,000	BDT 945	BDT 850

**Loan Benefit:**

In order to meet the urgent and short term requirements, the depositor can avail loans up to 90% of their deposit amount after 2 years regular continuing the scheme and the rate of interest will be charged on prevailing loan structure. In case of failure of repayment of 3 consecutive instalments against the loan then the scheme will be closed automatically and adjusted with the scheme.

**Junior Savers Scheme**

Open a Junior Savings Scheme with BDT 5000/=, receive high return on monthly deposit and secure children's future educational needs and it's a children financial education program.

**Product Name**

The name of the scheme is "Junior Savers Scheme"

**What is Junior Savers Scheme?**

The Junior Savers Scheme is a perfect way to encourage saving for children's future educational needs. This is a scheme that will grow with child.

City Bank Junior Savers Scheme is a unique savings scheme designed to help the save for children and it's a children financial education program.

**Who can open/ apply?**

Junior Savers is perfect for those 18 years of age or younger, who will be beneficiary/ nominee. Account must be opened in the name of parent/ natural/legal guardian.

**How it works? / (Monthly Deposit Amount)**

To open the scheme requires an initial deposit of BDT 5000/=, which will be followed by monthly instalments of BDT 1000 till maturity. The applicant will have the option of depositing any amount in multiples of the above. This is a fixed term deposit savings scheme. Customer can buy any number of JSS.

**Tenure**

The scheme is for TEN YEARS (120 equal monthly deposits).

**Maturity:**

Depositor draws the following maturity amount at a time

Period	Initial Deposit	Monthly Instalment	Matured Value
10 Years	BDT 5,000	BDT 1,000	BDT 200,000

**Loan Benefit:**

In order to meet the urgent and short term requirements, the depositor can avail loans up to 80% of their deposit amount after 2 years regular continuing the scheme and the rate of interest will be charged on prevailing loan structure. In case of failure of repayment of 3 consecutive instalments against the loan then the scheme will be closed automatically and adjusted with the scheme.

**Insurance**

The scheme is 100% insurance coverage. In case of death of the account holder during the period of scheme, nominee/ beneficiary will get only the amount covered by insurance i.e. maximum limit payable upon maturity or upon death of the account holder shall not exceed the limit covered by the scheme. (Death due to any cause, detail workings attached)

**Lakhpatri Savings Scheme**

Open a Lakhpatri Savings Scheme with BDT 3000/=, receive high return on monthly deposit and become a Lakhpatri just after six years.

**Product Name**

The name of the scheme is "Lakhpati Savings Scheme"

**What is Lakhpati Savings Scheme?**

The Lakhpati Savings Scheme, person gets the opportunity to build up savings by contributing monthly installments and become a Lakhpati just after Six years.

The Scheme is designed to help the fixed income group to save money and build up a sizable fund with which they can go for some income generating venture to improve the quality of their life and/or meet any future financial obligations.

**Who can open/ apply?**

Any citizen of Bangladesh can open this scheme. The scheme can be opened in the name of an individual only. LSS is perfect for those 18 years of age or older.

**How it works? (Monthly Deposit Amount)**

To open the scheme requires an initial deposit of BDT 3000/=, which will be followed by monthly instalment of BDT 1075 till maturity. The applicant will have the option of depositing any amount in multiples of the above. This is a fixed term deposit savings scheme. Customer can buy any number of LSS.

**Tenure**

The scheme is for SIX YEARS (you need to open a LSS for six years/ 72 equal monthly deposits).

**Maturity:**

Depositor draws the following maturity amount at a time

<b>Period</b>	<b>Initial Deposit</b>	<b>Monthly Instalment</b>	<b>Matured Value</b>
6 Years	BDT 3,000	BDT 1075	BDT 100,000

**Loan Benefit:**

In order to meet the urgent and short term requirements, the depositor can avail loans up to 80% of their deposit amount after 2 years regular continuing the scheme and the rate of interest will be charged on prevailing loan structure. In case of failure of repayment of 3

## **BILLS SECTION:**

The City Bank Limited performs the bill clearing function through a local office. The City Bank Limited local office acts as the agent of all The City Bank Limited branches for the clearing house of the Bangladesh bank. The City Bank Limited has two types of cheque, which are

1. Inward Clearing Cheque
2. Outward Clearing Cheque

### **Inward Cheque:**

Inward Cheque are those ones drawn from respective branch which have been presented on other Bank's and will be cleared/honoured through the clearing house of Bangladesh bank. For example, the cheque drawn from The City Bank Limited local office branch, then the cheque is called Inward Cheque of The City Bank Limited local office branch.

### **Accounting Entries**

Customer's Account ----- Debit  
City General Account ----- Credit

### **Working Procedure:**

- Open Envelop
- Press Seal
- Sent to concern officer
- Put initial / mark on seal
- Mention authorized officer
- Entry in register (for foreign cheque, D.D, P.O, OBC etc)

### **Outward Cheque:**

Outward Cheque is those ones drawn on other bank branches which have been presented on concern branch collection through the clearing house of Bangladesh bank. Then the cheque is called Outward Cheque.

For example the cheque drawn on Mercantile Bank Limited, Kawran Bazar branch has been presented on The City Bank Limited, Johnson Road Branch. Then the cheque is called Outward Cheque of The City Bank Limited local office.

Whenever a cheque is brought to the collection officer does two functions: -

1. Giving the special crossing with The City Bank Limited, Johnson Road Branch.
2. Endorse by collecting bank

The following table is showing endorsement of instrument in The City Bank Limited.

#### Endorsement

Payee's Account credited pay to Mr. X

Received payment

Payee's Account credited pays The City Bank Limited

Payee's Account will be credited on realization bills for collection.

#### **Outward Bills for Collection (OBC)**

OBC means those Cheques, drawn on other banks which are not within the same clearinghouse. Officers give OBC seal on this type of cheque and send letter to manager of the branch of the some bank located in the branch on which cheque has been drawn. After collection of that bill, branch advises the concerned branch in which cheque has been presented to credit the customer account through Inter Branch Credit Advice (IBCA).

In absence of the branch of the same bank, officer sends letter to manager of the bank on which the cheque is drawn. That bank will send pay order in the name of the branch. This is the procedure of OBC mechanism.

#### **CLEARING SECTION:**

The scheduled banks clear the cheques drawn upon one another through the clearinghouse. This is an arrangement by The Central Bank where everyday the representative of the member banks (Scheduled Banks of The Central Bank- Bangladesh Bank) gathers to clear the cheques. The place where the banks meet and settle their dues is called the clearinghouse.

## The Check Clearing Process:

The City Bank Limited		Prime Bank Limited	
Δ ASSETS	Δ LIABILITIES	Δ ASSETS	Δ LIABILITIES
1. CIPC +BDT 500	Demand Deposit owed the business +BDT 500	2. CIPC +BDT 500	Demand Deposit (CBL) +BDT 500
4. CIPC Demand deposit at PBL -BDT 500 +BDT 500		5. CIPC Demand deposit at DBL -BDT 500 +BDT 500	

Dhaka Bank Limited		Dutch-Bangla Bank Limited	
Δ ASSETS	Δ LIABILITIES	Δ ASSETS	Δ LIABILITIES
3. CIPC +BDT 500	DACI +BDT 500	6. Demand deposit at DBL -BDT 500	Demand deposit owed the individual -BDT 500
5.	DACI Demand deposit at CBL +BDT 500		
6. CIPC -BDT 500	Demand deposit at DBBL -BDT 500		

→ The City Bank Limited typically place a hold on a check until it verifies that the check is “good”

### → Expedited Funds Availability Act

■ Under Reg CC, it states that:

- Local check must clear in no more than two business days
- Non-local checks must clear in no more than five business days
- Government, certified, and cashiers checks must be available by 9 a.m. the next business day

### How Does a Clearing House Works?

Usually the central bank provides leadership to all other banks who form the clearing house. All the member banks maintain their accounts with the central bank so that they can settle their undivided drawings.

All the member banks representatives daily conduct two meetings, this are-

↗ 1<sup>st</sup> House.

↗ Return House.

In the 1<sup>st</sup> house they handover cheques and drafts etc. drawn upon each other for payment, which received, from their different branches of the city.

All the representatives then return to their respective banks and distribute the cheques and draft etc. to the messenger of the branches for getting the instruments passed. Increased their certain cheques which could not be honour, the same are return to the presenting bank with the reason of now payment in the return meeting at the clearing house.

The City Bank Limited Local Office Br. sends the instruments through Inter Branch Debit Advice (I.B.D.A). The City Bank Limited, Johnson Road acts as an agent in this case. For this, Johnson Road branch gives the following entries,

City General Account (Johnson Road Branch) ----- Debit  
Customer's Account -----Credit

#### **Reason for Cheque Return:**

- Insufficient Fund.
- Amount in figure and word differs.
- Cheque is out of date / post-dated.
- Drawer's signature differs.
- Payment stopped by drawer.
- Crossed cheque to be presented through a bank.
- Payee's endorsement required.

If the instrument is dishonoured, the instrument is returned to the local office branch through I.B.D.A. along with the following entries,

Customer's Account ----- Debit  
City General Account -----Credit

#### **Receiving Cheques for Collection:**

In The City Bank Limited, cheques of its customers are received for collection from other banks. In case of receiving cheques, following points should be checked very carefully:

- a. The cheques should not carry a date older than the receiving date for more than 6 months. In that case it will be a 'stale cheque' and it will not be allowed for collection. Again the date of the cheque should not be more than 1 day's forward than the receiving date.

- b. The amount in figures and words in both sides of the pay-in-slip should be same and it should also be same with the amount mentioned in figures and words in the cheque.
- c. The name mentioned in the cheque should be same in both sides of the pay in slip and it should be the same with the name mentioned in the cheque.
- d. The cheque must be crossed.

### **REMITTANCE OF FUNDS:**

Remittance of funds is ancillary services of The City Bank Limited. It aids to remit fund from one place to another, on behalf of its customers as well as non-customers of the bank.

The main instruments used by The City Bank Limited, Johnson Road Branch for remittance of funds are- Pay Order, Demand Draft, and Telegraphic Transfer.

### **Pay Order (PO):**

Pay order is transacted to different banks; that means, for getting a pay order the customer has to fulfil some blanks.

The pay order is an instrument issued by bank, instructing itself a certain amount of money mentioned in the instrument-taking amount of money and commission when it is presented in bank. It carries value payable to the favouring party to whom it has been favoured. Only the branch of the bank that has issued it will make the payment of pay order.

### **Issuing of Pay Order:**

The procedures for issuing a Pay Order are as follows:

1. Normally it is issued against the cash, but it has the option to be issued by cheque. In that case, one has to mention the cheque number.
2. If the customers have an account on the correspondent bank and he/she wants to get the pay order by debit from his account then he/she has to mention the account number in lieu of cash.
3. The customers have to give his/her/organization`s name, address and signature of the correspondent person on behalf of the organization.



After completing those above formalities the customer will get a number and two signatures of authorized officer. The bank will take lump sum charges on the amount. The rates of charges are like,

For Client	Tk. 50
For Non Client	
▪ Up to Tk. 50000	Tk. 50
▪ Above Tk. 50000	Tk. 100

**A customer can purchase PO in different modes:**

By cash: Bills payable (PO) A/C----- Debit  
 Cash in hand -----Credit.  
 Income A/C commission on PO-----Credit.

By account: Customer's A/C by Cheque----- Debit  
 Bills payable (PO) A/C----- Credit.  
 Income A/C commission on PO-----Credit.

By transfer: City General/ other Dept Clients (by order) ----- Debit  
 Bills payable (PO) A/C----- Credit.  
 Income on commission ----- Credit.

Pay Order Account is the current liabilities of bank, which is acquired to be discharged by beneficiaries against cash or through an account.

**Settlement of a Pay Order:**

When Pay Order submitted by collecting bank through clearing house, the issuing bank gives payment.

Bills payable (PO) Account -----Debit  
 City General Account -----Credit.

But before giving payment, it is the duty for issuing to observe whether endorsement was given by the collecting bank or not. If not, the instrument is dishonoured and marking 'Endorsement Required'.



### **Cancellation of a Pay Order:**

If a buyer wants to cancel it, he should submit a letter of instrument in this regard and pay Tk. 100.

#### Accounting treatment:

Adjustment entry will be:

Bills Payable (PO) ----- Debit  
Customer Account ----- Credit

### **When Pay Order is Lost:**

If the instrument is lost, the holder will inform to the issuing bank immediately. Bank will mark, 'stop payment' on the Bills payable (PO) Register. Buyer will then ask for a new instrument by submitting a GD copy, and indemnity bond. A duplicate instrument will be delivered and charges of Tk. 200.

### **Demand Draft (DD):**

If the person intending to remit the money through a pay order, he/she has to deposit the money to be remitted. With the commission, the banker charges its service. The amount of commission depends on the amount to be remitted. On issue of the pay order, the remitter does not remain a party to the instrument of-

- Drawer branch
- Drawee branch
- Payee.

This is treated as the current liability of the bank as the banker on the presentation of the instrument should pay the money. The banker event on receiving instructions from the remitter cannot stop the payment of the instrument. Stop payment can be done in the following cases:

- i. Loss of draft before endorsement: in this case, "Draft reported to be lost, payee's endorsement requires verification" is marked.
- ii. Loss of draft after endorsement: In this case, the branch first satisfies itself about the claimant and the endorsement in his favour.

**Accounting Treatment:**

In case of issuing of the instrument:

Cash Customer's Account -----	Debit
City General Account (Drawn on branch) -----	Credit
Income Account Commission -----	Credit
VAT (15%) -----	Credit

After giving these entries an Inter Branch Credit Advice (I.B.C.A.) is prepared which contains the controlling number, depicting that the branch is credited to whom it is issued. An I. B.C.A. implies the following entries,

City General Account Issuing Branch -----	Debit
Drawn on Branch -----	Credit

**Role of the Drawn Branch:**

After receiving the I.B.C.A. lodgement by the branch, the following entries are given "DD In-issuing branch" register:

Issuing Branch Account -----	Debit
Bills Payable (DD) Account -----	Credit

After receiving an I. B.C.A.:

Bills Payable (DD) Account -----	Debit
Client's Account -----	Credit

**Charges:**

A commission of 0.10% is taken on the draft value and Tk.50/- is taken as postal charge.

**Cancellation:**

To cancel an issued DD, the client has to submit an application. Issuing branch then sends an Inter Branch Debit Advice (I.B.D.A) to the drawn branch against previously issued I.B.C.A and taking a charge of Tk. 100. After that the following entries are given,

General Account drawn on branch -----	Debit
Client's Account -----	Credit

### **Issuing of Duplicate DD:**

If the customer wants to issue a duplicate DD, than customer is asked to do the following formalities,

- Making a General Diary (G.D.) in the nearest Police Station. Furnishing an Indemnity Bond in Tk.50/= stamp. The bank will charge Tk. 200.
- The banker immediately marks "stop payment" in the register after receiving the application from the customer and a duplicate DD is issued.

### **Mail Transfer (MT) or Telex / Telephone Transfer (TT):**

Telex transfer is another widely used mode for remittances of funds. In case of telex transfer the message for transfer of funds is communicated through tested telex. The City Bank Limited generally recovers from the telex charges in addition to the usual service charges.

### **Issuing of TT**


The City Bank Limited follows the following procedures:

- Name of the payee and account number.
- Name of the branches.
- Put the amount to be transferred the bank will charge:
  - ✓ The minimum commission of TK 50/= or 0.10% of the amount whichever is higher.
  - ✓ Telex charge of Tk. 40.
  - ✓ VAT 15% of the commission.
- The customer obtains a cash memo for issuing TT.
- TT serial number, notifying part name is mentioned through the telephone message.
- The customer deposited money with The City Bank Limited, Johnson Road Branch to be sent to the issuance branch.

The TT application forms are like this-

**T.T./M.T. Application Form**

Date \_\_\_\_\_ 20 \_\_\_\_\_



**The City Bank Limited**  
Johnson Road Br. Dhaka \_\_\_\_\_ Branch

Dear Sir,  
Please remit by Telegraphic/Telephonic/Mail Transfer as follows :-

NAME OF PAYEE & A/C. NO.	Name of the Branches	A M O U N T	
		Tk.	Ps.

I/We herewith Tender/Cash/Cheque No. \_\_\_\_\_ dt. \_\_\_\_\_ for Tk. \_\_\_\_\_  
please debit my/our account No. \_\_\_\_\_ with you for Tk. \_\_\_\_\_  
It is understood that the T.T./M.T. is being sent by you or by your agent on my/our risk and cost and that you and your Agents are not to be held liable for any mistakes, omission, delay etc. which may arise in the transmission thereof.

Signature of the Applicant \_\_\_\_\_  
Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
Phone : \_\_\_\_\_

Credit \_\_\_\_\_ Branch with Tk. \_\_\_\_\_  
Tk. (in figure \_\_\_\_\_)

T.T./M.T. No. \_\_\_\_\_

REALISED	
Comm. Tk.	
Phone/Telex Chgs Tk.	
Initial of official _____	

Rmtt 231/7      Receiving Officer (Cash)      Authorised Officer      Authorised Officer

The Telex Department confirms transmission of the telex. Accounting entries for TT are-  
Cash Account or Client's Account ----- Debit  
City General Account (Johnson Road Branch) ----- Credit

At the end of the day all the registered TT issue with branch name, payee name, and amount to be inserted in the I.B.C.A. block.

**Procedures for the Incoming TT:**

After receiving the telephonic message, it is authenticated by test. TT Serial number is verified by the "TT in Concern branch" register. The following entries are given in the vouchers:

City General Account (Johnson Road branch) ----- Debit  
Client's Account ----- Credit

**CASH SECTION:**

The cash section of any branch plays very significant role in general banking department. Because, it deals with most liquid assets The City Bank Limited Johnson Road branch has an equipped, cash section. This section receives cash from depositors and pays cash against Cheque, Draft, PO, and Pay in Slip over the counter.

### **Receiving Cash:**

Any people who want to deposit money have to fill up the deposit slip and give along with the money to the cash officer over the counter. The cash officer counts the cash and compares with the figure written in the deposit slip. Then he put his signature on the slip along with the 'cash received' seal and records in the cash receive register book against account number.

At the end of the procedure, the cash officer passes the deposit slip to the counter party for posting purpose and delivers duplicate slip to the clients.

Accounting entries will be-

Cash Account-----Debit  
Customer's Account-----Credit

### **Disbursing Cash:**

The client, who wants to receive money against cheque, comes to the payment counter and presents his cheque to the officer. The cash officer verifies the following information:

- a) Date of the cheque
- b) Signature of the A/C hold
- c) Material alteration
- d) Whether the cheque is crossed or not
- e) Whether the cheque is endorsed or not
- f) Whether the amount in figure and in word correspondent or not

Then he checks the cheque from counter for further verification. Here the following information is checked:

1. Whether there is sufficient balance or not
2. Whether there is stop payment instruction or not
3. Whether there is any legal obstruction (Garnishee Order) or not

After checking everything, if all are in order, the cash officer gives amount to the client and records in the paid register. The account treatments are:

Customer's Account-----Debit  
Cash Account-----Credit

**ACCOUNTS SECTION:**

Accounts department is a department with which each and every department is related. It records the profit and loss account and statement of assets and liabilities by applying "Golden Rules" of book-keeping. The functions of it are theoretical based. The City Bank Limited, Johnson Road Br records its accounts daily, weekly, and monthly every record.

**General Account:**

The account is maintained with The City Bank Limited, Head Office (H/O) for the purpose of settlement of inter-branch transactions. General Account is important one, which has to be maintained by each branch of The City Bank Limited.

Indeed general account is a record of originating and responding transactions among inter-branches of the same bank. All types of assets and liabilities of one branch with another one are settled through this account. Branch can know how much liable with H/O the branch is. The debit and credit balance shows assets and liabilities of the respective branch.

Followings are the journal entries under The City Bank Limited general account~

- 1) OBC paid by original branch (The City Bank Limited Local Office) to responding branch (say, The City Bank Limited, Johnson Road through Inter-Branch Credit Advice)
  - a) For original branch (Local Office branch)  
Client's Account -----Debit  
City General Account -----Credit
  - b) For responding branch (Johnson Road Branch)  
City General Account ----- Debit  
Client's Account ----- Credit
  
- 2) OAN (outward) clearing cheques lodged through IBDA (Inter-branch debit advice).
  - a) For original branch (Local Office branch)  
City General Account ----- Debit  
Client's Account ----- Credit

- b) For responding branch (Johnson Road Branch)
    - Other Bank Account ----- Debit
    - City General Account ----- Credit
  
- 3) Inward clearing cheques paid by original branch (The City Bank Limited Local Office) to responding branch. (Say, The City Bank Limited Johnson Road) through IBCA (Inter-branch credit advice).
  
- 4) TT (Telegraphic Transfer)
  - a) For original branch (Local Office branch)
    - Client's Account ----- Debit
    - City General Account ----- Credit
  
  - b) For responding branch (Johnson Road Branch)
    - City General Account ----- Debit
    - Client's Account ----- Credit
  
- 5) TT (Telex transfer) originated by The City Bank Limited (local office branch to other branch of The City Bank Limited when party is not account holder (through IBCA).
  - a) For original branch (Local Office branch)
    - Client's Account ----- Debit
    - City General Account ----- Credit
  
  - b) For responding branch (Johnson Road Branch)
    - City General Account ----- Debit
    - Client's Account ----- Credit
  
- 6) Cash received from The City Bank Limited Local office. (Through IBCA).
  - a) For original branch (Local Office branch)
    - Cash Account ----- Debit
    - City General Account ----- Credit
  
  - b) For responding branch (Johnson Road Branch)
    - City General Account ----- Debit
    - Client's Account (Johnson Road Branch) ----- Credit



### **Suspense Account:**

- It is an account for maintaining records of various types of payment made by the bank for various purposes e.g. income tax, employees' National Insurance contributions and voluntary deductions, demand draft payment.
- The sum total of its subheads is shown in the assets side.
- When the bank made payments temporarily then the accounting treatment will be-  
Suspense Account-----Debit  
Cash Transfer-----Credit
- After specified the account, the accounting treatment will be-  
Specific Account-----Debit  
Suspense Account-----Credit

### **Sundry Deposit Account:**

- It is a deposit account in which the receipts that cannot be identified or categorized in any specific head of accounts.
- It is transiting account for sundry creditors.
- The sum total of its subheads is shown in the liability side of the Clean Cash book.
- After proper identification or categorization the receipts of this account are reversed on a subsequent date for crediting the actual head.
- It can be a repository for dollar transactions (cash receipts, cash disbursements & journal entries) entered with invalid account numbers. The account specified may not exist, or it may be deleted / frozen. If one of these conditions exists, the transaction should be directed to a sundry deposit account.
- When an account used as temporarily then the accounting treatment will be-  
Cash Account-----Debit  
Sundry Deposit Account-----Credit
- After specified the account, the accounting treatment will be-  
Sundry Deposit Account-----Debit  
Actual Account-----Credit

**Debit Voucher:**

For making cash payment like entertainment, conveyance, etc. accounts department writes a debit voucher. The amount is withdrawn through cash section by presenting debit voucher.

**Extract:**

- Extract is a statement of all originating and responding transactions among inter – branches
- Through inter branches debit and credit advice, at the end of the day all the debit and credit advices of different departments come to accounts department to makes extract in light of all advices.
- Actually extract shows the balance of The City Bank Limited, local office branch general account. The objective of preparing extract is to know how many transactions have been originated and responded by the respective branch per day. Branch has to send a copy to the Head Office keeping one photocopy.

**Statement of Affairs:**

Accounts section prepares the statement of affairs for finding the profit / loss as well as amount of assets and liabilities of concerned branch per day. Theoretically it is called Financial Statement. It has two parts:

- Income and Expenditure account.
- Statement of assets and liabilities.

The statement of affairs contains total information of assets and liabilities of a branch for a particular date in a prescribed form. It also holds down total deposit, total advance, total income, and total expenditure.

**Clean Cash:**

After necessary approval / specification of head the payments (Cash / Clearing / Transfer) are accounted into an actual head of account in clean cash report.

**Functions Afford by Accounts Department:**

Like all other Banks, in The City Bank Limited Accounts Department is regarded as the nerve Centre of the bank. In banking business, transactions are done every day and these

transactions are to be recorded properly and systematically as the banks deal with the depositors' money. Any deviation in proper recording may hamper public confidence and the bank has to suffer a lot otherwise. Improper recording of transactions will lead to the mismatch in the debit side and in the credit side. To avoid these mishaps, the bank provides a separate department whose function is to check the mistakes in passing vouchers or wrong entries or fraud or forgery. This department is called as Accounts Department.

Besides the above, the bank has to prepare some internal statements as well as some Statutory Statements, which are to be submitted to The Central Bank Accounts Department prepares these statements also. The department has to submit some statements to the Head Office, which is also consolidated by the Head Office later on.

The tasks of the Accounts Department of The City Bank Limited, Johnson Road branch may be seen in two different angles:

➤ Daily Tasks.

➤ Periodical Tasks.

### **Daily Tasks:**

The routine daily tasks of the Accounts Departments are as follows:

- i. Preparing the daily position of the branch comprising of deposit and cash.
- ii. Preparing the daily Statement of Affairs showing all the assets and liability of the branch as per General Ledger and Subsidiary Ledger separately.
- iii. Recording inter branch fund transfer and providing accounting treatment in this regard.
- iv. Checking whether all the vouchers are correctly passed to ensure the conformity with the 'Activity Report'; if otherwise making it correct by calling the respective official to rectify the voucher.
- v. Recording of the vouchers in the Voucher Register.
- vi. Packing of the correct vouchers according to the debit voucher and the credit voucher.

**Periodical Tasks:**

The routine periodical tasks performed by the department are as follows:

- i. Preparing the monthly salary statements for the employees.
- ii. Preparing the weekly position for the branch which is sent to the Head Office to maintain Cash Reserve Requirement (C.R.R).
- iii. Preparing the monthly position for the branch which is sent to the Head Office to maintain Statutory Liquidity Requirement (S.R.R).
- iv. Preparing the weekly position for the branch comprising of the break up of sector wise deposit, credit etc.
- v. Preparing an 'Extract' which is a summary of all the transactions of the Head Office account with the branch to reconcile all the transaction held among the accounts of all the branches.

**Amortization and Depreciation:**

Amortization is the allocation of the cost of an intangible asset to expense. For example, prepaid expenditure, prepaid insurance and goodwill etc. Amortization schedule is determined by the decision of management. Depreciation is a process of cost allocation of assets not a process assets valuation.

- a) Fixed Assets have been show at cost less Accumulated Depreciation.
- b) Depreciation has been charged on straight- line method at the following rate on cost of assets for the full year irrespective of their date of purchase.

<b>Particulars of Assets</b>	<b>%</b>
Furniture & fixture	10
Office Appliance	20
Office Decoration	10
Electric Equipment	20
Computer	20
Vehicle	20

Such assets do not last forever and must eventually be replaced. Estimation of profits must include a charge for the use of fixed assets, effectively spreading their cost over their revenue producing lives.

## **FOREIGN EXCHANGE DEPARTMENT**

### **DEFINITION OF FOREIGN EXCHANGE**

Any type of financial instrument that is used to make payments between countries is considered foreign exchange. The list of instruments includes electronic transactions, paper currency, checks, and signed, written orders called bills of exchange. Large-scale currency trading, with minimums of \$1 million, is also considered foreign exchange and can be handled as spot price transactions, forward contract transactions, or swap contracts.

Foreign Exchange Regulation (FER) Act, 1947 (Act No. VII of 1947) enacted on 11th March, 1947 in the then British India provides the legal basis for regulating certain payments, dealings in foreign exchange and securities and the import and export of currency and bullion. This Act was first adapted in Pakistan and then, in Bangladesh. The Act is reproduced at Appendix-1. Bangladesh Bank is responsible for administration of regulations under the Act. Appendix 4 provides a list of Bangladesh Bank's offices and their jurisdictions.

### **FOREIGN TRADE**

Foreign trade is the exchange of goods and services across international boundaries or territories. In most countries, it represents a significant share of GDP. While foreign trade has been present throughout much of history, its economic, social, and political importance has been on the rise in recent centuries. Industrialization, advanced transportation, globalization, multinational corporations, and outsourcing are all having a major impact. Increasing foreign trade is the usually primary meaning of "globalization".

### **FOREIGN TRADE AND FOREIGN EXCHANGE**

International trade refers to trade between the residents of two different countries. Each country functions as a sovereign state with its set of regulations and currency. The difference in the national of the exporter and the importer presents certain peculiar problems in the conduct of international trade and settlement of the transactions arising there from. Important among such problems are:

- Different countries have different monetary units;
- Restrictions imposed by countries on import and export of goods;

- Restrictions imposed by nations on payment from and into their countries;
- Differences in legal practices in different countries.

**Foreign Exchange means Foreign Currency and it Includes:**

"Foreign Currency" means any currency other than Bangladesh currency; "Foreign Exchange" means foreign currency and includes any instrument drawn, accepted, made or issued under clause (13) of Article 16 of the Bangladesh Bank Order, 1972, all deposits, credits and balances payable in any foreign currency and any draft, traveller's cheque, letter of credit and bill of exchange expressed or drawn in Bangladesh currency but payable in any foreign currency;

**PRINCIPLES OF FOREIGN EXCHANGE**

The following principles are involved in Foreign exchange:

- The entire system
- The media used
- The monetary unit.

**FUNCTIONS OF FOREIGN EXCHANGE**

The bank actions as a media for the system of foreign exchange policy. For this reason, the employee who is related of the bank to foreign exchange, especially foreign business should have knowledge of these following functions:

- Rate of exchange.
- How the rate of exchange works.
- Forward and spot rate.
- Methods of quoting exchange rate.
- Premium and discount.
- Risk of exchange rate.
- Causes of exchange rate.
- Exchange control.
- Convertibility.
- Exchange position.
- Intervention money.
- Foreign exchange transaction.
- Foreign exchange trading.

- Export and import letter of credit.
- Non-commercial letter of trade.
- Financing of foreign trade.
- Nature and function of foreign exchange market.
- Rules and Regulation used in foreign trade.
- Exchange Arithmetic.

## **LETTER OF CREDIT (L/C)**

### **Definition of L/C**

A letter of credit is a document typically issued by a bank or financial institution, which authorizes the recipient of the letter (the "customer" of the bank) to draw amounts of money up to a specified total, consistent with any terms and conditions set forth in the letter. This usually occurs where the bank's customer seeks to assure a seller (the "beneficiary") that it will receive payment for any goods it sells to the customer.

For example, The City Bank Limited might extend the letter of credit conditioned upon the beneficiary's providing documentation that the goods purchased with the line of credit have been shipped to the customer. The customer may use the letter of credit to assure the beneficiary that, if it satisfies the conditions set forth in the letter, it will be paid for any goods it sells and ships to the customer.

In simple terms, a letter of credit could be said to document a bank customer's line of credit, and any terms associated with its use of that line of credit. Letters of credit are most commonly used in association with long-distance and international commercial transactions.

### **From of Letter of Credit**

A letter of credit (L/C) may be two forms. These as below:

1. **Revocable Letter of Credit:** A revocable letter of credit may be cancelled or modified after its date of issue, by the issuing bank.
2. **Irrevocable Letter of Credit:** An irrevocable letter of credit includes a guarantee by the issuing bank that if all of the terms and conditions set forth in the letter are satisfied by the beneficiary, the letter of credit will be honored.

### Types of Letter Of Credit

Letter of Credit is classified into various types according to the method of settlement employed. There are three classes of L/Cs depending on the payment conditions:

- **Sight:** To pay or negotiate the documents value upon presentation of documents in accordance with the L/C terms and conditions.
- **Time:** To accept or pay on the due date against presentation of stipulated documents in compliance with the L/C terms and conditions.
- **Conditional:** To pay as per stipulated payment terms against the presentation of documents.

Special Types of L/Cs:

- **Red Clause L/C:** A letter of credit containing a clause authorizing the advising or confirming bank to pay an amount in advance to the beneficiary, before presenting any document that may be required within the terms of the L/C.
- **Transferable L/C:** A transferable L/C gives the right to the original (first) beneficiary to transfer whole or part of the L/C value to one or more second beneficiary(s).
- **Back to Back L/C:** This is a type of L/C established at the request of a beneficiary of a credit, against the L/C in his favour. The beneficiary of the first L/C offers the L/C in his favour as a security for opening another L/C.
- **Revolving L/C:** A revolving L/C is where the amount of the L/C is renewed or reinstated in accordance with the L/C terms.
- **Local L/C:** The L/Cs described above can be accommodated in local L/Cs except that the applicant and beneficiary are both addressed locally and generally the delivery of goods or services is made locally (within the Bangladesh).
- **Standby L/C:** Stand-by letters of credit provide a secondary or back-up payment for a particular trade transaction under a bank's full coverage. In case the exporter is unable to collect funds from the importer, such funds may be claimed under the



stand-by letter of credit from the issuing bank as per Uniform Customs and Practice for Documentary Credits. Therefore, the stand-by letter of credit is usually only activated in case of the importer's default. Some uses of standby letters of credit:

- Replacement of Bid, Surety or Performance Bonds.
- Substitution for Advance Payments and Cash Deposits.
- Guarantee of loan repayments.
- Utility company deposits
- Invoice payment guarantee
- Assurance of refund of advance payments if contract terms are unmet.

Advantages of standby L/C are-

- It can be used to cover different types of contracts
- Can guarantee the exporter's performance in some transactions or only in one specific transaction (such as capital goods' import with technical specifications, projects on a turn-key basis, etc.)
- Could cover the compliance of the importer in open account for a number of transactions.
- Is usually required in international biddings.

### **Parties to a Letter Of Credit**

The City Bank Limited provided with a comprehensive list of the parties involved in a letter of credit transaction.

#### **Advising Bank**

Denotes the bank giving notification of the terms and conditions of a letter of credit to the beneficiary (seller). The advising bank also takes reasonable care to check the apparent authenticity of the letter of credit which it advises.

#### **Applicant**

The party who applies to the opening (issuing) bank for the issuance of a letter of credit.

**Beneficiary**

The party in whose favour the letter of credit has been established. The beneficiary is the party who demands payment under the letter of credit.

**Confirming Bank**

A bank, which at the request of the issuing bank, assures that drawings under the credit will be honoured (provided the terms and conditions of the credit have been met).

**Drawee Bank**

The bank on which the drafts specified in the credit are drawn and from which payment is expected.

**Issuing Bank (Opening Bank)**

The bank which issues the letter of credit on behalf of the applicant.

**Negotiating Bank**

Bank, other than the issuing bank, which elects to "negotiate" (advance funds or give value to the beneficiary) against presentation of complying documents.

**Paying Bank**

The bank authorized in the letter of credit by the issuing bank to honour sight or deferred payments under the terms specified in the credit. (If this bank is the advising bank, it has no obligation to honour documents; however, if this is a confirming bank, it is obligated to pay against complying documents.)

**Presenting Bank**

The bank that forwards the documents directly to the issuing bank to obtain settlement.

**Reimbursing Bank**

The bank authorized by the issuing bank to reimburse the drawee bank or other banks submitting claims under the terms of the credit.

**Transferring Bank**

A bank authorized by the issuing bank as specified in the credit that can transfer the issuing bank's documentary credit from one beneficiary to another at the request of the first beneficiary.

### **Elements of a Letter Of Credit**

- A payment undertaking by a bank (issuing bank)
- On behalf of a buyer (bank customer)
- To pay a seller (beneficiary) a specified amount of money
- On presentation of specified documents representing the supply of goods
- Within specified time limits
- Documents must conform to terms and conditions set out in the letter of credit
- Documents to be presented at a specified place

### **Beneficiary**

The beneficiary is entitled to payment as long as they can provide the documentation required in the letter of credit. The letter of credit is a separate transaction from any other written agreements. All parties to the letter of credit are only concerned with and deal in the required documents and not in the goods or services for which the letter is provided. The issuing bank is not liable for any performance of the underlying contract between the buyer and seller. The issuing bank's obligation to the buyer is to examine all documents to insure that they meet all the terms and conditions of the letter of credit. Upon requesting demand for payment the seller warrants that all conditions of the letter of credit have been complied with. If the seller (beneficiary) conforms to the letter of credit, they must be paid by the bank.

### **Issuing Bank**

The issuing bank's liability to pay and to be reimbursed from its customer becomes absolute upon the completion of the terms and conditions of the letter of credit. Under the provisions of the Uniform Customs and Practice for Documentary Credits, the bank is given a reasonable amount of time after receipt of the documents to honour the draft.

The issuing banks' role is to provide a guarantee to the seller that if required documents are presented, the bank, upon examination, will pay the seller the amount due and only pay if these documents comply with the terms and conditions set out in the letter of credit.

Typically the documents requested will include an invoice, a bill of lading or airway bill and an insurance document. However, additional documents may be required.

### **Advising Bank vs. Confirming Bank**

An advising bank, usually a foreign correspondent bank of the issuing bank will advise the seller. Generally, the seller will use a local bank to insure the letter of credit is valid. In addition, the advising bank is responsible for sending the documents to the issuing bank. The advising bank has no other obligation under the letter of credit. If the issuing bank does not pay the seller (beneficiary), the advising bank is not obligated to pay.

A correspondent bank may also confirm the letter of credit for the seller (beneficiary). At the request of the issuing bank, the correspondent bank obligates itself to insure payment under the letter of credit. The confirming bank normally would not confirm the letter of credit until it evaluated the country and bank where the letter of credit originates. The confirming bank often is the advising bank.

### **Opening a Letter of Credit**

#### **Level of Detail**

The wording in a letter of credit should be simple, but specific. The more detailed an L/C is, the more likely the seller will reject it as too difficult to fulfil. At the same time, the buyer will wish to define in detail what is paying for.

#### **Type of Credit**

Letters of credit used in trade are usually either irrevocable unconfirmed credits or irrevocable confirmed credits. In choosing which type to open both the seller and the buyer should consider the generally accepted payment processes in each country, the value and demand for the goods, and the reputation of the buyer and seller.

#### **Documents**

In specifying required documents, it is very important to include those required for customs and those reflecting the agreement reached between the buyer and the seller. Required documents usually include the bill of lading, a commercial and/or consular invoice, the bill of exchange, the certificate of origin, and the insurance document. Other documents required may be an inspection certificate, copies of a cable sent to the buyer with shipping information, a confirmation from the shipping company of the state of its ship, and a confirmation from the forwarder that the goods are accompanied by a

certificate of origin. Prices should be stated in the currency of the letter of credit and documents should in the same language as the letter of credit.

**The importer submits the following documents before opening of the L/C:**

1. Tax Identification Number (TIN)
2. Valid Trade License.
3. Import Registration Certificate (IRC)

**The Bank will supply the following documents before opening of the L/C:**

1. LCA form.
2. Application and Agreement form.
3. IMP form
4. Necessary charge documents for documentation.

The above documents / papers must be completed duly signed and filled in by the party according to the instruction of the banker.

**The Letter of Credit Application**

The following information should be addressed when establishing a letter of credit.

**1. Beneficiary**

The seller should provide to the buyer its full corporate name and correct address. A simple mistake here may translate to inconsistent or improper documentation at the other end.

**2. Amount**

The seller should state the actual amount of the letter of credit. One can request a maximum amount when there is doubt as to the actual count or quantity of the goods. Another option is to use words like "approximate", "circa", or "about" to indicate an acceptable 10 % plus or minus from the stated amount. For consistency, if you use this wording you will need to use it also in connection with the quantity.

**3. Validity**

The seller will need time to ship and to prepare all the necessary documents. Therefore, the seller should ensure that the validity and period for document presentation after the shipment of the goods is long enough.

#### **4. Seller's Bank**

The seller should list its advising bank as well as a reimbursing bank if applicable. The reimbursing bank is the local bank appointed by the issuing bank as the disbursing bank.

#### **5. Type of Payment Availability**

The buyer and seller may agree to use sight drafts, time drafts, or some sort of deferred payment mechanism.

#### **6. Desired Documents**

The buyer specifies the necessary documents. Buyers can list, for example, a bill of lading, a commercial invoice, a certificate of origin, certificates of analysis, etc. The seller must agree to all documentary requirements or suggest an amendment to the letter of credit.

#### **7. Notify Address**

This is the address to notify upon the imminent arrival of goods at the port or airport of destination. A notification listing damaged goods is also sent to this address, if applicable.

#### **8. Description of Goods**

The seller should provide a short and precise description of the goods as well as the quantity involved. Note the comments in step #2 above concerning approximate amounts.

#### **9. Confirmation Order**

With international arrangements, the seller may wish to confirm the letter of credit with a bank in its country.

### **Amendment of a Letter of Credit**

For the seller to change the terms noted on an irrevocable letter of credit, it must request an amendment from the buyer. The amendment process is as follows:

- The seller requests a modification or amendment of questionable terms in the letter of credit;

- If the buyer and issuing bank agree to the changes, the issuing bank will change the letter of credit;
- The buyer's issuing bank notifies the seller's advising bank of the amendment; and
- The seller's advising bank notifies the seller of the amendment. Tips for Buyers and Sellers

### **Documentary Letter of Credit (Import/Export Documentations)**

Documentary letter of credit is such kinds of commercial letter which a bank issue on behalf of foreign seller (exporter) according to the direction of the (importers) purchasers. The documents shown under are known as export documents form the importer's side. These are:

1. **Bill of Exchange:** The bill of exchange is that particular instrument through which payment is effected in trade deals internal and external. The payment for the goods is received by the seller through the medium of a bill of exchange drawn on the buyer for the amount depending on the contract. It is a negotiable instrument. There are five main parties involved in a bill of exchange. They are :
  - i. Drawer
  - ii. Drawee
  - iii. Payee
  - iv. Endorser
  - v. Endorsee
  
2. **Bill of Lading:** A bill lading is a document of title to goods entitling the holder to receive the goods as beneficiary or endorsee and it is with the help of this document on receipt from the exporter that the importer takes possession of the goods from the carrying vessel at the port of destination.
  
3. **Airway Bill / Railway Receipt:** When goods to be transported are small in bulk or requiring speedy delivery or those are perishable in nature on the deal is in between the neighbouring countries then mode of transports other than shipping may be resorted to far the carriage of the goods Airways bill / Railway receipt take place of Bill of lading depending on the nature of the carrier.

4. **Commercial Invoice:** It is the seller's bill for the merchandise. It contains a description of goods, the price per unit at a particular location, total value of the goods, packing specifications, terms of sale, letter of credit, bill of lading number etc. There is no standard form for a commercial invoice. Each exporter designs own commercial invoice form. The invoice is made out by the seller under his signature in the name of the buyer and must be submitted in a set of at least 3 copies. Its main purpose is to check whether the appropriate goods have been shipped and also that their unit price, total value, marking on the package etc. are consistent with those given in other documents.
5. **Insurance Policy:** In the international trade insurance policy is a must to cover the risk of loss on consignments while they are on seas, roads, airways. The insurance is the responsibility of the buyers (consignee) under FAS, FOB and C&F contracts and of the seller (consignor) under CIF contract. The policy must be of the type as specified in the relative contract / credit. The policy would be for the value of CIF price plus 10 (ten) percent to cover the expenses and that is required to be obtained in the same currency as that of the credit and dated not later than the date of shipment with claims being payable at the destination. It must be properly stamped. Like a bill of lading it must be negotiable and be endorsed where it is payable to order.
6. **Certificate of Origin:** This is a certificate issued by a recognized authority in exporting country certifying the country of origin of the goods. It is usually by the Chambers of Commerce. Some times, it is certified by local consul or Trade Representative of the importing country as per terms of the credit.
7. **Packing List :** The exporter must prepare an accurate packing list showing item by item, the contents of the consignment to enable the receiver of the shipment to check the contents of the goods, number and marks of the package, quality, per package net weight, gross weight, measurement etc.
8. **Weightment and Measurement:** Issued by recognized authority (like Chambers of Commerce and Industry) in exporting country certifying correct weightment and measurement of the goods exported.



9. **Bill of Entry:** A bill of entry is a document which contains the particulars of the imported goods as well as the amount of customs duty payable.

The exporter submits the following papers/documents to the negotiating bank:

- Bill of Exchange / Draft.
- Bill of Lading.
- Airway Bill / Railway Receipt.
- Commercial Invoice.
- Insurance Policy.
- Certificate of Origin.
- Packing List.
- Weightment & Measurement list.
- Other etc.

The negotiating bank after received the above documents / papers then this bank scrutiny the documents. The negotiating bank sends the original shipping documents to the L/C opening bank and keeping the second copy with the negotiating bank.

#### **Payment Against Documents (PAD)**

Banks deal in documents and not in goods. If the shipping document against the L/C is in order then the L/C opening bank must have to payment to the foreign bank within 3 days or 72 hours according as Uniform Customs and Practice for Documentary Credit (UCPDC) 500 of revision of ICC.

If the shipping documents have any discrepancy, then the L/C opening bank informed to the negotiating bank within 7 days. Otherwise, the shipping documents have not discrepancy. If the importer have not adequate funds in the bank account then the bank payment to the foreign bank against the shipping documents.

#### **L/C Operation of The City Bank Limited**

Today The City Bank Limited is one of the leading banking enterprises in the country. By export-import business the bank plays a great role to the economy of Bangladesh.

Foreign trade plays a vital role in the economic advancement process of a nation. So the trend of country's foreign trade, i.e. import and export is of a great concern to the government of a country. Fluctuation in the parameters of foreign trade immediately brings about some impact on the total economy. As such the nature, trend and the volume of foreign trade are required to keep pace with the national economic needs and objective. There may be some areas where emphasis is to be given while there may be others which deserve restrictions or discouragement. Moreover the items of import and export value and volume of the same, the corresponding time period, sources of fund for payment and receipt, all these factors are to be considered very carefully for making necessary adjustment to match with the national economic policies as well as achieve balanced economic growth through the interpolicy and interpolicy co-ordination.

International trade policy relates to commercial policy which has two main components of Import policy and Export policy. With a view to achieving favourable balance of payment position as well as to encouraging or well to encouraging or well regulated and need based foreign trade of the country, the government formulates the national commercial policy i.e. import and export policy for a certain period considering all the favourable and unfavourable aspects of the nation's previous trade performance as well as the future requirement and prospects.

As the policy matter and the operational of import and export trade are quite different, two separate policies for import and export trade are formulated by the government. Import policy refers to government policies account for a particular fiscal period envisaging the allocation of fund available from various sources for import of certain quantity of certain goods. The main purpose of the policy is to conserve scarce foreign exchange & to ensure its utilization for the import of goods and services which have national priority. The selected persons or institutions those who have got valid Import Registration Certificate (IRC) from the Chief Controller of Import and Export (CCI & E) can import and they are known as importers.

These importers can import goods as entitled in each year as per import policy by opening letter of credit (L/C) through bank i.e. Authorized Dealer (A.D). Authorized Dealer means the branches of commercial banks, those who are authorized / licensed by the Bangladesh

Bank to deal in foreign Exchange. Letter of Credit may be defined as the letter of undertaking or letter of guarantee issued by the L/C opening bank on behalf of the importer submits all the documents as mentioned in the L/C submits all the documents as mentioned in the L/C within the time schedule to his bank i.e. exporters bank.

Before opening L/C in favour of the exporter the entitlement of the importer (total amount in taka he can import as per import policy) to be registered with Bangladesh Bank. For this purpose the importer is to apply through L/C. Authorization form (LCA form). This is a set in quintuplicate and the authorized dealer will issue LCA form to the individual importer at their request. After filled up and signed up the appropriate column of the LCA form, the importer will submit it to Authorized Dealer who in turn forwards the same to Bangladesh Bank for registration where fund is purchased from Bangladesh Bank. After registration, Bangladesh Bank forward the 1st and 2nd copy of LCA form to the Authorized Dealer, 3rd and 4th copy to CCI & E and keep the 5th copy as their office copy. 1st copy of LCA is known as Exchange Control copy against which Authorized Dealer can open L/C at the request of the importer. 2nd Copy is known as custom purpose copy which will be handed over to the importer who will clear the goods from the port on its arrival through this custom purpose copy of LCA along with other shipping documents.

### **Open an L/C by the Importer**

Now the importer will come to his bank with a request to open an L/C along with the following documents / papers:

- i. L/C application and agreement Form (Bank's prescribed application form) with adhesive stamp of Tk. 150 (Flexible) [From June 3rd 1998]
- ii. Indent / Proforma Invoice / Contract - 3 copies.
- iii. Insurance cover note with premium paid receipt.
- iv. IMP Form one set duly signed by the importer.
- v. Any other documents if necessary.

Authorized Dealer will scrutinize the documents and open the L/C in favour of the exporter by converting the Bangladesh Taka into foreign currency at the existing B.C selling rate of exchange. Care must be taken so that the limit of Bangladesh Taka is not exceeded in any way. The foreign currency value of the L/C must correspond the equivalent amount of Bangladesh Taka if LCA registered with Bangladesh Bank.

The Authorized Official of the Authorized Dealer will check the L/C very carefully and signed the same jointly and forward the 1st and 2nd copy to their foreign correspondent situated at the nearest place of the exporter. Thus Bank is known as Advising Bank. On receipt of the L/C the Advising Bank after verification of the duplicate copy at their end. On getting the L/C the exporter prepares the goods and ship the same as per instruction of the L/C and obtain a Bill of Lading from the shipping Authority. The exporter will prepare bill of exchange, Invoice and other documents as specified in the L/C and submits the same along with the original copy L/C to his bank within the time mentioned in the L/C. The Bank with whom the exporter submits the documents is known as Negotiating Bank as this negotiates the document i.e. makes payment to the exporters.

The negotiating bank will scrutinize the documents with terms and conditions of the L/C very carefully. If every thing is in order the bank will make payment of the amount of L/C to exporter in their local currency by debiting to their own account. Subsequently the negotiating bank will claim the L/C with whom the Head Office of L/C opening bank maintained foreign currency amount. This is known as Reimbursing Bank. Reimbursing Bank will make payment to the negotiating bank by debit to L/C opening Bank's Head Office A/C. Simultaneously the negotiating bank will forward all the documents submitted by the exporter to the L/C opening bank as per instruction of the L/C. The date of forwarding letter of negotiating bank should be date of negotiation of documents.

On receipt of the shipping documents from the negotiating bank, the L/C opening bank will carefully scrutinize the documents with terms and conditions of the relative L/C. If there is no discrepancy, the documents will be lodged. Lodgement of documents means the entry of the particulars of the documents in the Register and preparation of vouchers by converting the foreign currency amount into Bangladesh Taka as the exchange rate prevailing on that date. This amount is due to the importer. The importer will be asked to take delivery documents by making payment of the bill amount excluding the margin deposited at the time of opening L/C. Payment of bill amount and to take delivery of documents by the importers is known as Retirement of Import Bills.

After taking delivery of documents from the L/C opening bank, the importer will clear the goods which has already been arrived or due to arrive from the customs authority on submission of these documents along with the custom purpose copy of LCA Form.

## **LODGMET OF IMPORT BILL**

The documentary letter of credit (L/C) constitutes of the important methods of financing trade. Because of the phenomenal growth in world trade and commodity wise diversification of trade its importance has significantly increased.

On receipt of the documents from the negotiating Bank, the L/C opening bank will make entry the particulars of the documents into Inward Foreign Bill Register and prepare the voucher by converting the foreign currency into Bangladesh Taka. This stage is known as lodgement of import bills.

The full sets of documents which are submitted by the exporter to his bank as per terms and conditions of the L/C is known as shipping documents.

The L/C opening bank may receive these shipping documents from his foreign correspondent (Bank) in two ways.

1. Documents on Collections Basis.
2. Negotiated Documents.

### **1. Documents on Collection Basis:**

The shipping documents which are not negotiable by the exporter's bank due to some discrepancies will be sent to L/C opening bank on collection basis. The collection bank (exporter's bank) will mention the discrepancies on their forwarding schedule.

On receiving the documents the L/C opening bank will further scrutinize the documents with the L/C and inform the importer regarding discrepancies found in the documents. If these are acceptable to the importer and permissible with the existing exchange control regulation, the documents will be lodged and L/C opening bank will send the payment instruction to the collecting bank.

### **2. Negotiated Documents**

The documents which has already been negotiated i.e. the exporters bank (this bank is known as negotiating bank) has made payment to the exporter against the documents submitted by him may be termed as negotiated documents. Generally these documents are free from discrepancies. Though these documents are

supposed to be free from any discrepancy, the L/C opening bank must scrutinize and confirm that there is no discrepancy in the documents.

In case of documents which has no discrepancy and documents with minor discrepancy (if accepted by the importer) are to be lodged, where the major discrepancy is found, it is the duty of the L/C opening banks to send a cable / Telex to the negotiating bank with instruction to credit the amount to the L/C opening banks A/C which was paid to the exporter, because the documents are not accepted and also to seek instruction regarding disposal of the documents. The particular of these documents to be entered is separate column or separate Inward Foreign Bill Register under the head Foreign Bill under Reserve.

### **PROCEDURES OF LODGMENT**

After scrutinization, if it is found in order the officer concerned will brand a rubber stamp "Checked and Found Correct" which will be followed by his initial.

Amount in foreign currency to be converted into Bangladesh Taka with the exchange rate (B.C selling) prevailing on the date of lodgement.

Particulars of documents to be entered in the "Inward Foreign Bills Register"

**Preparation of Vouchers:** The following vouchers are to be prepared:

a. Lodgement Voucher:

PAD / Draft amount + Negotiation commission (if any)----- Debit

H.O I.D / (Reimbursing Bank) Account-----Credit

b. Liability voucher to be reversed which was originated at the time of opening L/C

Barkers liability on L/C (Cash)----- Debit

Customers liability on L/C (Cash)-----Credit

### **Retirement of Documents**

On receipt of the copy of lodgement voucher from the bank, the importer will deposit the required amount and taka delivery of the shipping documents. This stage is known as Retirement of Impart Bills.

Before retirement of impart bills, the L/C opening bank will calculate the charges which are to be realized from the importer.

Retirement vouchers to be prepared:

Opener Account----- Debit  
Sundry Deposit Account (Margin on L/C)-----Debit  
PAD / Draft Amount-----Credit  
Any other charges vouchers if necessary.

### **Scrutiny of Documents**

The L/C opening bank being received the documents from the negotiated bank. Then scrutinize the documents with the respective L/C terms and condition.

#### **1. Forwarding Schedule of Negotiating Bank**

- Whether there is any instruction.
- Whether these instruction can be complied with.
- Whether the negotiating commission realized.

#### **2. Bill of Exchange (Draft)**

- Whether it is drawn in order.
- Whether the amount of draft corresponds with the L/C amount.
- Draft amount should be equal or less than the L/C amount.
- Whether the date of the draft within the date as per L/C etc.

#### **3. Bill of Lading (B/L)**

- Whether the B/L is clean i.e. there is no clause like some cartons are broken or any other clause.
- Whether there is signature of shipping authority.
- Whether the date of B/L is within the date of shipment as per L/C.
- Whether the freight is prepared or not as per L/C terms.
- Whether the part of shipment and part of destination are similar as per L/C.
- Whether the title of B/L belongs to L/C opening bank.
- Whether the full sets of B/L dispatched by negotiating bank etc.

#### **4. Commercial Invoice**

- Whether the full particulars of goods have been incorporated.

- Whether the amount of invoice corresponds with the amount of Bill of Exchange and as per the L/C terms.
- Whether IRC No., LCA No etc. have been incorporated.
- Whether it is signed by the beneficiary.

#### **5. Other Documents**

- Whether all other documents are prepared as per L/C.

After scrutinization, the official concerned may found the following:

- Documents are in order i.e. no discrepancy.
- Minor discrepancy-Acceptable to the importer.
- Major discrepancy- May be acceptable to the Regulation or those are irremovable.

After performing necessary formalities & entry in respective registers documents to be handed over to the importer on proper acknowledgement after certification and endorsement of the documents.

#### **Monthly Return**

On the last working day of the month, returns of bills lodged during the month through IMP Form to be sent to Foreign Exchange Department, Bangladesh Bank.

#### **Disposal of IMP Form**

1. Original = From L/C opening bank to Bangladesh Bank after lodgement of documents.
2. Duplicate = To be filled by the L/C opening bank with exchange control copy of Bill of Entry submitted by the importer after clearance of the goods from the customs authority.
3. Triplicate = Office copy of L/C opening bank.
4. Quadruplicate = From L/C opening to Bangladesh Bank if the importer does retire the documents.



### **Loan against Imported Merchandise (LIM)**

- There may be an existence agreement or the party may propose to the bank for having LIM facilities after arriving the goods in the port
- If the party doesn't have any godown facilities or he has the shortage of money to clear the goods from the port, then he wants bank loan
- The branch sends a message to clearing cell for clearing the goods from the port. There are four clearing cell -
  - Principle Office
  - Agrabad
  - Khulna
  - Benapole
- Clearing cell sends duty requisition to the branch
- The branch informs the party to deposit margin against LIM
- Having the margin, the Clearing cell is asked for make the duty payment and to clear the goods from the port.
- The party takes out the goods from the godown by Delivery Order (DO). For this reason per unit price of the goods is needed

### **Cases of LIM Account**

LIM Accounts may be created in the following two cases:

1. LIM Account on Importer's Request.
2. Forced LIM account.

#### **1. LIM Account on Importer's Request**

After lodgement of documents, the importers concerned to be intimated for early retirement of the documents by paying outstanding bill amount including other charge. If the importer is not in a position to retire the bill out of his own sources at that moment may request the bank to clear the goods by creating LIM Account. On receipt of the importer request the official of the import bills section will prepare an office note by calculating the total landed cost of the consignment. To ascertain the landed cost the following points to be considered.

Efforts should be taken so that at least 20% to 30% margin of the landed cost may realize from the importer. Realization of margin will depend on the banker customer relationship and also on the marketability of the goods.

The following charge documents have to execute by the importer:

- DP Note (Demand Promissory note).
- Letter of Arrangement.
- Letter of Disbursement.
- Letter of pledge.
- Any other document of necessary.

The branch Manager is not empowered to sanction the LIM A/Cs in favour of the importers for clearance the goods without obtaining the approval from Head Office.

On getting approval from Head Office on the Office Note the branch will send the documents to the port city branch by indorsing the bill of lading in favour of them with certification of invoice for clearance the goods through importers nominated as well as Bank's approval C & F agent. In the forwarding letter clear instructions to be given for dispatching the goods either by train or by truck duly insured Branch Managers will have to take prior approval from International Division, Head Office to create LIM Account in favour of importers. Before sending the documents to the port city branch and under taking on prescribed form with special adhesive stamp of Tk. 80/- (Flexible) regarding the stipulated period sanctioned to the importer to be obtained.

The following accounting entries and vouchers are generally to be passed in the set of Retirement Vouchers on the same day at the branch:

Customer Account-----	Debit
LIM-----	Debit
IBTA / Pay order-----	Credit
PAD-----	Credit

The particulars of LIM account must be entered and voucher to be posted in the LIM Register.

After clearance, the goods should be stored either in Bank's godown or in importer's godown under bank's lock and key and the particulars of goods to be entered in the space provided in the LIM Register. At the same time issuance of goods covering fire and other risk to be made. Godown staff salary, godown rent (if the goods stored at the bank's godown) and other miscellaneous charges in connection with the LIM Account will be paid by debit to client's LIM Account under advice to the importer.

## **2. Forced LIM Account**

Immediately after lodgement of documents the branch incumbent and concerned dealing official shall vigorously pursue importers for retirement of bills. PAD should not remain outstanding charge more than 30 days from the date of lodgement on as per norms.

If the party fails to retire the documents within 30 days or within the date of arrival of ship which ever is earlier the branch should send the documents for clearance the goods. Other formalities in connection with the forced LIM A/C will be the same as in the case of LIM A/C created on importer's request.

No further L/C's of the party for whom the bank was forced to clean the consignment and the party failed to take delivery of the goods within the time specified below under the head disposal of LIM stocks should be opened without prior approval from Head Office even if the same is within the discretionary power of branch Manager.

### **Disposal of Lim Stocks**

1. The LIM liability should be adjusted within a maximum period of 45 days from the date of storage for commercial importer and 60 days for industrial importers. (It may vary as per circular)
2. Part delivery against payment may also be allowed if so desired by the party to clear the LIM liability within the aforesaid time, after recovery margin over the landed cost if possible, but such payment should be proportionate with outstanding LIM liability taking into account the interest, godown rent and other charges up to eventual date of final delivery. This should be so arranged that with the last

delivery the entire LIM liability is fully adjusted. Special care should however to protect bank's interest in case where all the packets / bundles are not of equal size quality and price.

3. Additional 30 days may be allowed to both commercial and industrials, if so approached by them for final adjustment. In the event of importer's failure to lift the goods on payment of bank's dues in full even within the extended period of 30 days, the following steps shall be taken by the branch incumbent:
  - i. Final notice shall be issued on importer's giving 15 days time for payment.
  - ii. In case on response, received from importer legal notice shall be served on the party giving another 15 days time for payment.
  - iii. In case the concerned borrowers do not liquidate the liability within the stipulated time limit, but come forward with prayer for further time, in such cases branch incumbents may allow further 30 days time only provided he is satisfied that importer will be in a position to repay the outstanding dues within the extended period under advice to Head Office.
  - iv. In case the party fails to liquidate their liability within the extended time granted as mentioned in the proceeding paras the goods should be disposed off in public auction.
  - v. For disposal of the import consignment, a Disposal Committee shall be constituted by Head Office on receipt of a report from branch incumbent that the consignment need to be disposal off by public auction as per Head Office standing instruction. The Disposal Committee shall be concerned with the Head Office as Chairman, Manager of main Branch and Manager of concerned branch or as decided by the Head Office.
  - vi. A notice for public auction of the goods should be published by the Disposal Committee at least in two National Dailies (one Bengali and English). In all cases of public auction required earnest money shall be

5% to be fixed by Head Office of the quoted amount in the form of Demand Draft / Payment Order. This condition must invariably be mentioned in the public notice inviting quotations for sale of import consignments. The Disposal Committee should open the tenders and select the highest bidder.

- vii. The committee may also reject the highest offer if the price quoted is less than the normal market price and shall immediately call for fresh tenders.
- viii. If there is any shortfall after disposal of goods, a case should be filed for the recovery of the short full amount, in the court of law immediately against the importer / guarantor concerned under intimation to Head Office.
- ix. The branches shall invariably send monthly LIM statement on the prescribed form duly filled in as usual to Head Office (ID)

### **LETTER OF TRUST (LTR)**

By executing the standard letter of trust (or trust receipt) the customer acknowledges receipt of the documents of title to the goods, as the case may be and agrees to hold them and the relative goods, when delivery thereof is taken by him, in trust as agents for the bank until the goods are sold or used for the express purpose for which they were released to him. The customer also undertakes to keep the transaction separate and assign and deposit with the bank, the sale proceeds immediately realization but in any case not later than time period stipulated in the letter. Further, the customer undertakes to keep the goods insured and in the event the goods or any part thereof cannot be used by him for the declared purpose or on demand being made by the bank for the return of the documents / goods, he promised to restore the goods or documents to the bank's custody. The trust receipt, thus, enables the importer customer to take re-delivery of the documents pledged to the pledge bank.

## **MOTIVATION FOR LETTER OF CREDIT OPERATION:**

The City Bank Limited has committed to boost up the export position and diminishes the import position, rising of Gross Domestic Product (GDP) maximizing the national growth and abolishing the unemployment percent of an educated sector of the nation.

All the branches of The City Bank Limited are authorized dealer of Foreign Exchange Business. The authorized dealer motivates the importer to import Raw materials, Fabrics, Accessories, Chemicals, Vegetable Fat etc.

The import or exports are motivated by The City Bank Limited to the foreign exchange business, particularly to open the letter of credit. A letter of credit offer advantages both to the importer and exporter. The advantages accruing to either of the parties differ depending upon the nature of credit opened. Their certain common benefits accruing from the use of credit as under:

### **Advantages to the Importers:**

- **Ability:** The letter of credit enables the importer of purchase materials (particularly in sellers market) without making full advance payment.
- **Assurance:** If the importer task certain safe guards, like calling for packing list, invoice rate, the quality and quantity of the goods consigned is assured.
- **Without Payment:** Prided the buyer has buying credit with The City Bank Limited he may get goods released by the Bank under trust (ex. LTR, LIM etc), i.e. without payment and pay for then on sale.

### Advantages of the Exporters:

- **Undertaking:** A superior undertaking of the bank under the letter of credit assures the importer that when the documents are tendered as per the turns of the credit payment would be made to him.
- **Controlling:** The exporter is absolved of the inconvenience of knowing in details the exchange control regulations of the importer country and is also increased to some extent against charges in such regulations.

## **ADVANCE DEPARTMENT**

### **OVERVIEW**

The word credit comes from the Latin word “Credo” meaning “I believe”. It is a lender’s trust in a person’s/ firm’s/ or company’s ability or potential ability and intention to repay. In other words, credit is the ability to command goods or services of another in return for promise to pay such goods or services at some specified time in the future. For a bank, it is the main source of profit and on the other hand, the wrong use of credit would bring disaster not only for the bank but also for the economy as a whole.

The objective of the credit management is to maximize the performing asset and the minimization of the non-performing asset as well as ensuring the optimal point of loan and advance and their efficient management. Credit management is a dynamic field where a certain standard of long-range planning is needed to allocate the fund in diverse field and to minimize the risk and maximizing the return on the invested fund. Continuous supervision, monitoring and follow-up are highly required for ensuring the timely repayment and minimizing the default. Actually the credit portfolio is not only constituted the banks asset structure but also a vital factor of the bank’s success. The overall success in credit management depends on the banks credit policy, portfolio of credit, monitoring, supervision and follow-up of the loan and advance. Therefore, while analyzing the credit management of The City Bank Limited, it is required to analyze its credit policy, credit procedure and quality of credit portfolio.

### **CREDIT POLICY OF THE CITY BANK LIMITED**

One of the most important ways, a bank can make sure that its loan meet organizational and regulatory standards and they are profitable is to establish a loan policy. Such a policy gives loan management a specific guideline in making individual loans decisions and in shaping the bank’s overall loan portfolio. In The City Bank Limited there is perhaps a credit policy but there is no credit written policy.

### **CREDIT PRINCIPLES**

In the feature, credit principles include the general guidelines of providing credit by branch manager or credit officer. In The City Bank Limited, they follow the following guideline while giving loan and advance to the client.

- Credit advancement shall focus on the development and enhancement of customer relationship.
- All credit extension must comply with the requirements of Bank's Memorandum and Article of Association, Banking Company's Act, Bangladesh Bank's instructions, other rules and regulation as amended from time to time.
- Loans and advances shall normally be financed from customer's deposit and not out of temporary funds or borrowing from other banks.
- The bank shall provide suitable credit services for the markets in which it operates.
- It should be provided to those customers who can make best use of them.
- The conduct and administration of the loan portfolio should contribute with in defined risk limitation for achievement of profitable growth and superior return on bank capital.
- Interest rate of various lending categories will depend on the level of risk and types of security offered.

### **CLASSIFICATION ON THE BASIS OF TIME**

On the basis of elements of time, bank credit may be classified into three heads, viz.

#### **Continuous Loan:**

These are the advances having no fixed repayment schedule but have a date at which it is renewable on satisfactory performance of the clients. Continuous loan mainly includes "Cash credit both hypothecation and pledge" and "Overdraft". The charges of continuous loan of the City Bank Limited are described below:

Particulars	Rate
Continuous Loan	1. SOD (FO), L/G-secured by FDR, Sanchay Patra, CSP, MBS, TSSS etc. <ul style="list-style-type: none"> <li>a) If regretted- Nil.</li> <li>b) If sanctioned:               <ul style="list-style-type: none"> <li>i. Below Tk. 1 lac- Tk. 100</li> <li>ii. From Tk. 1 lac to Tk. 5 lac- Tk. 200</li> <li>iii. Above Tk. 5 lac- Tk. 500</li> </ul> </li> </ul>



Continuous Loan	2. Others:
	a) Up to Tk. 2 lac- Tk. 300
	b) Above Tk. 2 lac up to Tk. 5 lac- Tk. 500
	c) Above Tk. 5 lac up to Tk. 10 lac- Tk. 1000
	d) Above Tk. 10 lac up to Tk. 25 lac- Tk. 2500
	e) Above Tk. 25 lac up to Tk. 50 lac- Tk. 3500
	f) Above Tk. 50 lac- Tk. 5000

### **Demand Loan:**

In opening letter of credit (L/C), the clients have to provide the full L/C amount in foreign exchange to the bank. To purchase this foreign exchange, bank extends demand loan to the clients at stipulated margin. No specific repayment date is fixed. However, as soon as the L/C documents arrive, the bank requests the clients to adjust their loan and to retire the L/C documents. Demand loans mainly include "Payment Against Documents", "Loan against Imported Merchandise (LIM)" and "Letter of Trust Receipt".

### **Term Loan:**

Term loans are designed to fund long term and mid term business investment, such as the purchase of equipment or the construction of physical facilities, covering a period longer than one year. Usually the borrowing firm applies for a lump-sum loan based on the budgeted cost of its proposed project and then pledges to repay the loan in a series of installments (Often payments are made every quarter or even monthly). The charges of term loan of The City Bank Limited are described below:

<b>Term Loan to Large and Medium Scale Industry:</b>		
Sectors	Category under the Group	Rate
Export Oriented	Loans given to enterprises engaged in direct – export of any products/services (e.g. ready made garments, fabric, leather and leather goods, shrimp or any kind of sea foods etc.)	13.50
Others	Loans to enterprises other than export oriented industry.	14.00

<b>Term Loan to Small and Cottage Industry:</b>		
Sectors	Category under the Group	Rate
Cottage Industry	Loan to hand loom industry, candle manufacturer, cane goods manufacturer, embroidery block printing.	13.50
Small Industry	Loan to packaging, printing-press, adhesive products manufacturer, nail wire industry, lathe machine etc.	14.00

**CLASSIFICATION ON CHARACTERISTICS OF FINANCING:**

<b>Funded</b>	<b>Non-funded</b>
Overdraft	Letter of Credit
Loan	Bank Guarantee
Consumer Credit	
LTR	
PAD	
Cash Credit (Pledge & Hypo)	
Staff Loan	
Term Loan	
Packing Credit	

The varieties used by The City Bank Limited are briefly described below with the common terms and condition. Banks generally offer different kinds of credit facilities to the customers.

The credit facilities of The City Bank Limited may be broadly classified into five categories. They are as follows:

- ➔ Loan
- ➔ Cash Credit
- ➔ Overdraft
- ➔ Bills purchased and discounted
- ➔ Consumer Credit/ Personal Loan

They are discussed below accordingly:

## **Loan**

In case of loan the banker advances a lump sum for a certain period at an agreed rate of interest. The entire amount is paid on an occasion either in cash or by crediting in his current account, which he can draw at any time. The interest is charged for the full amount sanctioned whether he withdraws the money from his account or not. The loan may be repaid in instalments or at expiry of a certain period. Loan may be demand loan or a term loan.

Eligibility: loans are normally allowed to those parties who have either fixed source of income or who desire to pay it in lump sum.

## **Cash Credit**

In Cash credit, banker specifies a limit called the cash credit limit, for each customer, up to which the customer is permitted to borrow against the security of tangible assets or guarantees. Cash credit is given through the cash credit account. The purpose of cash credit is to meet working capital need of traders, farmers and industrialists. Cash credit in true sense is against pledge of goods. Cash credit is also allowed against hypothecation of goods. In case of hypothecation the ownership and possession of the goods remain with the borrower. By virtue of the hypothecation agreement bank can take possession of the goods hypothecated, if the borrower defaults.

Rate of Interest: 13.50%.

Renew System: it is renewed in periodic basis (yearly).

## **Overdraft**

Overdrafts are those drawings which are allowed by the banker in excess of the balance in the current account up to a specified amount for definite period as arranged for. These advances are secured. The loan holder can freely draw money from this account up to the limit and can deposit money in the account off course, this loan has an expiry date after which renewal or enhancement is necessary for enjoying such facility. Any deposit in the Overdraft account is treated as repayment of loan. Interest is charged as balance outstanding on quarterly basis. Overdraft facilities are generally granted to businessmen for expansion of their business, against the securities of stock-in-trade, shares, debenture, Government promissory notes, fixed deposit, life insurance policies etc.

## Bills Purchased and Discounted

Banks grant advances to their customers by discounting bill of exchange or pro-note.

## Consumer Credit Scheme

The objectives of this loan are to provide essential household durable to the fixed income group (Service Holders) and other eligible borrowers. Car loan, loan for house renovation, vacation loan, marriage loan and loan for household equipment well as entertainment products are governed by personal loan program. The charges of loan are given below:

Consumer Credit		
Sectors	Category under the Group	Rate
Secured	Loans to procure consumer goods/services against 100% cash margin or any other en-cashable and eligible security e.g. bond, shares. This includes SOD (FO). a) The City Banks FDR & Deposits- 3% above FDR/Deposit rate b) Others banks Deposits/Governments Bonds & other en-cashable and eligible securities – 14.50% (Mid Rate)	14.50
Unsecured	Loans against personal guarantee and/or under specific scheme for CCS. (Consumer Credit Scheme)	16.50 + (Risk Fund 1.00%, Service Charge 2.50%)

## Credit Ratification Authority of the City Bank Limited:

Credit decisions are heart of all credit works. Generally, branch manager and the credit in-charge of a branch are held responsible for appraising of a loan proposal. The customer request for credit limit and the credit officer prepares a credit memo and send it to the head office, credit division. After taking all the relevant information from the branch the head office credit division sent the credit memo to the credit committee. Credit committee of The City Bank Limited is comprised of **Managing Director** and other top-level executives, that is, DMDs and EVPs. If credit committee is convinced about the merit of the proposal then it is sent the broad of directors. The board is final authority to approve or decline a

proposal. The whole process takes a month or more. In The City Bank Limited broad meeting occurs once in every week.

### **CREDIT EVALUATION PRINCIPLES**

Some principles or standards of lending are maintained in approving loans in order to keep credit risk to a minimum level as well as for successful banking business. The main principles of lending are given below:

#### **Liquidity:**

Liquidity means the availability of bank funds on short notice. The liquidity of an advance means its repayment on demand on due date or after a short notice. Therefore, the banks must have to maintain sufficient liquidity to repay its depositors and trade off between the liquidity and profitability is must.

#### **Safety:**

Safety means the assurance of repayment of distributed loans. Bank is in business to make money but safety should never be sacrificed for profitability, to ensure the safety of loan. The borrower should be chosen carefully. He should be a person of good character & capacity as well as bank must have to maintain eligible number of security from borrower.

#### **Profitability:**

Banking is a business aiming at earning a good profit. The difference between the interest received on advances and the interest paid on deposit constitutes a major portion of the bank income, besides, foreign exchange business is also highly remunerative. The bank will not enter into a transaction unless a fair return from it is assured.

#### **Intent:**

Banks sanction loans for productive purpose. No advances will be made by bank for unproductive purposes though the borrower may be free from all risks.

#### **Security:**

The security offered for an advance is an insurance to fall bank upon in cases of need. Security serves as a safety value for an unexpected emergency. Since risk factors are involved, security coverage has to be taken before a lending.

**National interest:**

Banking industry has significant role to play in the economic development of a country. The bank would lend if the purpose of the advances can contribute more to the overall economic development of the country.

**Pre-Disbursement Compliance**

When the credit proposal are approved, the credit officer must have to be ensured that the disbursement of the credit facilities must comply with the directions written in the credit policy and circular made by time to time along with checking all the following terms and conditions:

- The officer of Loan Administration must collect the acceptance of the customer's of the terms and conditions on the duplicate copy of the sanctioned advice.
- They will thoroughly examine and ensure that the subject credit facility does not contradict to any law, rules and regulation of the country, Bangladesh Bank and
- Deed of the Mortgage and power of the Attorney to be drafted and executed under the supervision of the Bank's Legal Advisor.
- Lawyers certificate to the effect that all the legal formalities (Equitable/ Registered Mortgaged) has been properly created on the land and building in favour of the bank and bank has acquired the effective title of the property.
- Registered power of attorney has been collected form the borrower (contractor) assigning the work order favouring The City Bank Limited and the power of attorney has been registered with the work order given agency and they have agreed that they will issue all the cheques favouring The City Bank Limited.
- The legal documents of the vehicle have been obtained.
- Collection of the satisfaction certificate in respect of all the documents both legal and banking from the lawyer.
- Entry has been made in the Safe -in and Safe-out register and the documents are preserved.
- After being satisfied all the above terms and conditions the credit in-charge will disburse the loan amount to the client.

### **Documentation of the Loan:**

Documentation is obtaining such agreement where all the terms and condition and securities are written and signed by the borrower. It specifies rights and liabilities of both the banker and the borrower. In documentation each type of advances requires a different set of documents. It also differs with the nature of securities. The documents should be stamped according to the Stamp Act. There are no hard and fast rules of documentation and it varies from bank to bank. Generally, the documents are taken in the case of a secured advance by The City Bank Limited:

- Demand Promissory Note: Here the borrower promises to pay the loan as and when demand by bank to repay the loan.
- Letter of arrangement.
- Letter of continuity.
- Letter of hypothecation of goods and capital machinery.
- Stock report: This report is used for **OD** and **CC**. In this report, information about the quality and quantity of goods hypothecated is furnished.
- Memorandum of deposit of title deed of property duly signed by the owners of the property with resolution of Board of Directors of the company owning the landed.
- Personal guarantee of the owners of the property.
- Guarantee of all the directors of the company.
- Resolution of the board of directors to borrow fund to execute documents and completes other formalities
- Filling charges with the register of joint stock companies under relevant section.
- Letter of Revival
- Letter of lien for advance against FDR.

### **Security against Advances:**

The different types of securities that may be offered to a banker are as follows:

- a) Immovable property
- b) Movable property
  - Pratiksha Sanchaya Patra, Bangladesh Sanchaya Patra, ICB unit certificate, wage earner development bond.
  - Fixed Deposit Receipt

- Shares quoted in the Dhaka Stock Exchange and Chittagong Stock Exchange.
- Pledge of goods
- Hypothecation of goods, produce and machinery
- Fixed assets of manufacturing unit.
- Shipping documents.

Relation between Advances with the Security

Types of Advance	Securities
Loans	Lien or various kinds of Sanchaya Patras, Govt. Securities, FDR, Collateral of immovable property, shares quoted in stock exchange
Overdraft	Pledge or hypothecation of machinery, land and building on which machinery are installed, stock in trade, goods products and merchandise.
Bills Purchased	Bills itself

#### **MODES OF CHARGING SECURITY:**

A wide range of securities is offered to banks as coverage for loan. In order to make the securities available to banker, in case of default of customer, a charge should be created on the security. Creating charge means making it available as a cover for advance. The following modes of charging securities are applied in The City Bank Limited.

#### **Lien**

A lien is right of banker to hold the debtor's property until the debt is discharged. Bank generally retains the assets in his own custody but sometimes these goods are in the hands of third party with lien marked. When it is in the hand of third party, the third party cannot discharge it without the permission of bank. Lien gives banker the right to retain the property not the right to sell. Permission from the appropriate court is necessary. Lien can be made on moveable goods only such as raw materials, finished goods, shares debentures etc.



### **Pledge**

Pledge is also like lien but here bank enjoys more right. Bank can sell the property without the intervention of any court, in case of default on loan. But for such selling proper notice must be given to the debtor. To create pledge, physical transfer of goods to the bank is must.

### **Hypothecation**

In this charge creation method physically the goods remained in the hand of debtor. But documents of title to goods are handed over to the banker. This method is also called equitable charge. Since the goods are in the hand of the borrower, bank inspects the goods regularly to judge its quality and quantity for the maximum safety of loan.

### **Mortgage:**

Mortgage is transfer of interest in specific immovable property. Mortgage is created on the immovable property like land, building, plant etc. Most common type of mortgage is legal mortgage in which ownership is transferred to the bank by registration of the mortgage deed. Another method called equitable mortgage is also used in bank for creation of charge. Here mere deposit of title to goods is sufficient for creation of charge. Registration is not required. In both the cases, the mortgage property is retained in the hand of borrower.

### **Trust Receipt**

Generally goods imported or bought by bank's financial assistance are held by bank as security. Bank may release this lien / pledge these goods against trust receipt. This means that the borrower holds goods in trust of the bank; trust receipt arrangement is needed when the borrower is going to sell these goods or process it further but borrower has no sufficient fund to pay off the bank loan. Here proceeds from any part of these goods are deposited to this bank.

### **CREDIT MONITORING AND REVIEW:**

It is the last step in credit policy and procedure framework of The City Bank Limited. Credit monitoring and review is very important, because it ensures proper utilities and

repayment of bank fund. Credit monitoring and review feature of The City Bank Limited is concerned was assessing the quality of different type of loan.

Periodic review and follow up should, inter-alia aims at ensuring:

- That conduct (Turnover, regularity of repayment etc) of the borrowing accounts during the period under review has been satisfactory or as expected.
- The account is not having excess over limit
- The terms and condition of the sanctioned letter are strictly followed.
- The value of the collateral security is adequate.
- There is not any unfavourable situation in market, economy and political conditions, which may endanger the reliability of the borrower account.
- The analysis of the borrowers' business performance; and comparison of the projected and actual to find any deviations.
- Apparent profitability from the loans

#### **APPLICATION FOR LOAN:**

Applicant applies for the loan in the prescribed form of bank. The purpose of this forms is to eliminate the unwanted borrowers at the first sight and select those who have the potential to utilize the credit and pay it back in due time.

#### **Getting Credit information:**

Then the bank collects credit information about the borrower from the following sources:

1. Personal Investigation
2. Confidential report from other bank/ Head office/Branch/Chamber of commerce
3. CIB report from central bank

#### **Scrutinizing and Investigation:**

Bank then starts examination that whether the loan applied for is complying with its lending policy. If comply, then it examines the documents submitted and the credit worthiness. Credit worthiness analyses, i.e. analysis of financial conditions of the loan applicant are very important. Then bank goes for Lending Risk Analysis (LRA) and spreadsheet analysis, which are recently introduced by Bangladesh Bank. According to Bangladesh Bank rule, LRA and SA is must for the loan exceeding Dhaka core.

If these two analyses reflect favourable condition and documents submitted for the loan appears to be satisfactory then, bank goes for further action.

### **Existing process of handling loans:**

The process of sanctioning loans is as follows:

### **THE C'S OF GOOD & BAD LOAN:**

The Branch manager of The City Bank Limited try to judge the possible client based on some criteria. These criteria are called the C's of good and bad loans. These C's are described below:

#### **Character**

The outcome of analyzing the character is to have overall idea about the integrity, experience, and business sense of the borrower. Two variables; Interaction/interview, and Market Research are used to analyze the character of the borrower.

1. Interaction/interview: the indicators are
  - a) Prompt and consistent information supply, information given has not been found false (Willingness to give information).
  - b) CIB also reveals business character.
  - c) Willingness to give owns stake/equity & collateral to cover.
  - d) Tax payer.
  
2. Market Research:
  - a) Information on business is verified.
  - b) Dealing with supplier and or customer as supplier is also a kind of lender: the payment character can also be verified.

#### **Capital**

For identifying the capital invested in the business can be disclosed using the following indicators.

- a) Financial Statements
- b) Receivable, Payable, statements to practically assess the business positions. Net worth through financial statements or from declaration of Assets & Liabilities.

### **Capacity (Competence)**

Capability of the borrower in running the business is highly emphasized in the time of selecting a good borrower. As the management of the business is the sole authority to run the business that is use the fund efficiently, effectively and profitably. The indicators help to identify the capacity of the borrower.

- a) Entrepreneurship skills i.e. risk taking attitude shown by equity mobilization.
- b) Management competencies both marketing and products detail, ability to take decision.
- c) Resilience or shock absorption: Connection, Back up (if first time falls second lines come to help.)

### **Collateral**

Make sure that there is a “second way out” of a credit, but do not allow that to drive the credit decision.

### **Cash Follow:**

Cash flow is the vital factor that is used to identify whether the borrower will have enough cash to repay the loan or advance. Cash keeps the liquidity to ensure repayment. The relationship manager tries to identify the annual cash flow from the submitted statements.

### **Conditions:**

Understanding the business and economic conditions can and will change after the loan is made.

### **Complacency:**

Do not rely on past history to continue. Stay alert to what can go wrong in any loan.

### **Carelessness:**

Remember that documentation, follow-up and consistent monitoring are essential to high quality loan portfolios.

### **Communication:**

Share credit objectives and credit decision making both vertically and laterally within the bank.

**Contingencies:**

Make sure that client understand the risks; particularly the downside possibilities and that client structure and price the loan consistently with that understanding.

**Competition:**

Do not get swept away by what others are doing.

**LENDING RISK ANALYSIS (LRA):**

LRA is the modern technique of Credit Appraisal. The Financial Sector Reform Project (FSRP) has designed the LRA package, which provides a systematic procedure for analyzing and quantifying the potential credit risk. Bangladesh Bank has directed all commercial bank to use LRA technique for evaluating credit proposal amounting to Tk. 10 million and above. The objective of LRA is to assess the credit risk in quantifiable manner and then find out ways & means to cover the risk. However, some commercial banks employ LRA technique as a credit appraisal tool for evaluating credit proposals amounting to Tk. 5 million and above. A detail interpretation of these risks and the procedure for evaluating the credit as follows:

**Business Risk:**

It refers to the risk that the business fails to generate sufficient cash flow to repay the loan. Business risk is subdivided into two categories:

- **Industry Risk:**

The risk that the company fails to repay for the external reason, it is subdivide into supplies risk and sales risk:

- **Supplies Risk:**

It indicates that the business suffers from external disruption to the supply of imputes. Components of supplies risk are as raw material, Labour, power, machinery, equipment, factory premises etc. Supply risk is assessed by a cost breakdown of the inputs and then assessing the risk of disruption of supplies of each item.

- **Sales Risk:**

This refers to the risk that the business suffers from external disruption of sales. Sales may be disrupted by changes to market size, increasing in

competition, and change in the regulation or due to the loss of single large customer. Sales risk is determined by analyzing production or marketing system, industry situation, Government policy, and competitor profile and companies strategies.

▪ **Company Risk:**

This refers to the risk that the company fails for internal reasons. Company risk is subdivided into company position risk and Management risks:

➤ **Company Position Risk:**

Within an industry each and every company holds a position. This position is very competitive. Due to the weakness in the company's position in the industry, a company is the risk for failure. That means, company position risk is the risk of failure due to weakness in the companies position in the industry. It is subdivided into performance risk and resilience risk:

➔ **Performance Risk:**

This risk refers to the risk that the company's position is so weak that it will be unable to repay the loan even under favourable external condition. Performance risk assessed by SWOT (Strength, Weakness, Opportunity and Threat) analysis, Trend analysis, and Cash flow forecast analysis and credit report analysis (i.e. CIB report from Bangladesh Bank).

➔ **Resilience Risk:**

Resilience means to recover early injury, this refers to risk that the company falls due to resilience to unexpected external conditions. The resilience of a company depends on its leverage, liquidity and strength of connection of its owner or directors. The resilience risk is determined by analyzing different financial ratio, flexibility of production process, shareholders willingness to support the company if need arise and political and private affiliation of owners and key personnel.

### **Management Risk:**

The management risk refers to the risk that the company fails due to management not exploiting effectively the company's position. Management risk is subdivided into management competence risk and integrity risk:

- **Management Competence Risk:**

This refers to the risk that falls because the management is incompetent. The competence of management depends upon their ability to manage the company's business efficiently and effectively. The assessment of management competence depends on management ability and management team work. Management ability is determined by analyzing the ability of owner or board of the members first and then key personnel for finance and operation. Management team work is determined by analyzing management structure and its strength and weakness.

- **Management Integrity Risk:**

This refers to the risk that the company fails to repay the loan amount due to lack of management integrity. Management integrity is a combination of honesty and dependability. Management integrity risk is determined by assessing management honesty, which requires evaluating the reliability of information supplied and then management dependability.

### **Security Risk:**

This sort of risk is associated with the realized value of the security, which may not cover the exposure of loan. Exposure means principal plus outstanding interest. The security risk is subdivided into two major heads i.e. security control risk and security cover risk:

- **Security Control Risk:**

This risk refers to the risk that the bank fails to realize the security because of bank's control over the security offered by the borrower i.e. incomplete documents. The risk of failure to realize the security depends on the difficulty in obtaining favourable judgement and taking possession of security. For analyzing the security control risk the credit office is required to verify documentation to ensure security protection, documentation completeness, documentation integrity and proper insurance policy. He/she also conducts site visit to verify security existence.

Assessment of security control risk requires analyzing the possibility of obtaining favourable judgement and analyzing the case with which the bank could take the possession and liquidate the securities.

- **Security Cover Risk:**

This refers to the risk that the realized value of security is less than exposure. Security cover risk depends on speed of realization and liquidation value. For analyzing security cover risk, the official requires assessing the power of the customer to prolong the legal process and to analyze the market demand for the security. For assessment of security control risk, the officials times the time that would require to liquidate the security and assess the risk and estimates the security value at liquidation and assess the risk.

Before completing the LRA form, the relationship manager collects data specially industry specific from published sources and company specific data that not usually published, by personally visiting the company. After collecting the necessary data he/she prepare financial spreadsheet. This spreadsheet provides a quick method of assessing business trend and efficiency and helps to assess the borrower ability to pay the loan Obligation. Financial spreadsheet includes balance sheet, income statement, cash flow statement and ratios for the purpose of financial statement analysis. Through analyzing data and collected information, the concerned official completes the LRA form and all scores are transferred to the scoring matrix to find the overall risk of lending. The overall matrix provides four kinds of lending risk for decision making viz. (i) Good (ii) Acceptable (iii) Marginal and (iv) Poor. The bank does not provide any credit request having an over all risk as "Marginal" and "Poor" without justification. All credit application rated "Poor" shall require the approval of the Board of Directors regardless of purpose tenor or amount. Therefore bank can minimize the dangers regarding the bad loan and advances through using the LRA.



## SWOT ANALYSIS

SWOT analysis is the detailed study of an organization's exposure and potential in perspective of its Strengths, Weaknesses, Opportunities and Threats.

<b>Strengths</b>	<b>Weakness</b>
<b>Opportunities</b>	<b>Threats</b>

These facilitate the organization to make their existing line of performance and also foreseen the future to improve their performance. As though this tool, an organization can also study its current position it can also be considered as an important tool for making changes in the strategic management of the organization.

### STRENGTHS:

- The City Bank Limited has already established a favourable reputation in the country. It is one of the leading private commercial banks in Bangladesh.
- The City Bank Limited has already achieved a high growth rate accompanied by an impressive profit growth rate (70.29%) in 2005 and the number of deposits and loans and advances are increasing chronologically.
- The City Bank Limited has an interactive corporate culture. There are no hidden barriers or boundaries while communicate between superior and subordinate. This corporate culture provides as a great motivation factors among the employees.
- The City Bank Limited has a good number of branches all over the Bangladesh which are situated in good geographical location.
- The City Bank Limited does not have any hidden charges.
- The City Bank Limited emphasizes more on fixed deposit.
- The City Bank Limited has good number of liabilities product (TSS, LSS, MBS, JSS, DPS, CSP, ESS, and MSS) which can be a competitive advantage from other banks.

### WEAKNESS:

- The poor service has become on of the major problems for The City Bank Limited.
- Negative personal characteristics and poor work habits. In remittance section, officers are very sluggish.

- 🍏 Lack of work experience or relevant experience. The officers have very little knowledge about computer.
- 🍏 A prerequisite in filling different credits form in The City Bank Limited is from published or secondary data and unpublished or primary data which turn out to be unavailable on most occasions in our country.
- 🍏 As far as credit is concerned for The City Bank Limited, an integrated data bank or every of credit variable should be available in our country. Lack of that, leads to an inaccurate completion of credit risk analysis in trust sense.
- 🍏 Political influence or pressure group plays a big role in loan sanctioning process for The City Bank Limited. Thus in this case the result of credit analysis turns out to be irrelevant.
- 🍏 In most of the cases the values of the security realized turns out to be the less than what The City Bank Limited had estimated.
- 🍏 The City Bank Limited does not actually practice the principle of delegation of authority and responsibility. In most cases, management is extremely centralized and the authority of decision-making rarely shifts from top level to mid/ lower level management.
- 🍏 The City Bank Limited works very lethargic. It cannot provide the information of the branch to the Bangladesh Bank in the timescales.

### **OPPORTUNITIES:**

- 🍏 In order to reduce the business risk The City Bank Limited has expend their business portfolio. Management consider options of starting merchant banking or diversify into leasing and insurance sectors.
- 🍏 Arrival of new online banking services in 21<sup>st</sup> August, 2006.
- 🍏 Favourable industry trends.
- 🍏 The activity in the secondary financial market has direct impact on the primary market.
- 🍏 Opportunity in the retail banking lies in the fact that the countries increased population is gradually learning in to adopt consumer's finance.
- 🍏 A larger number of private banks coming in to the market in the recent time. In the competitive environment The City Bank Limited expands their service lines enhance. It's sustainable in this product line.

- 🍏 The City Bank Limited introduces ATM to compete with local and foreign bank.
- 🍏 The City Bank Limited introduce credit card and debit card to their foreign customers.
- 🍏 The City Bank Limited introduces special corporate skills for the corporate customers, who have income level higher from the services holder, such as scheme for lawyer, engineers, and doctors.

### **THREATS:**

- 🍏 All sustain multination banks and upcoming foreign, private banks possess enormous threats to The City Bank Limited.
- 🍏 Shifts in consumer tastes away from the City Bank products. Like, the interests of the liabilities product are very low compare to the other banks.
- 🍏 New regulations for opening the account are very time consuming.
- 🍏 The default risks of all terms of loans have to be minimized in order to sustain in the financial market because default risk leads the organization to bankrupt.
- 🍏 The law compensation package of the employees from mid level to lower level positions threatens employees' motivation.
- 🍏 Loss of key staff is a threat of The City Bank Limited.
- 🍏 Vulnerable to reactive attack by major competitors because of low interest rate of the deposit schemes.

By sorting the SWOT issues, one can obtain a system which presents a practical way of assimilating the internal and external information about the business unit, delineating short and long term priorities, and allowing an easy way to build the management team which can achieve the objectives of profit growth. This approach captures the collective agreement and commitment of those who will ultimately have to do the work of meeting or exceeding the objectives finally set. It permits the team leader to define and develop co-ordinated, goal-directed actions, which underpin the overall agreed objectives between levels of the business hierarchy.

## PERFORMANCE HIGHLIGHTS

### DEPOSITS

- Deposit, a specific sum of money taken and held on account by a financial institution (e.g. a bank) as a service provided for its clients. Financial institutions that take deposits are required to be regulated in virtually all jurisdictions.
- A deposit can also be money paid up front when committing to buy a product or service (similar to down payment). In the event that the product or service is actually purchased, the deposit is deducted from the total payable; if the product or service is not purchased, the purchaser forfeits the deposit.

Items	Year 2005 (Taka in Million)			
	The City Bank Limited	Prime Bank	Dhaka Bank	Dutch-Bangla Bank Limited
Deposits	30,647.83	36,022.46	29,019	27,241.11

- The **Deposits** of the City Bank Limited is BDT 30,647.83 million which is good compare to the Dhaka Bank and Dutch-Bangla Bank Limited.
- Bank deposits are the large part of the "money supply". If the deposit increases, money supply will also increase.

### LOANS AND ADVANCES

- A loan is a type of debt. All material things can be lent but this article focuses exclusively on monetary loans. Like all debt instruments, a loan entails the redistribution of financial assets over time, between the lender and the borrower.
- The borrower initially receives an amount of money from the lender, which they pay back, usually but not always in regular instalments, to the lender. This service is generally provided at a cost, referred to as interest on the debt.
- Acting as a provider of loans is one of the principal tasks for financial institutions. For other institutions, issuing of debt contracts such as bonds is a typical source of funding. Bank loans and credit are one way to increase the money supply.

Items	Year 2005 (Taka in Million)			
	The City Bank Limited	Prime Bank	Dhaka Bank	Dutch-Bangla Bank Limited
Loans & Advances	23,326.34	31,916.11	23,372	20,134.74

- The **Loans and Advances** of the City Bank Limited is BDT 23,326.34 million which is not good compare to the Prime Bank and Dhaka Bank but good compare to the Dutch-Bangla Bank Limited.
- If the loans and advances increase, the bank can generate more interest out of it.

### OPERATING PROFIT

- Operating profit is a measure of a company's earning power from ongoing operations, equal to earnings before the deduction of interest payments and income taxes.

Items	Year 2005 (Taka in Million)			
	The City Bank Limited	Prime Bank	Dhaka Bank	Dutch-Bangla Bank Limited
Operating Profit	1,249	1,520.34	909	778.16

- The **Operating Profit** of the City Bank Limited is BDT 1,249 million which is good compare to the Dhaka Bank and Dutch-Bangla Bank Limited.
- If the operating profit increases, the bank has a lower asset turnover.

### BRANCHES:

Items	Year 2005 (Taka in Million)			
	The City Bank Limited	Prime Bank	Dhaka Bank	Dutch-Bangla Bank Limited
Number of Branches	77	41	29	28

- The **Number of Branches** of the City Bank Limited is 77 which is good compare to the other banks.
- Increases of the branch means, the bank confidence to the client has also increase.

## RATIO ANALYSIS

Ratios are values calculated by dividing one number into another. Six (6) divided by Three (3) gives a ratio of Two (2). In the business world, it is typical to use ratios to analyze the financial statements. One indicator or ratio for strength or stability of revenue in government is own source revenues (property taxes, for example) over total revenues (property tax and outside grants). In some respects, a high ratio suggests safety and stability. Grants or intergovernmental revenues can be taken away and heavy reliance on these outside sources, which would produce a low ratio, can spell trouble for a state or local government.

Utilizes the data from all five financial statements and provides a broader perspective of the firm's financial condition. Can ascertain the profitability of a firm, its ability to meet short-term obligations, the extent to which the company is financed by debt, and whether the management is utilizing its assets effectively.

There are some ratio analyses which provide the financial conditions of the City Bank Limited compare with the Prime Bank Limited, Dhaka Bank Limited, and Dutch-Bangla Bank Limited in the year 2005:

### RETURN ON EQUITY:

Often shortened to simply "ROE", the Return on Equity measures the Net Earnings in relation to the Total Stockholder's Equity. Return on Equity describes how well contributions from stockholders generated earnings for the company. Return on Equity is calculated by-

$$\square \text{ Return on Equity} = \frac{\text{Net Earnings}}{\text{Total Stockholder's Equity}}$$

Items	Year 2005			
	The City Bank Limited	Prime Bank	Dhaka Bank	Dutch-Bangla Bank Limited
Return on Equity	32.05%	42.76%	20.89%	31.01%

- For the year 2005, the **Return on Equity** of the City Bank Limited is 32.05% which is good compare to the Dhaka Bank and Dutch-Bangla Bank Limited.

- A bank wants to maximize its use of stockholder's equity, as it is the stockholders the bank must answer to on how they spent the stockholder's money. Return on Equity basically shows how any taka of earnings was generated per taka of equity the stockholder's provided.

### RETURN ON ASSET:

Also called Return on Total Investment, or ROI, the Return on Total Assets measures the Net Earnings in relation to the Total Assets. The Return on Total Assets identifies how well the investments of the company (the Total Assets) have generated earnings (Net Earnings) back to the company. Return on Asset is calculated by-

$$\square \text{ Return on Asset} = \frac{\text{Net Earnings}}{\text{Total Assets}}$$

Items	Year 2005			
	The City Bank Limited	Prime Bank	Dhaka Bank	Dutch-Bangla Bank Limited
Return on Asset	1.75%	1.54%	1.40%	1.29%

- For the year 2005, the **Return on Asset** of the City Bank Limited is 1.75% which is good compare to the other banks.
- So, the company has earned TK 0.0175 on each taka invested in assets.
- Smart banks strictly control major purchases, attempting to limit those that will best bring a return in greater revenue to the company. The Return on Total Assets is a useful way to measure how well the bank is actually able to make intelligent choices on how to spend its money on new assets.

### EARNING PER SHARE:

The Earnings Per Share compares Net Earnings to the Average Shares Outstanding, and is simply how much earnings has been generated per one share of stock during the period reported. Earning Per Share is calculated by-

$$\square \text{ Earning Per Share} = \frac{\text{Net Earnings}}{\text{Average Shares Outstanding}}$$

Items	Year 2005			
	The City Bank Limited	Prime Bank	Dhaka Bank	Dutch-Bangla Bank Limited
Earning Per Share	75.13	40.59	44	181.97

- For the year 2005, the **Earning Per Share** of the City Bank Limited is 75.13 which is good compare to the Prime Bank and Dhaka Bank.
- So, the bank has on an average earning at the rate of TK 75.13 for every share.
- As a banks earnings increase, Earnings per share will look better, but other things can affect Earning Per Share: share buybacks the bank may conduct (resulting in less shares), or the bank releasing more shares, which increases the number of total shares further diluting the Net Earnings.

### PRICE EARNING RATIO:

Also called the PE or P/E ratio, the Price to Earnings Ratio compares the Market Price of Common Stock to the Earnings Per Share. This ratio is a quick measure of how "expensive" the stock of a company may be.

$$\text{Price Earning Ratio} = \frac{\text{Market Price of Common Stock}}{\text{Earnings Per Share}}$$

Items	Year 2005			
	The City Bank Limited	Prime Bank	Dhaka Bank	Dutch-Bangla Bank Limited
Price Earning Ratio	5.19	9.89	10.66	12.02

- For the year 2005, the **Price Earning Ratio** of the City Bank Limited is 5.19 which is very poor compare to the other banks.
- So, the investors on an average are willing to pay TK 5.19 for each TK earning.
- A banks stock may be heard as being "overvalued" - this ratio is the calculation often behind analyses like that. As the Earnings Per Share increase, or the Market Price of Common Stock decrease, the ratio will look better.



## CAPITAL ADEQUACY RATIO

The ratio of a bank's capital to its risk-weighted credit exposure. International standards recommend a minimum for this ratio, intended to permit banks to absorb losses without becoming insolvent, in order to protect depositors.

$$\text{Capital Adequacy Ratio} = \text{Tier One Capital} + \frac{\text{Tier Two Capital}}{\text{Risk Weighted Assets}}$$

Items	Year 2005			
	The City Bank Limited	Prime Bank	Dhaka Bank	Dutch-Bangla Bank Limited
Capital Adequacy Ratio	9.63%	9.96%	11.00%	10.16%

- For the year 2005, the **Capital Adequacy Ratio** of the City Bank Limited is 9.63% which is very poor compare to the other banks.
- Bangladesh is, at present, following Basel-I for bank's capital adequacy requirement and risk-based capital adequacy ratio is now 9 per cent. The private and foreign commercial banks maintained capital adequacy ratio of 9.5 per cent, as on December 2005.
- The risk weighting process takes into account, in a stylised way, the relative riskiness of various types of credit exposures that banks have, and incorporates the effect of off-balance sheet contracts on credit risk. The higher the capital adequacy ratios a bank has, the greater the level of unexpected losses it can absorb before becoming insolvent.

## COMPARISON OF BANK INTEREST RATES

Unlike savings accounts where the primary reason for depositing money is to generate interest, the main function of a demand account is transactional therefore most providers either pay no interest or pay a low level of interest on credit balances.

### SAVINGS DEPOSIT

Savings accounts are accounts maintained by commercial banks, savings and loan associations, credit unions, and mutual savings banks that pay interest but can not be used directly as money (by, for example, writing a cheque). These accounts let customers set aside a portion of their liquid assets that could be used to make purchases while earning a monetary return.

Items	Year 2006 (%)			
	The City Bank Limited	Prime Bank	Dhaka Bank	Dutch-Bangla Bank Limited
Savings Deposit	5.75-7.00	6.00	6.00	6.50

The savings deposit rate of the City Bank Limited is 5.75% to 7.00% which is little bit good compare to other banks. The higher the deposit rate, the bank can collect more deposit amount.

### FIXED DEPOSIT

Name of the Banks	Year 2006 (%)		
	3 Months to 5 Months	6 Months to 11 Months	12 Months
The City Bank Limited	11.00	11.50	13.00
Prime Bank	10.50	12.25	12.50
Dhaka Bank	11.50	12.75	12.00
Dutch-Bangla Bank Limited	11.00	11.50	13.00

The fixed deposit rate of The City Bank Limited is in standard, compare to other banks. It can compete with its interest rate. In the fixed deposit, client finds which banks provide higher interest rate. To collect more deposit amount the bank must have to increase their fixed deposit interest rate.

## **PROBLEMS**

The City Bank has several problems. These are described below:

### **↗ Lack of Sufficient Data:**

In many cases latest and reliable data regarding loans, investments, business, returns, total demand and supply of different credit facilities in banking industries, industry growth, return growth, performance data of major competitors are inadequate and unavailable. Beside this, collecting a bank's positional data in a given banking industry is also cumbersome. As a result, identifying a bank's rank in the banking industry where it operates along with its competitor's financial position is cumbersome.

### **↗ Credit History and Data Bank:**

As far as credit is concerned for The City Bank Limited, an integrated data bank or every of credit variable should be available in our country. As most of the borrowers are not aware not of the importance of this requirements, they hardly keep the past records in their book of accounts with only a few exceptions particularly those bank's enlisted in the market.

### **↗ Ethical Standard and Integrity of the Auditors:**

This is a matter of regret that the integrity of the auditors of our country is easily questionable which ultimately makes the whole credit analysis completely misleading. Once again, with only a few exceptions, on most occasions the financial statements are prepared with instructions of the client in different forms for different purposes. Naturally a credit division of The City Bank Limited cannot do much and is quite helpless in this situation.

### **↗ Pressure Group:**

Political influence or pressure group plays a big role in loan sanctioning process for The City Bank Limited. Thus in this case the result of credit analysis turns out to be irrelevant. It is also a very common phenomenon in our banking sector that a loan is sanctioned even before the leading officer does proper security. An independent working environment of credit analysis/ risk management section at branch level in different banks is not insured.

#### **↗ Lack of Experienced Assessor:**

In most of the cases the values of the security realized turns out to be the less than what The City Bank Limited had estimated. Sometimes security also looses value before it is realized. There is a lack of experienced, qualified and reliable survey or such institutions to assess security along with its quality and market demand.

#### **↗ Industry Information:**

There are no industry averages in our country, which is required for implementation of credit facilities for The City Bank Limited. Though an industry average can be calculated it does not always reflect a proper picture banking organizations.

#### **↗ Lack of Proper Human Resources:**

Credit financing is one of the essential parts for any banking organization as in The City Bank Limited. Thus for implementation of such skilled human resources in The City Bank Limited for its credit division are needed but the banking sector is facing lack of skill personnel.

#### **↗ Lack of Variety:**

Lack of variety in this service is also a drawback of the credit division area of The City Bank Limited. The bank provides some traditional services to its clients. As a result the bank is falling in behind in competition with foreign banks as well as some private banks.

#### **↗ Lack of Co-ordination:**

The City Bank Limited has lack of co-ordination between the branches and the Head office.

#### **↗ Prompt Action:**

The City Bank Limited has a nature of taking prompt actions which is a probability of customer to switch over the bank.

The fact remained, despite the corporate and long range planners, that the one and only missing relation was how to get the management team agreed and committed to a comprehensive set of action programmes.

## **RECOMMENDATIONS**

If the intention is clearly strong then proceed as for The City Bank Limited, and issues into organizational change actions and accountabilities. These are describing below:

- ➔ The working condition of the employees should be improved. Employees must be provided with adequate working resources. So, they can perform their job smoothly.
- ➔ Employees must be put into challenges. So, they feel excited and important. Moreover it will increase their working interest and improve their services.
- ➔ Placement of employees should be based on their skill and abilities. The more the employees are placed in the right place, the higher the chances that they will provide a better service.
- ➔ Speed in general banking activities has to be increased.
- ➔ There should be adequate improvement in the deposit collection. Bank should come up with new schemes. Reasonable facilities will attract more customers.
- ➔ Banker should carefully assess customers' credit worthiness, experience and capability to complete the project. A credit officer should from a view of his client. He should know and should collect all information about the prospective borrower.
- ➔ To attract more customers The City Bank Limited has to create a new marketing strategy, which will increase the total export and import business.
- ➔ Bank can provide foreign market reports, which will enable the exporter to evaluate the demand for their products in foreign countries.
- ➔ Attractive incentive package for the exporters will help to increase the export and accordingly it will diminish the balance of payment gap of the City Bank Limited.
- ➔ Ensure that the advances has been sanctioned and disbursed as per norms and procedure prescribed by the central bank and as per practice, procedure and norms of the bank.
- ➔ Check the documents and ensure that the documents have been obtained as per terms of sanction and as per procedure for such type of advance.
- ➔ Ensure that the security/collateral has been obtained as per terms of sanction and valuation has been assessed correctly and the security is maintained properly.

- ➔ Ensure that the security has been properly assured where required as per policy, procedure and practice.
- ➔ Political intervention in loan granting decision must be eliminated.
- ➔ Ensure that the disbursements are made as per procedure and terms of sanction.
- ➔ Ensure collection of periodical reports, returns and information about the borrower and the activities or projects financed.
- ➔ They should always monitor the performance of its competitor in the field of foreign trade.
- ➔ By expanding business portfolio, The City Bank Limited can reduce its business risk.
- ➔ The City Bank Limited should increase efficiency Online Banking System for efficient transaction of business.
- ➔ The goal of an organization is to 'maximizing shareholders wealth' but this is not the only thing that a company should look for. The City Bank Limited should increase its participation in various social awareness program, sponsoring cultural and sports events etc. these things will certainly increase its acceptability among the society.

In order to get competitive advantage and to deliver quality service, top management should try to modify the service on the basis of recommended factors.

## CONCLUSION

Today's business is very competitive and complex. To survive in the market the organization need competent people and has to take some effective policy. The transformation of finance priorities has brought with it problems in administration. No sound project-appraisal system was in place to identify viable borrowers and projects. Lending institutions did not have adequate autonomy to choose borrowers and projects *and were often instructed by the political authorities. In addition, the incentive system for the banks stressed disbursements rather than recoveries, and the accounting and debt collection systems were inadequate to deal with the problems of loan recovery. It became more common for borrowers to default on loans than to repay them: the lending system was simply disbursing grant assistance to private individuals who qualified for loans more for political than for economic reasons. Banking sector being a service sector of Bangladesh continues to contribution to a great deal in the economy of Bangladesh.*

The City Bank Limited is the leading first private bank. In this age of competition, at the initial part of business every institution has to go through the difficult path of survival. For significant performance, the bank has earned national & international recognition. The City Bank Limited is one of the 12 banks of Bangladesh among the 500 banks in Asia for its asset, deposit & profit as evaluated by Asia week in the year 2000. Besides bank received "Top Ten Company" award from the prime minister of the people's republic of Bangladesh in the year 1992-93 this was declared by Securities & Exchange Commission. This report is being done on the subject of "activities and performance of the City Bank Limited (especially on Johnson Road branch)".

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