

# **Internship Report on “Foreign Exchange Activities of Sonali Bank Limited”**



**Submitted to**

**Islamic University of Technology**

**In partial fulfillment of the requirements for the degree of**

**BBA in Business and Technology Management (BTM)**

**Submitted by:**

I understand that my final report will become part of the permanent collection of the Islamic University of Technology BBA in Business and Technology Management Program. My signature below authorizes the release of my final report to any reader upon request.

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Internship Report

On

**“Foreign Exchange Activities of Sonali Bank Limited”**



## LETTER OF TRANSMITTAL

Date: 22 April 2022

Dr. Mohammad Shamsu Uddin

Assistant Professor

Business and Technology Management

Islamic University of Technology

**Subject: Submission of Internship Report.**

Respected Sir,

I hereby submit the Internship report titled “Foreign Exchange Activities of Sonali Bank LTD.” which is a part of the internship program. It was a great achievement on my part to work under your direct guidance.

While preparing this report, I have tried my best to portray the condition of the company and reflect on my personal experience at the organization. The opportunity to work at SBL has opened a door to the huge possibility of learning about corporate field operations and growing personally. It was a great experience working there and preparing this report under your supervision. If required, I will be available for any further clarification.

I will be highly obliged if you kindly accept this report and provide me with any kind of expert judgment or feedback you may have. It would be a huge success for me if you find this report informative or useful in any way.

.....

Sincerely Yours

Saima Jannat Nova

Business and Technology Management

ID: 170061071

Islamic University of Technology

## **DECLARATION**

I, Saima Jannat Nova, a student of the Department of Business and Technology Management of the Islamic University of Technology hereby declare that I have prepared this report on SONALI BANK LTD. by myself with the guidance provided by my supervisor Assistant Professor Dr. Mohammad Shamsu Uddin Sir. I have not breached any copyright purposefully. The work is authentic to the best of my knowledge. I further declare that the report was not submitted to any other party or institution for any degree of a certificate.

.....

Saima Jannat Nova

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## **ACKNOWLEDGEMENT**

This report was the result of many people's tireless efforts and support. I am grateful to each and every one of them for providing me with the support and direction that enabled me to complete this report.

Firstly, I'd like to express my gratitude to Allah for providing me with the ability to do so, patience, and resilience to carry out my responsibilities as an intern at SONALI BANK LTD., which is the focus of this report. After that, I'd want to express my gratitude to my honored Advisor, Assistant Professor Dr. Mohammad Shamsu Uddin sir, for his unwavering support and advice throughout the process. I owe Md Mamunur Rashid Mamun a debt of gratitude for his unwavering support and advice throughout my internship.

I am grateful to the entire BTM department for working tirelessly to make the internship program a success for myself and my classmates. They were the ones who ensured that theoretical knowledge and first-hand corporate experience could be combined.

Last but not least, I'd like to thank my family for assisting me in remaining strong and healthy throughout the entire period. I'd also like to thank my coworkers for guiding me with helpful recommendations and guidance, as well as for motivating me. I must add emphasize the welcoming and supportive environment, which assisted me in overcoming numerous challenges.

## **EXECUTIVE SUMMARY**

The study's goal is to gain a better understanding of Sonali Bank Limited's foreign exchange activities and procedures. The bank has won the hearts of its customers as well as seized the market and become the country's leading bank by delivering convenient financial services and customer-oriented initiatives.

I have included a backdrop in the first section of my report that covers the main topic of the study. Following that, I will give a brief summary of Sonali Bank Limited. In this section, I've attempted to cover Sonali Bank Ltd.'s historical background, branch count, vision, and mission, among other things.

The project portion follows after that. I've shown the general banking activity of Sonali Bank Ltd. in that section. I've gone over each part of general banking in great detail. Aside from that, I've taken a quick look at the conditions and criteria for each of the bank's general banking schemes. In the results section, I mentioned that the bank offers backdated product schemes. Furthermore, the bank lacks the advanced IT capabilities that are required.

Following that, I gave some recommendations on the basis of this research. I advised the bank authorities to acquire specialized banking tools and software so that they can keep up with the ultra-fast pace of modern technology.

In order to achieve the desired outcome, I have also advised the concerned authorities to establish their human resource management policy. Finally, I emphasized that the bank should take the appropriate steps. If the bank truly cares about the welfare of ordinary people, it will create more effective programs in the future.

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# Chapter 1

## Introduction

During the last few years, Bangladesh's banking sector has seen rapid and significant growth. The banking landscape is rapidly changing not only in our country but all across the world as a result of technological improvements, globalization, and deregulation. This global transition has had a massive effect on our nation's banking industry, causing a transformation in our banking sector. In today's economy, banks must compete against both domestic and global institutions. As a consequence, I've opted to finish my internship in the financial industry.

An internship program must be completed before a BBA degree can be obtained. Additionally, BBA students at Islamic University of Technology must additionally complete an internship program. As part of the internship program, students must write a report on their organizations. I am thrilled to work as an intern at Sonali Bank Limited as part of the program, with the topic "Foreign Exchange Activities of Sonali Bank Limited." I was allocated to Sonali Bank Limited's Dhaka Cantonment Corporate Branch for three months.

This internship will give you an insight into Sonali Bank Limited's activities as well as an overview of the banking industry in general. I had to choose a topic of study from something I could perform detailed research on and submit my findings in a paper while I worked there. As a result, after finishing a three-month internship program, I wrote this report. This work is extremely beneficial to me, and I am convinced that it will help me advance in my future career.

### 1.1 Statement of the research problem

Actually, I'm going to study Sonali Bank Limited's foreign exchange procedures. The primary functions of banks are to extend credit to borrowers and collect deposits. Consumers' feedback Banks are the most essential factor in a country's development as well as providing a huge number of job possibilities.

Sonali Bank Limited is a leading bank that serves in this capacity. It also contributes to a country's economic development through saving and credit. It diverts and distributes cash throughout the country in order to enhance the country's economy and increase national wealth. The researcher

wishes to assess Sonali Bank Limited's performance. Is Sonali Bank Limited performing at a decent level or not? This is the study's major point of view.

## **1.2The Objective of the report**

There are 2 objectives of the report.

1. Broad objective.
2. Specific Objective

### **Broad objective:**

- To meet the internship program requirement for the BBA program.
- To obtain work experience in a certain field.
- To complete a requirement in school.

### **Specific Objectives:**

- To get a quick overview of Sonali Bank Limited's performance.
- Gaining a basic understanding of the export and import business's operational procedures.
- Getting a sense of the company's management and organizational structure.
- To identify major strengths and weaknesses of Sonali Bank Limited in cheque clearing and inland remittance division with respect to other banks.

### **1.2.1Scope of the Report:**

While preparing this paper, I had the wonderful opportunity to gain a thorough understanding of a leading Bangladeshi bank's check processing and remittance operations. Sonali Bank Limited's general information is covered in this report.

### **1.2.2Methodology:**

From the selected topic to final report creation, the study necessitates a methodical approach. To complete the study, data sources were selected, collected, classified, analyzed, reviewed, and presented in a systematic manner, with notable points determined. The methodology's general

approach is described below. In the comparison to the existing research, data from the Head Office, Regional Office, and Motijheel Office was first utilized.

Primary and secondary sources were used to compile the data for this research.

The following are the key data sources:

1. Have a face-to-face meeting with the officers
2. Desk work that is useful
3. A review of relevant files as given by the personnel in charge.

Secondary data sources:

1. Circulars published by the Bangladesh Bank and the head office.
2. Sonali Bank Limited's annual reports
3. Publications taken from Sonali Bank Limited's library and
4. Sonali Bank Limited's official webpage.

### **1.3 Limitations:**

Three months is a decent amount of time to study everything there is to know about the various sectors of Sonali Bank Limited. We have a tight deadline, so we must submit the report as soon as possible. We were, however, often rotated across numerous departments. As a result, it's tough to learn everything there is to know about the subject.

Three months is a good amount of time to learn everything there is to know about Sonali Bank Limited's numerous areas. We have a hard deadline, so we need to submit the report right now. We were, however, frequently rotated between departments. As a result, learning whatever there is to understand about the subject is difficult.

## Chapter 2

### Company Overview

Sonali Bank Bank Limited, the biggest commercial bank in Bangladesh, was constituted in 1972 by uniting 3 banks: The National Bank of Pakistan, The Premier Bank, and The Bank of Bhawalpur under Presidential Order No.26. The government of Bangladesh owns the bank wholly. The bank now has a paid-up capital of Tk. **4530.00** crore, with the deposit ratio of 51.61 and loans and advances of Tk. **69,317.00** crore.

Sonali Bank Limited is run by a Board of Directors comprised of ten members. It is directed by a well-known banker and a reputable professional, the CEO and Managing Director. The banks corporate headquarter is in Motijheel, Dhaka, Bangladesh, which is the capital's main business sector.

#### 2.1 Main Objectives:

The bank's primary goal is to deliver all forms of banking services to customers at their doorstep. The bank also invests in a variety of social and development programs, as well as the execution of numerous government policies and pledges.

Sonali Bank Limited's Vision and Mission:

##### **Vision:**

Socially committed leading banking institution with a global presence.

##### **Mission:**

Dedicated to extending a whole range of quality products that support divergent needs of people aiming of the country at enriching their lives, creating value for the stakeholders, and contributing towards socio-economic development.

#### 2.2 ORGANIZATIONAL STRUCTURE

Sonali Bank Limited has a tall organizational structure that starts at the top, with the Board of Directors. Board, Head Office, GM Office, Regional Office, Branch, and Booth are the seven levels. There are currently 6 GM offices, 41 Principal Offices, and a total of 6 GM offices, 1200 branches, 21 regional offices, and 36 booths.

## 2.2.1 STRUCTURE OF MANPOWER

The manpower structure is highly remarkable of Sonali Bank, starting with the Chairman. There are a total of eleven levels in this game. The several levels of management are Chairman, Managing Director, Directors, Deputy Managing Director, General Manager, Deputy General Manager, Assistant General Manager, Senior Executive Officer, Executive Officer, Senior Officer, and Officer. The Chairman and Directors are appointed by the government because the corporation is owned by the government. General Managers are statutorily designated individuals who can be transferred between NCBs. There are a total of seven levels in the workforce hierarchy. The Head Clerk is at the start, and the messenger is at the end. In addition, the administrative hierarchy is really quite tall. The total number of employees has been 21839 to date.

## 2.2.2 SONALI BANK LTD'S MANAGEMENT STRUCTURE:

The top level of the organization is the board members, which was constituted by Bangladesh Bank's Import Substitution Order 1972. The existing system of Sonali Bank has been shattered:

- Board of Directors (BOD)
- CEO & Managing Director
- Deputy Managing Director (DMD)
- General Manager (GM)
- Deputy General Manager (DGM)
- Assistant General Manager (AGM)
- Senior Executive Officer (SEO)
- Executive Officer (EO)
- Senior Officer
- Officer

Table 1 Board of Directors

SI No.	Name	Designation
1.	Mr. Ziaul Hasan Siddiqui	Chairman

2.	<b>Mr. A.B.M Ruhul Azad</b>	<b>Director</b>
3.	<b>Mr. A.K.M Kamrul Islam</b>	<b>Director</b>
4.	<b>Mr. Ishtiaque Ahmed Chowdhury</b>	<b>Director</b>
5.	<b>Dr. Daulatunnaheer Khanam</b>	<b>Director</b>
6.	<b>Mr. Md. Mofazzal Husain</b>	<b>Director</b>
7.	<b>Mr. Molla Abdul Wadud</b>	<b>Director</b>
8.	<b>Professor Dr. Mohammad Kaykobad</b>	<b>Director</b>
9.	<b>Dr. Md. Matiur Rahman</b>	<b>Director</b>
10.	<b>Mr. Md. Aatur Rahman Prodhan</b>	<b>CEO &amp; MD</b>

#### **Transactional Network:**

Bangladeshi Corporation Inc., a wholly-owned subsidiary firm based in New York, will serve as an international money remitter, allowing Bangladeshi citizens in the United States to send money to their home country with ease. In the Middle East, Sonali Bank Limited maintains representative offices in Jeddah and Riyadh, Saudi Arabia, as well as Kuwait, where they encourage Bangladeshi ex-pats to transmit money through banking channels. Customers can use the bank's 1196 branches to access banking services, with 1194 being domestic and two being international (in India's Kolkata and Siliguri). Rural areas account for 702 of the 1196 branches, while metropolitan areas account for 491. In addition, at various places, 25 booths under various divisions provide unique services. 70 administrative offices supervise and monitor the overall performance of the company's branches. Seven General Managers' Offices (two in Dhaka and one each in Chittagong, Barisal, Sylhet, Khulna, and Rajshahi), thirty Principal Offices, and 32 Regional Offices are spread across the nation.

Sonali Bank (UK) Ltd. (which is a collaboration business of Bangladesh's Sonali Bank) managing transactional activities beyond Europe since December 10, 2002. The bank has also launched the Sonali Exchange.

## **2.3 BRANCH EXPANSION**

Sonali Bank Limited is expanding its network of branches around the country. This bank built branches in locations where other banks would not even consider doing so. Sonali Bank Limited's Banking Activities in General. 14<sup>th</sup>-page branch. However, Sonali Bank Limited is having difficulty maintaining its branches. Sonali Bank Limited has been reducing its branch count since 2002 for a variety of reasons and issues. In 2000, it had 1293 branches, but presently it has 1196. The following is a list of resources from 2013 to 2017, a graph depicting the number of branches was created.

## **2.4 SWOT ANALYSIS**

### **Focusing on the bank's fiscal situation, conduct a SWOT analysis:**

Every organization has internal strengths and disadvantages. Furthermore, each firm seems to have its own range of opportunities and threats. By studying a company's strengths, weaknesses, opportunities, and threats, we can gain a good image of its threats, flaws, opportunities, and strengths. In actuality, it is reflected by company's SWOT analysis. First let have a look at the SWOT analysis of Sonali Bank Ltd.

### **Strengths**

A corporation's strength is narrated as anything the The company has the potential to succeed or that is valuable to the business internally. Internally, Sonali Bank Ltd. does have the following advantages:

1. The largest commercial bank in India is Sonali Bank Limited. The organization has a broad network, with 1196 locations in cities and small towns, two branch locations, and 13 multinational or global banks.
2. The bank's workforce is well-informed and well-trained.
3. As part of its strategy to diversify its banking business, the bank includes sustainability plans.
4. Assistance from the government as well as a government bank is available.
5. The good relationship is demonstrated by a well-organized organization. Out of a total of 98, it has international correspondent links with 346 of the globe's biggest countries.
6. Top management possesses a great deal of insight.

## **Weakness**

The weakness of a corporation refers to anything it does poorly or lacks resources. The following are the company's systemic faults:

1. Excessive categorized loans are a significant issue.
2. Because some of the board members are not experienced bankers, effective decision-making is hampered.
3. Inability to employ cutting-edge financial technology.
4. The cost of funds is increasing at a faster rate.
5. There is a greater dependence on the government sector and self-financing programs in export and import.
6. The overall cost of living is expensive.
7. The volume of commercial exports and imports is insufficient.

## **Opportunities**

Any advantageous circumstance that occurs in the exterior environment is referred to as a company's opportunity.

1. Expansion of the firm through the use of local branches and a network of multinational or global branches.
2. The development of the interbank foreign exchange business
3. Commercial items are increasingly being imported and exported.
4. Financing for industries that are export-oriented.
5. Non-traditional industrial products are eligible for export incentives.



## **Threats**

1. Government, private, and international commercial banks are all in severe competition.
2. The defaulting culture of debtors
3. Some employees are adamant about not working.
4. Government intervention that isn't required
5. On trade finance, the government set a low interest rate.

## **2.5 LOAN SERVICES**

### **Microcredit**

Reducing poverty appears to be at the heart of the country's policymaking and development issues. As a result, it has gained widespread acceptance at the global level. Sonali Bank Limited's General Banking Activities. On the one hand, this is an effective method for poverty reduction and job development; on the other hand, there really are opportunities.

As part of its aim to eradicate impoverishment in rural, non-rural, and semi-urban locations, Sonali Bank Limited began operating a fully pledged microcredit business in its main office in 2003. 32 projects with programmers are currently being developed. Others include goat keeping, lamb rearing, fruit, and other projects in Dhaka City, as well as the Bank-NGO Connection Project and Credits for Urban Women Micro-enterprise Development (CUMED). Moulavibazar is a district of Moulavibazar and the 'Unmesh' micro-enterprise program in the nursery, medicinal, and herbal projects.

The financial channeling of funds into the multiple potential microfinance pathways should be highlighted in particular. This division is responsible for the operations and supervises them. Sonali Bank Limited has invested substantially in the country's various Upazillas in partnership with Swanirvar Bangladesh, the Bangladesh Rural Development Board (BRDB), and the Asian Development Bank (ADB). 152 Upazillas have benefited from the Rural Livelihood Program (RLP). Furthermore, as part of its well-known Bank-NGO Linkage Program, this division has provided 179.09 crore to 68 Taka NGOs on a whole sale basis, with a 100% recovery efficiency. The Disable Loan Program was created exclusively for disabled people in order to bring the disabled community

under the microcredit umbrella. This division's goat-rearing program has had a substantial effect in lowering the rate at which broad poverty in rural areas. Sonali Bank had given 46.47 crores as of December 31, 2013. In addition, two loan programs were introduced in 2004 under the titles and forms "Rural Small Farming Loans Scheme" and "Rural Small Business Loan" in an effort to grow employment opportunities and generate cash for rural people. Both programs include a no-collateral loan provision of up to TK 50,000. In 2006, a new project named "Daridra Bimochane Sahayta Karmasuchi" was established for the severely "Monga" afflicted rural populace. In addition, in 2013, a one-of-a-kind program for SIDR-affected 12 areas was created, which included an investment credit of up to TK.20000. Up till December 2013, Tk. 3299.47 crore was already granted under numerous projects of this region, although this payment amount was Tk. The corporation has accumulated a maximum of 3056.63 crores as of December 2006. Some of the key components of many existing microcredit projects and programs are as follows:

### **SME Banking**

SMEs continue to be the economic engine of almost all developing economies. Because of their importance to economic growth, risk mitigation through diversity, job creation, and long-term development, SMEs are a critical mode of operation in virtually every economic system .To serve this immensely promising sector, Sonali Bank Limited has placed a special emphasis on SME banking. Numerical data from surveys conducted in a variety of industries can be used to get a sense of SME operations in 2015. The bank currently operates 52 branches nationwide, with professional team members devoted to training SME people in order to help them grow. The banks offer cash flow and fixed asset finance to firms in the industry, trading, and industrial industries under the SME category.

### **Merchant Banking**

Today, merchant banking is by far the most potential branch of a bank in today's globe. The sector is already booming, but there's still an opportunity for more growth. A lot of merchant banks are presently engaged in Bangladesh's capital market. Merchant banks deal with a diverse range of goods and services. In Bangladesh, merchant banks typically provide the three following services:

1. Issue Resolution Services
2. Services for Underwriters

### 3. Service for Portfolio Management

Sonali Bank Limited, based in Bangladesh, has a very good merchant banking section that gives its clients the most effectively developed portfolio management plan, minimizing risk and optimizing profit. When it relates to the bank's transactional operations, the management of Sonali Bank is especially cautious. Page 19 to their customers It provides frequent portfolio reports to its clients and organizes for buyers to learn about the capital market in all of its facets. The bank's MB additionally performs underwriting services for IPOs and right issues by various companies. It also intends to provide issue management services.

#### **Islamic Banking**

Sonali Bank Limited has been providing Islamic banking services since June 29, 2016. Five branches deal with Islamic banking. The five windows are as follows:

1. Fakirapool Branch, Dhaka
2. Agrabad Corporate Branch, Chittagonj
3. Dargagate Corporate Branch, Sylhet
4. Khulna Corporate Branch, Khulna
5. Bogra Corporate Branch, Bogra

#### **Computerization:**

To stay up with the rapid global market economy and pave the way for the application of numerous requirements in internal banking activities, Sonali Bank entered the sector of office automation technologies. In order to fulfill these goals, Sonali Bank installed an IBM Minicomputer at the head office in December 1989. After that, the IBM RISC System was installed. Inter Branch reunification, Loan categorization, Wage bill of Head Office staff, Financial function, preservation of Provident Fund transactions of the bank's employees and officers, preservation of individual profiles of all bank officers, preparation and execution of CIB data to Bangladesh Bank such as through floppy disk, maintenance of information of special healing cell, preparedness of currency exchange rate on a regular basis, preservation of credit card information of big lenders are all current. The bank has been allowed to execute banking transactions in the global arena since adopting the SWIFT system, bringing it up to date. Furthermore, the arrangements for the bank's official website launch have been

completed. Foreign remittances are made immediately to the SEC in Dhaka via 7 booths of SECI, a branch of Sonali Bank Ltd. in the United States, utilizing EFT. Similarly, Sonali Bank (UK) Ltd. provides remittances to the Wage Earners' Corporate Branch in Dhaka, 6 branches in Sylhet, 2 branches in Moulavibazar, 2 branches in Hobigonj, and 2 branches in Hobigonj through its five UK branches. Thanks to a partnership with Sonali Bank, many Malaysian banks are using the EFT system to transfer remittances to the Wage Earners Corporate Branch of Dhaka. As part of the branch computerization procedure in 2005, twenty-six branches have been computerized. Moulavibazar Branch of Moulavibazar, Tazpur Branch and Golapgonj Branch of Syahet and Habigonj Branch of Sonali Bank (UK) Ltd., Moulavibazar Branch of Moulavibazar, Tazpur Branch and Golapgonj Branch of Syahet and Habigonj Branch of Sonali Bank (UK) Ltd., A retransmission system has been built between both the Maijdee Court Branch in Noakhali and the Wage Earners Corporate Branch in Dhaka using the SECI network. Furthermore, Internet connectivity has been installed in 69 branches and offices, covering various head office divisions, administrative offices (GMO/PO/RO), commercial branches, and also other branches. As a result, communication has improved both domestically and overseas. It should be mentioned that in 2006, an IT consultant was hired to expedite and streamline the bank's computerization program. In that year, a data transfer method was established between the bank's main office and its principle offices/regional offices in order to send government transaction statements to Bangladesh in 7 (seven) days.

### **Training**

Sonali works at a bank. To give training to Sonali Bank Ltd.'s officers and personnel, the Staff College in Dhaka and 4 training centers in Bogra, khulna, Chittagong, and Rajshahi have already been providing training courses covering all aspects of banking. Banking Actions of Sonali Bank Limited in General Staff College, one of the aforementioned training schools, trained 8,430 staff in 383 batches of different courses, workshops, and seminars in 2014.

### **Library Facilities**

Sonali Bank Ltd does have a central library with both the purpose of broadening the knowledge of its executives and staff and of boosting their efficiency. The company's headquarters has a library on the seventh floor. It has now been changed into such a modern library as a result of the expansion of its facilities. New volumes on banking, management, computers, accounting, finance, literature, religion, economics, foreign exchange, and literature, among other areas, have been added to the

collection. A wide range of international publications on world economics and politics, as well as other issues, are also available to fascinate and inspire readers.

### **General Banking**

General banking is at the heart of the transactional industry. Customers are introduced to the bank by the bank's own department. Sonali Bank Limited's local office has all the essential parts for banking in general, and all of these sections are managed via personnel with extensive banking experience. GB sections of Local Office are:

- Section on the TT problem
- Section regarding TT payments
- The PO section
- Section for account opening and cheque issuance
- Section regarding TT payment
- DD issue & payment section
- Section for MT issuance and payment
- Section on the FDR issue and payment
- SND Govt. chalan section
- TRA section SC-LSC section
- Clearing section of
- Accounts section
- GL sector, clean cash
- Reconciliation section
- Locker section

### **Telegraphic Transfer (TT)**

Telegraphic Transfer (TT) is another popular method for sending money. A TT takes less time than

a DD or MT transfer. The customer makes a deposit at the branch where the money will be sent. Customers are given cash. TT serial number is written in a note. The process for receiving incoming TT is as follows:

When a telex is received, it is first decrypted. After the serial number of TT and test number have been verified, a credit voucher is issued and delivered to the beneficiary's account.

### **Payment Order (PO)**

While completing a local clearance on behalf of the business or its component, a Payment Order (PO) would be a record that provides authorization for payments to the payee. Customers may purchase something to use as a deposit or earnest cash. A PO is issued in the form of invoices with the signatures of two authorities. The branch where this instrument was issued is responsible for paying for it. The payee's banker is responsible for certifying that the funds will be credited.

### **Account opening & cheque issue section**

To open an account, the customer must first fill out an application with the bank. The following are the bank's account opening requirements:

- 1) A proposal for establishing a bank account
- 2) Full name, as well as current and permanent addresses
- 3) Profession
- 4) Introduction Letter

It is a message from a new client who may have an account with the branch or the other branch and is a valid customer. The introduction of a new client procedure could be shown as positive on the form. In a section provided on the application, the introducer would write his or her bank details and address and verify it as his or her authorized signature. A letter of reference always protects a banker in the following manner:

1. Anti-fraud protection.
2. protection from being charged with being a bankrupt
3. Overdraft protection in the event of an unintentional overdraft.

4. Section 131 of the Northern Ireland Act provides protection against carelessness.
5. Protection against supplying the wrong information to the banker who is following you.

The person who wants to create an account, on the other hand, can submit up to 3 recommendations, with at least one and a maximum of three. The application will make a declaration in the space provided on the account form, beginning with the name, percentage of share, age, and relationship (if more than one). The account owner could charge the suggestion at any time, but it won't go into effect until the account holder passes away. In addition, the candidate would sign the petition and be given an extra piece of paper to sign three signatures on, which he or she would have to maintain until the bank is closed. Allowing a new customer to open a cash-only account is typical practice among bankers. Customers can also open the following accounts through the branch's account opening section:

- Personal Account.
- Accounts shared
- Account for the Ownership Issue
- Partnership Firm's account.
- Keep track of a Limited Liability Company's finances (LLC).
- Keep track of a Limited Liability Company's finances
- Club/Association/Society account.
- Accounts of Government.
- Accounts of Corporation.

A demand draft (DD) seems to be an instruction that allows you to make a payment on the spot. It's a promissory note delivered by a local bank that includes an addition to paying a certain amount of funds to a particular person or an addition to paying a particular sum of money to another bank branch on demand. A consumer can buy this product for themselves or for a recipient at a certain bank branch, and it can be handed over to the buyer for distribution to the beneficiary. By submitting the document to the appropriate payment branch, the payee or recipient will be eligible to collect the sum of money contained in it. The demand draft might well be paid in cash to the payer upon presentation of correct identification, or the payment may be deposited into his account. For a modest price, banks will issue drafts. The amount being sent determines the commission. The DD buyer is not always a bank customer or account holder.

## **Mail Transfer (MT)**

Customers with an account at the bank have the option of sending money by mail. The remitter pays the disbursing branch a small commission and deposits the cash to be transferred. A message from one branch to another instructing them to transfer the amount specified to the payee's credit with them. It is a non-negotiable document that is normally not provided to the client but rather sent to the relevant branch through the Post Office.

## **Fixed Deposit Receipt (FDR)**

Fixed deposits are ones in which a specific amount of money is placed in a bank for a specific period of time. As a consequence, these deposits are known as long-span deposits or time deposits. A fixed deposit's money is usually not repaid well before the end of the term. After the account is created, the lender provides a receipt confirming the receipt of cash in the deposit account. FDR is a frequent abbreviation for FDR. To open an FDR A/C, you'll need the following documents:

- FDR Form (F-425)
- TFDR Card
- Attested photo of the nominee(s) by the A/C Holder

The following headings occur on the initial form for a perpetual deposit A/C:

- Amount expressed in figures
- Period
- Rate of interest
- Beneficiary's name and address
- Additional instructions in the event of a joint a/c
- Details on the nominee
- The applicant's address
- Signature of the specimen
- FDR no.

The contribution must be maintained for at least 7 days to receive interest on a short-notice deposit account. Government agencies, including the PDB, as well as private businesses and individuals, use SND accounts.



## **Deposit Scheme**

### **Clearing section**

- Definition of Clearing House
- Objectives of BACH
- Components of BACH
- Important Aspects of BACPS
- BACPS Terminologies
- Cheque Truncation: for Different Types of Banks
- Processing of In-Clearings
- What are BEFTN Participants in
- BEFTN BEFTN Information Flow
- BEFTN Transaction Type

### **Definition of Clearing House**

- The process of transferring, reconciling, and/or confirming money, as well as the offsetting of directions and the development of final settlement positions, is referred to as clearing.
- Any company that performs clearance or settlement operations for a network, including Bangladesh Bank, is referred to as a clearinghouse.
- In Bangladesh, BB performs the role of the Clearing House and Sonali Bank performs this on behalf of BB (whether re Bangladesh bank branch is not present).

### **Objectives for BACH**

- Build up a modern payments infrastructure for Banks
- Ensures promptness,
- Minimize costs,
- Reduce clearing related frauds and

- Adopts an efficient reconciliation process.

## **Components of BACH**

1. Bangladesh Automated Cheque Processing System (BACPS)
2. Bangladesh Electronic Funds Transfer Network (BEFTN)

## Bangladesh Automated Cheque Processing System (BACPS)

### Important Aspects of BACPS

- Electronic Cheque Clearing Systems with Cheque Imaging and Truncation System [CITS]
- New Clearing House Instruments design with MICR code line
- Image exchange instead of physical movement of instruments
- Returns: only the data, not the image
- Physical instruments will be stored at the presenting bank
- New Clearing Time Frame for prompt (day end) settlements
- Central Image Archive at Bangladesh Bank

## **Accounts section**

The account section tracks the branch's daily operations, including such deposit inflow or outflow, as well as everyday expenses. It also concentrates on what the branch requires to get established, such as xerox paper, a desk, a shelf, and ink. This section contains daily, quarterly, annual, monthly, and semi-annual statements.

This department is also known as "financial control." Banking transactions occur on a regular basis because banks deal with customers' funds. They must be precisely and methodically recorded. Any inconsistency in proper documentation will erode public trust in the bank, which will suffer tremendously as a result. A discrepancy between both the debit and credit sides will come from improved transaction recordkeeping. To prevent such errors, the bank has established a separate

department tasked with checking for errors such as incorrect inputs, corruption, or forgery when passing vouchers.

### **Lending Principles Followed By Sonali Bank Limited**

Because profitability and liquidity are diametrically opposed characteristics, Sonali Bank Limited, as an institution, considers both when allocating funds. To keep a delicate equilibrium among security, profitability, and liquidity, the following are the fundamental lending principles that Sonali Bank Limited adheres to.

- **Liquidity:** It means that when lending, proper precautions must be taken to ensure that liquidity is not jeopardized. As a result, Sonali Bank Limited selects securities with appropriate liquidity.
- **Safety:** Sonali Bank Limited only lends when it is safe to do so and when the risk element has been sufficiently reduced and covered. It is dependent on safety.
- **Security:** The borrower's security and the debtor's repayment capacity and willingness to pay back the loan with interest
- **Diversity:** Sonali Bank Limited invests its capital in a variety of securities issued by various businesses in various parts of the country in order to reduce risk.
- **Yield:** Sonali Bank Limited regards a suitable yield or return when financing a project from a commercial standpoint.
- **Productive Purpose:** Sonali Bank Limited is a lender that solely lends money for useful purposes.

### **Types of Loans and Advances Offered By Sonali Bank Limited**

Sonali Bank Limited provides the following loans and advances:

- Secured Overdraft (SOD)
- Cash Credit (CC)
- Staff Loan

- House Building Loan
- Transport Loan
- Industrial Credit
- Mid-term Loan
- Bills Purchased and Discounted

### **Secured Overdraft (SOD)**

It's an institution that's constantly evolving. By agreeing to this, the borrower provides his client permission to exceed the bank's credit restrictions on his current account. Instead of the sanctioned amount, he is charged interest on the money he withdraws. SOD has been approved by Sonali Bank Limited for a variety of security objectives.

### **Types of Secured Over Draft**

**1. SOD (General):** Advances are granted to people or businesses in exchange for financial obligations, such as a lien on an F.D.R., a Defense Saving Certificate (P.S.P.), an ICB Unit Certificate, and so on.

**2. SOD (Others):** This category includes advances made against the assignment of a work order for the completion of contractual work. In most cases, the advance is only permitted for a specified purpose. It isn't a long-term loan.

**3. SOD (Export):** Advances are allowed for the huge amount of foreign exchange for payment on L/Cs when the exporters cannot actualize their funds before the import payment date.

### **Cash Credit (CC)**

A banker accepts and lets a client borrow the money through him according to a particular amount in a cash credit transaction. CC is a frequent means for retailers, industrialists, and others to meet their working capital needs. It functions similarly to an overdraft account. The borrower can utilize his card account at various times depending on the demands of the company, and he can adjust his liability once the money is received. Sonali Bank Limited pays interest on the account's daily balance. There are two (2) types of cash credit depending on the charging security.

### **Cash Credit (Pledge):**

A pledge is the deposit of assets as assurance for the repayment or the execution of a promise. The bailor is known as the "pawnor," while the bailee is known as the "pawnee." The pawnor must genuinely or actively provide the goods promised to the pawnee in a pledge contract. Ownership must be conveyed in a lawful manner for a legitimate pledge to be valid. In the case of committed items, the bank gains ownership or the ability to secure the items until the obligation is repaid, with the option to sell them after providing the borrower adequate notice of non-payment.

The banker will provide a checkbook enabling you to withdraw cash from the account after receiving the cash credit agreement. When a user of a CC account requests a transfer, the cash officer checks the check amounts to ensure that the total transfers do not exceed the sanctioned limit. The following is a list of the charging papers needed to open a credit card account.

- Demand Promissory Note (DP Note)
- Letter of Intent
- Letter of Revival
- Continuity Letter
- Hypothecation/Pledge Letter
- Guarantee letter
- Title Deed Memorandum Deposit
- Stock Market Report
- Disclaimer Letter

### **Staff Loan:**

The banker will provide a checkbook enabling withdrawing cash from the account after receiving the cash credit agreement. When a user of a CC account seeks withdrawals, the cash officer would examine the note amount to ensure that the total transfer does not exceed the sanctioned limit. The following is a list of the charging papers needed to open a credit card account.

### **House Building Loan:**

Advances for the construction of residential houses as principal security, up to TK 60 lakhs per annum per party, as permitted by the institutions. Every one of these loans has an annual interest rate of 5%.

### **Purchase and Discount of Bills:**

The acquisition and discount of invoices is a unique sort of advance. Sonali Bank Limited buys "Drafts," which seem to demand notes of trade accompanied by proof of ownership of commodities such as a commercial invoice, a railway refund, or a truck invoice. Trying to dismiss a document refers to the acquisition of treasury bills drawn at issuance, that is, for a set term expiring on a date in the future and not receivable on request or view, and the amount collected by the bank is called "discount."

### **Mid-term Loans:**

Sonali Bank Limited, as well as other financial institutions, are extending on principle for the time being due to their asset base, constitution, and liquidity concerns. Modern banks, on the other hand, have stated that they might lend a fair percentage of their liabilities over relatively long periods of time to the residential, industrial, farming, shipping, and many other sectors. In terms of nature and conduct, such mortgages are repayable in installments over a period of time ranging from 2 to 12 years.

### **Various Methods of Charging Securities:**

The bank charges for the next two types of security:

1. Primary Security
2. Collateral Security

The most prevalent charge techniques employed by the branch are as follows:

1. Pledge

2. Hypothecation
3. Lien
4. Mortgage

### **Loan Classification:**

Like other banks, Sonali Bank Limited separates all loan types into four categories:

1. **Unclassified:** The transactions are paid on a consistent basis.
2. **Substandard:** Repayment has slowed or become irregular, but there is a chance that it will improve.
3. **Doubtful Debt:** Although repayment of the debt is uncertain, exceptional collection efforts might result in an improvement in symptoms.
4. **Bad/Loss:** There is a small chance of survival.

Criteria determining classification:

1. Overdue (OD)
2. Require Payment (RP)
3. Limit Overdrawn (LD)
4. Legal Action (LA)
5. Qualitative Judgment (QJ)

### **FOREIGN EXCHANGE**

The process of changing one country's money into another country's currency, as well as the technique of changing claims to property in one currency into claims to wealth in another country's currency, is referred to as the foreign exchange. When we speak about foreign currency in banks, we're referring to the general process through which financial institutions convert one currency into another. International trade generates foreign currency. A Modern Bank fosters trade and commerce

by delivering critical infrastructure to the business community. Banks help businesses run smoothly, especially in international trade, by serving as a vital link between buyers and sellers who are frequently far apart and unfamiliar with one another.

The foreign exchange department at Sonali Bank appears to be playing an important role in the lives of its customers by offering a wide range of services. SBL provides a number of services, including a letter of credit issuance. Some domestic and international legislation governs the work of this department. One of the laws that oversee foreign exchange transactions is the Foreign Currency Act of 1947. The Exports and Imports Systemic Interventions of 1950, which oversees documentary receivables, is also a major rule that governs the terms of service of world commerce between exports and imports. The government's export and import policies are another important concern for lenders' import and export operations.

### **The function of foreign exchange:**

The SBL acts as a conduit for the mechanism of foreign exchange policy. As a consequence, any bank employee who works with foreign currency, especially in that network, should be aware of the following functions:

- Exchange Rates
- The forward and spot rates of exchange
- Exchange rate quoting method
- Discounts and Premiums
- Exchange rate risk
- Exchange control
- Fixed exchange rates
- Switch positions
- Money for intervention Transactions in foreign currency
- Trading with foreign currencies
- Letters of credit for export and import
- Non-commercial L/C
- Foreign trade financing
- The foreign currency market's nature and purpose



- International trade rules and regulations
- Substitute arithmetic

### **The Product: Letter of Credit (LC)**

**Letter of Credit (LC):** L/ c is a contract with an original lender and a recipient to pay in a certain period of time in consideration for the submission of papers that strictly follow the credit terms.

### **Sonali Bank offers a variety of letter of credit types.**

Sonali Bank issues two different forms of letters of credit (L/C). The following are some of them:

- a. Traveler's letter of credit.
- b. Commercial letter of credit.

### **Traveler's letter of credit:**

A circular of L/C is delivered to the issuing bank's correspondents, allowing them to honor the bearer's drafts up to the credit limit. Whenever the bank's correspondent discusses the drafts, they sign the payments on the letter of credit's opposite side. This type of credit is usually used to pay for travel expenses, and the user typically pays in advance.

### **A commercial letter of credit:**

A quantifies wherein a bank replaces a customer's credit with its own in order to enable the customer to pay for products or take on some other commitments. On behalf of its client, the bank writes a letter (or documents) to the supplier, pledging to reimburse them upon submission of solid evidence that the provider has complied with the terms of the note of credit. A commercial loan or credit is an instrument in which a bank replaces its reputation with that of a client in order to allow the customer to finance the purchase or to undertake other commitments.

### **More types of commercial letters of credit at Sonali bank**

An L/C can be classified into different types depending on the mechanism of settlement. In all credits, all major categories must be appropriately mentioned.

- Revocable letter of credit.
- Irrevocable letter of credit
- Confirmed and unconfirmed Credits

- Restricted Letter of Credits.
- Sight or payment credit.
- Deferred payment credit.
- Acceptance credit.
- Negotiation credit.
- Red close credit.
- Green Clause letter of credit
- Revolving credit.
- Specific or fixed or Non-revolving credit
- Stand by or guarantee credit.
- Transferable credit and Non-transferable credit
- Back to back credit
- Omnibus Credits
- Transit or Reimbursement credit
- Credit “With” or “Without Recourse”

**Revocable L/C:**

With the permission of both the purchaser and the exporter, a bidirectional L/C can be amended, changed, or canceled. A reversible L/C can be changed or terminated at any time by the issuing bank without prior notice to the recipient. This does not mean that the business has signed a legally binding promise to pay. Only if the financial firm or its subsidiary has honored the documents' revocation is it feasible. As a consequence, changeable credit generally does not provide the beneficiary with the necessary security.

**Irrevocable L/C:**

Without the permission of either the buyer or the exporter, an irreversible letter of credit cannot be modified or amended. An irrevocable credit arrangement is the issuing bank's firm pledge to pay. As a result, the beneficiary has a high level of assurance that if he adheres to the credit terms, he will be reimbursed for his products or services.

**Confirmed and unconfirmed Credits:**

An L/C that hasn't been insured or validated by any other bank besides the one that issued it. The bank guarantee simply advises the recipient of the terms and conditions of the letter of credit. An

unconfirmed letter of credit is a letter of credit that is solely backed by the promise of the issuing bank. The advising bank's role in this scenario is confined to informing the exporter about the Letter of Credit's terms and conditions; it does not enhance the exporter's financial responsibility. It's also known as the issuing bank's pledge to respect all unconfirmed letters of credit withdrawals as long as the letter of credit's terms and conditions are followed. A confirmed L/C also includes the responsibility of another bank, typically in the user's home country, giving the beneficiary the assurance of dealing with a familiar institution.

### **Sight payment credit:**

The most common sort of credit is a sight payment credit. These state that if the credit terms are met, payment will be issued to the beneficiary immediately after the submission of the relevant papers. A suitable amount of time is given to the banks to review the documents.

### **Deferred payment credit:**

A loan payback credit receiver is not reimbursed when the paperwork is submitted; alternatively, he is reimbursed at a later period stated in the credit. He secured a formal assurance from the approved banks that the maturation payments would be made after filing the proper documentation. The importer takes control of the documentation before being invoiced for the sum involved. A debt repayment credit is similar to an acceptable credit in terms of financial consequence, but there is no payment method and no way to collect money quickly through a flugel transaction. A bank's payment promise may be used as collateral for an advance in certain circumstances; however, such loans are usually only available from the originator or confirming bank. There are other payment methods that can be reduced.

### **Acceptance Credit:**

To settle for an acceptance credit, a term payment issued to the purchaser, the financial institution, or the overhanging bank is utilized. The beneficiary has the right to claim that the payment be recognized and delivered to him after the credit terms have been met. As a consequence, the accepted bill takes the place of cash. The beneficiary might bring that stressed bill to his own paying bank at maturity or discount it, depending on whether he needs cash straight away or not. The beneficiary usually orders that the approved bill be held in the custody of one of the collaborating institutions until it matures for the sake of simplicity. A bill of exchange issued on acceptances credit typically lasts 60-180 days. The purpose of an acceptance is to allow the supplier time to finish the payment.

He can utilize the revenues to clear the bill of Lading if he reaches the market before the bill is due, eliminating a need to loan funds to finish the transaction.

### **Negotiation credit:**

A discussion credit is a business letter of credit that the issuing bank opens for its own money and sends directly to the beneficiary. The letter is usually delivered to the addressee via a correspondent bank. "Hand on credit" is another term for this type of credit. A letter of credit's beneficiary is authorized to issue a bill of exchange against just using their bank, any other listed writer, or the credit application. This invoice, including the initial letter of credit as well as any accompanying papers, can be taken to a bank for consideration. On the premise that the beneficiary's paperwork is in good order, the financial institution assures receipt of a bill of exchange. Any bank can bargain using the most common sort of negotiating credit. In rare circumstances, only a few banks are available.

### **Red clause credit:**

The seller may obtain an advance from the financial institution for goods that will be supplied under the loan agreement for an agreed sum in the event of a red-flag credit requirement. After receiving the advance, the recipient must provide a confirmation and a written guarantee to present the necessary papers before the credit expires. The advance is paid by the correspondent bank, while the liability is assumed by the utilizing bank. The corresponding bank deducts the financial institution for the quantity of the advance plus interest if the buyer fails to deliver the relevant documentation in a timely fashion but does not repay the advance. The applicant, who takes the burden of the advance and the accrued interest, is reversed by the issuing bank. The red condition credit was originally known as the "clause authorizing the foreign bank to provide an advance."

### **Revolving Credit:**

Recurring credit is a type of credit that allows you to pay for products at regular intervals. At any one time, the amount accessible is comparable to one whole delivery. Available debt might be continuous or non-cumulative, which means that unused or partially used credit can be carried over to the next period. If the reward is non-cumulative, any percentage of the credit that's not been used in the defined period will be accessible.

### **Non-revolving Letter of Credit:**

Non-revolving credit is a type of credit that has a set payback schedule. No further credit is offered because cash is given on non-revolving credit agreements. An automobile loan is an example of non-revolving credit. Credit is issued and returned as shown in a specified payment plan on a car loan. The bulk of financing solutions includes a five-or six-year repayment period. No additional credit is offered as payments are paid. The lender owes no money after the payments are paid in full.

### **Omnibus Credits:**

As security for the wrapping credit authorized under the provisions of an irrevocable confirmed credit, the bank will take a worldwide claim on the exporter's goods and other moveable and inanimate possessions. Comprehensive credit's purpose is to enable exporters to receive capital for investments by repaying as soon as the items are delivered.

### **Transit or Reimbursement credit:**

When the borrowing lawyer's overseas news anchor tries to negotiate bills attracted under an L/C on the situation of repayment, by a proposal derived just on credit, having opened a banker's consideration somewhere else, or by borrowing from a correspondent's foreign bank account at another center, the L/C is made reference to as transportation or reimbursement.

### **Credit “With” or “Without Recourse”:**

In the case of a default L/C, the recipient is personally accountable to the bill holder if the L/C is not honored. When the recipient is not liable, the L/C is referred to as a "without remedy" letter of credit.

### **Standby credit:**

The majority of standby credit is being used in the US. In most US jurisdictions, banks are prohibited from providing periodic exclusion zones, so credits are used instead. The use of this type of credit is also increasing throughout Europe, thanks to the UCP's documentary credit and hold credit legislation. Theirs is the role of a grantee, though. Stand-by credits can ensure the following types of payment and performance:

- i. Thorium bills of exchange payment
- ii. Bank advance repayment
- iii. Receiving payment for the products that have been provided.

- iv. Goods delivery in accordance with the wet contract
- v. Contract execution, including construction, supply, and installation.

The beneficiary just submits a declaration declaring that the credit applicant has failed to complete his contractual obligations in order for the bank to pursue payment. Additional papers may be required to accompany this declaration.

### **Transferable credit and non-transferable credits:**

Transferable credit is especially well adapted to international commerce requirements. A merchant who gets payments from customers via a transferrable letter of credit might utilize the points to pay his own supplier. This allows him to complete the purchase with only a small amount of his own money. The buyer gives in exchange for only an irrevocable credit in the merchant's favor. The credit must be designated as transferable by the issuing bank. Whenever the trader gets credit approval, he may request that the institution immediately release the funds to his supplier. The bank is not obligated to complete the transfer unless it is expressly authorized by the customer. Transfer charges are usually levied on the trader, and the transmitting institution can remove them in advance. With the following exceptions, the transferable L/C's of service have to be similar to those of the first letter of credit:

- On the transferred credit, the original recipient may be listed as the applicant.
- The quantity of the L/C, as well as any unit prices, maybe less than the initial L/C (the discrepancy being the profit margin of the original beneficiary).
- The most recent shipment date, if any, as well as the letter of credit's expiry date, should be reduced.
- To meet the conditions of the initial letter of credit, the proportion of health insurance, if any, should be increased.

### **Back to Back Letter of Credits:**

When a product arrives with a reference letter for products that must be purchased from a third party, which in turn requires a letter of credit, a transaction is launched. The "second" banking firm requests reimbursement from the "first" financial institution after the subsequent L/C is paid. The powers under the present L/C are transmitted in a transferable letter of credit. However, the rights under the present L/C are not transmitted in a back-to-back L/C. Different credit cards are issued in a back-to-

back transaction. When an item arrives with a letter of support for goods that must be bought from a third party who, in turn, needs a letter of credit, a trade is initiated due to the likelihood of back-to-back technical failures. When the next L/C is paid, the "second" flagship business asks for reimbursement from the "first" commercial bank. The existing letter of credit's powers are transmitted to a transportable letter of credit, but the present letter of credit's rights are not communicated on the inside of a back-to-back L/C. In a back-to-back transaction, two different debit cards are issued because there is a chance of numerous system errors in a row.

### **Parties to a letter of credit:**

An importer provides a letter of credit to an exporter with the terms he has negotiated to purchase a product or commodities on behalf of the importer. The letter of credit has three parties: the purchaser, the exporter, and the financial institution. On the other hand, one or even more institutions, on the other hand, are engaged in many functions and phases during the loan's life cycle.

- i.** The Opening Bank, also known as the Opening Bank,
- ii.** The Notifying or Advising Bank
- iii.** The buyer (importer) or applicant
- iv.** Seller or Beneficiary (Exporter)
- v.** The Bank That Pays
- vi.** The Bank in Charge of Negotiations
- vii.** The bank that confirms the transaction
- viii.** Accepting Bank
- ix.** Reimbursing Bank

### **The opening Bank:**

The buyer's request for a letter of credit is fulfilled by the launching bank. It carries the responsibility and makes ends meet, called credit, by giving a letter of credit. If a different bank negotiates the drafts, the issuing bank reimburses the other financial institution. When a bank issues a letter of credit, it declares it's willing to pay for the invoice or invoices drawn by the value recipient at any time. The liability matures when the bills are submitted to, or an indication is gained that the contracts have been submitted to, a collecting or negotiating bank.

**The Advising Bank:**

A bank in the beneficiary's country is frequently used to deliver a letter of credit. The bank could be the opening bank's branch or a correspondent. The credit is occasionally recommended to this bank through cable and then transferred to the beneficiary in its own unique format. In other cases, the letter is mailed or telefaxed to the bank, which then forwards it to the exporter. The advising bank is the institution that provides these services. The advising bank is responsible for providing early credit advice to the recipient and must communicate all relevant data carefully.

**The Buyer and the Beneficiary:**

The importer is the buyer, and an L/C is issued upon his or her demand. The exporter in whose favor the account is created and to whom the L/C is given is the beneficiary. As a commodity seller, he has the authority to demand payment, which he does by issuing invoices under an L/C. As soon as the goods have been transferred and the appropriate documents have been collected, he creates a set of paperwork and provides it along with the documents required to the launching bank or another bank specified in the L/C.

**The paying Bank:**

The paying bank only pays the credit drafts; it does not take appropriate decisions against the receiving bank, either by reviewing the latter's finances with that if one exists or by any other way agreed upon between the two bankers. After the recipient receives the funds for the drafting, he is no longer a part of the process; only the payment bank and the receiving bank are.

**The Negotiating bank:**

To ensure that the draft and any related documents comply with the L/C conditions, the negotiating bank should carefully review it. The opening center may refuse to complete the tools in the event of a collision; in this case, the lender must return to the recipient in order to be reimbursed.

**The Confirming Bank:**

An exporter can ask a bank inside his own country to confirm an L/C granted in his favor. Because it allows this country to add its confirmation to the credit, the confirming bank is also known as the verifying bank, and the debt is known as verified credit.



**for opening the letter of credit (LC):**

By requesting the creation of a documented credit, the importer demands that his bank give a payment guarantee to the supplier after receiving the completed invoice from the exporter. Certainly, the bank will only agree to this demand if it is confident that the client will pay it back. They are usually accepted as the sole collateral for credit, particularly if they are not in possession of a product that can be traded on a regulated market. However, such a deal would subject the bank to unnecessary risk in areas where it lacks experience. As a consequence, the candidate must have enough money in their bank account or have a credit line to meet the requisite amount. Banks specialize in paperwork rather than products. The bank's obligation to pay is dependent on the timely presentation of the appropriate documentation once the credits have been awarded. Because the beneficiary has not provided products on reddish reissues in accordance with the contract, the application cannot prohibit a bank from completing the paperwork.

**Foreign Remittance:**

Money is sent from one location to another via bank remittance. Both internal and outgoing remittances must be routed to Bangladesh Bank, which SBL is already doing. The money is being exchanged at the Bangladesh Bank. Types of Remittance:

- a) Foreign Inward Remittance
- b) Foreign Outward Remittance

**Foreign Inward Remittance:**

Foreign Inward Remittances are remittances that are freely converted to foreign currency and received from abroad, with the approved dealer paying the total currency to the beneficiaries.

**Foreign Outward Remittance:**

Foreign outward remittances are remittances of foreign currency transferred from our country to another country.

**Mode of Inward Remittances and Outward Remittances:**

- Telegraphic Transfer (TT)
- Mail Transfer (MT)
- Foreign Drafts (FD)

- Payment Order (PO)
- Travelers Check (TC)
- Foreign Currency notes.

# Chapter 3

## Industry Analysis

### 3.1 Industry overview:

The financial system in Bangladesh is essentially composed of two types of organizations: banks and non-bank financial institutions (NBFIs). Bangladesh's central bank, the Bangladesh Bank, oversees and regulates the banking sector. The banking sector alone accounts for a significant portion of financial sector assets, with 48 banks accounting for nearly 95 percent of total assets as of December 31, 2011. State-owned commercial banks (SCBs) have lost market share in savings, bank loans, and advances since 2002, while financial institutions (PCBs) and foreign financial institutions (FCBs) have gained market share, indicating increased competition in the financial system (Bhattacharya and Chowdhury 2003).

SCBs accounted for 28.75 percent of industrial assets in 2011, down from 54.4 percent in 1990, whereas PCBs accounted for 65.24 percent, up from 22.6 percent in 1990. Similarly, over the last ten years, the total assets of the FCB industry have increased little. In 2011, FCBs held 6.0% of the firm's profits.

To create an efficient banking environment, several authorities have taken substantial measures in the areas of legislative, institutional, and administrative reform during the 1990s. The Finance Sector Reform Proposal (FSRP) addressed loan classification and recovery, bank capital circumstances, the regulatory environment, and banking system oversight. Since 1994, the CAMEL (Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity) grading system has been used to evaluate the performance of scheduled banks.

To overcome the issues faced by banks, the Bangladesh Bank has implemented an Early Warning System (EWS) of supervision. Any bank experiencing difficulties in areas of operation under the CAMELS framework is placed in the EWS category and actively monitored in order to increase accuracy (Mollik and Bepari 2009).

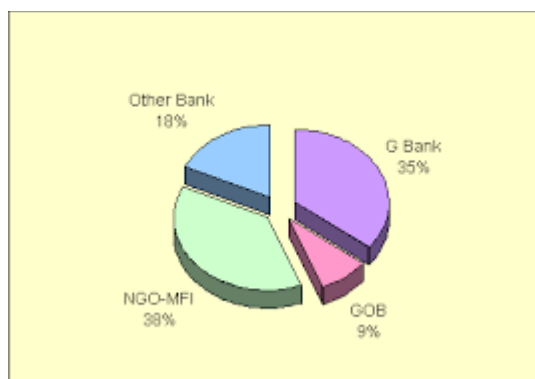
**Table 2NPL Ratios by type of Banks (%)**

Bank type	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
SCBs	45.6	38.6	37.0	33.7	29.0	25.3	21.4	22.9	29.9	25.4	21.4	15.7
DFIs	65.0	62.6	61.8	56.1	47.4	42.9	34.9	33.7	28.6	25.5	25.9	24.2
PCBs	27.1	22.0	17.0	16.4	12.4	8.5	5.6	5.5	5.0	4.4	3.9	3.2
FCBs	3.8	3.4	3.3	2.6	2.7	1.5	1.3	0.8	1.4	1.9	2.3	3.2
Total	41.1	34.9	31.5	28.0	22.1	17.6	13.6	13.2	13.2	10.8	9.2	7.3

Source: Bangladesh Bank

As a result, the banking sector has seen a favorable trend in most of the industry's major indicators. High levels of nonperforming loans (NPLs) weighed heavily on the industry. It was collected over a long period of time as a result of the SCBs' poor management. Table I, on the other hand, illustrates that the ratio of nonperforming loans (NPLs) held by various types of banks has fallen significantly over the last ten years. It fell from 41.1 percent at the end of 1999 to 7.3 percent in 2010.

Furthermore, the adoption of bank capital laws has handled the problem of bank undercapitalization by raising the capital adequacy threshold from 9% to 10% of risk-weighted assets, as well as the core capital requirement from a 5% increase in the minimum requirement to a 5% increase in the minimum requirement (to be attained by December 2007). As a result, the banking system's structure has shifted dramatically throughout the last ten years, as evidenced by the concentration ratios of Bangladesh's banking sector.



**Figure 1 institution wise cumulative loan disbursement**

Prior to Pre-Covid, Bangladeshi banks were already dealing with a difficult climate. Recent policy measures, such as the borrowing rate cap and inherited high NPLs, have exacerbated the problem, generating an unwelcome double whammy.

Commercial banks will be obliged to limit lending to the areas of economic activity most affected by conflict and to medium-sized business owners at a time when cash is most required since they will be unable to adequately price loans owing to lending limits. After Bangladesh Bank stopped default credit reports in January to help companies deal with the coronavirus outbreak, the banking industry saw a BDT 18.2 billion reduction in credit defaults and a 9% drop in non-performing loans in March 2020.

The fundamental underlying problem with toxic assets is still being worked out. Mr. Ali Reza Iftekhar, Chairman of BAB, attributed the surge in non-performing loans to a lack of banking governance (NPLs).

A strict lending situation is an issue depending on the BB's policies, and the government's massive spending on the financial sector is expected to have serious crowding-out repercussions. The absence of a credit facility limits banks' capacity to lend to businesses during a pandemic, rendering the stimulus package worthless. Bangladesh's government is collaborating with the World Bank to provide partial credit guarantees and partial credit guarantees that will split some of the risks with banks. The credit guarantee plan would begin with a USD 300 million credit guarantee.

On July 3, the Bangladesh Bank signed an order requiring banks to deliver all stimulus funds by August 1. The forced disbursement of mortgages without the requirement of a credit facility is predicted to degrade asset quality by increasing bank NPL risk. The COVID-19 outbreak has resulted in an unprecedented decline in banks' non-operating revenue due to the drop in LC applications and remittances.

Allowing black money into the banking system may help to boost bank development, but the corporate income tax rate has remained unchanged, and the bank excise cost has been raised. BRAC Bank is better placed to deal with the pandemic than other Bangladeshi banks due to its strong asset values, high capitalization, significant investment in online payments, and 51 percent stake in bKash, Bangladesh's biggest MFS operator.

### **3.2 Covid-19 Impact Analysis:**

The global economy has been impacted by the COVID-19 epidemic, which has caused a delay in daily activities and an economic downturn. As a result, Bangladesh's banking system has already been engulfed in a slew of frauds and irregularities, including a massive group of no loans, an increase in loan beginnings, a lack of internal clout, a growing capital shortfall, and poor loan collections. This sector is suffering from the effects of the circumstances, which are adding insult to the wounds caused by the COVID-19 pandemic. COVID-19's impacts will continue to be felt this year, posing new problems for the entire nation and the financial industry.

#### **Growth of the financial sector**

Financial intermediation has been dropping in recent years, according to the Bangladesh Bureau of Statistics, but a major reduction is projected in 2020 compared to the previous year.

#### **Impact on Banker**

According to Bangladesh Bank data, the coronavirus has infected 27,237 commercial bankers, with 143 bankers dead as of June 2021.

#### **NPL condition**

Considering the central monetary policy assistance for loan categorization, the volume of nonperforming loans (NPLs) grew by more than 7% from Tk. 887.34 billion in the previous quarter of January-March 2021. According to the BB, lower asset quality due to the high levels of nonperforming loans (NPLs) and poor profitability could have an influence on banking sector performance in the coming quarters.

# Chapter 4

## Breakdown of Activities

### 4.1 Days of work:

Sonali Bank Ltd. Dhaka Cantonment corporate branch offered a three-month full-time internship. I had to come to the office five days a week, from 10 a.m. to 4 p.m., as an intern. On Friday 7 Saturday there was a weekly holiday.

### 4.2 Departments Attendant during Internship

At the Foreign Exchange Department, I worked as an intern. The process of changing one country's money into another country's currency, as well as the technique of translating rights to income in one nation's currency towards claims to wealth in another country's currency, is referred to as foreign exchange. When we speak regarding foreign exchange in institutions, we're referring to the general process through which financial institutions convert one currency into another. International trade generates foreign exchange. A modern bank fosters trade and commerce by delivering vital services to the corporate sector. Banks help businesses run smoothly, especially in international trade, by serving as a vital link between buyers and sellers who are typically geographically separated and unfamiliar with one another. By offering a variety of services, Sonali Bank's foreign currency exchange division plays a vital role in the lives of its customers. Issuing L/C is one of SBL's key services.

Some domestic and international legislation governs the department's functions. One of the regulations that control foreign exchange transactions is the Foreign Exchange Act of 1947. The Exports and Imports Control Act of 1950, which oversees documentation credits, is also a major piece of legislation that governs the terms of service of global trade among exporters and importers. The government's export and import policies are another key challenges for banks' exports and imports.

### **The function of foreign exchange:**

The SBL serves as a conduit for the foreign exchange policy mechanism. As a result, any bank employee who works with foreign exchange, particularly that system, should be familiar with the following functions:

- Rate of Exchange
- The rate of exchange forward and spot rate
- Method of quoting exchange rate
- Premium and Discount Risk of exchange rate
- Exchange control Convertibility
- Exchange position Intervention money
- Foreign exchange transaction
- Foreign exchange trading
- Export and import letter of credit
- Non-commercial L/C Financing for foreign trade
- Nature and function of foreign exchange market
- Rules and regulations used in foreign trade Exchange arithmetic

#### **4.3 Main Responsibilities**

My duties included assisting the foreign exchange team by keeping records of papers of Wage Earner Development Bond, and Dollar endorsement papers.

#### **WEDB**

The Bangladesh Central Bank launched the Wage Earner Development Bond (WEDB) for Bangladeshis living abroad. The objective of this tool is to persuade NRBs to deposit their hard-earned income in WEDB, which is government-guaranteed and pays a fixed mortgage.

- The principle and interest amounts are tax-free.
- Bangladesh has a bond loan facility.
- On bond purchases, the maximum ceiling is TK 1 crore.
- Death risk rewards might range from 30% to 50% of the investment.
- In BD, interest is due every six months.
- It can be used as collateral for any loan.
- The purchaser can repatriate the principal balance of the Wage Earner's Development Bond in foreign currency.



Papers required for WEDB are:

- Passport at least 3 months validity.
- Valid visa
- NID
- Copy of cheque for purpose of bank account A/C name, A/C number, Branch name Bangladeshi, Routing number.
- Photo 1 copy
- Job related documents
- Business Related documents
- Undertaking

Nominee:

- Photo 1 copy
- NID

Papers need for changing Nominees name:

- Form of nominee change
- NID of bondholder
- NID of the new nominee
- NID of the previous nominee
- Photo of the new nominee

## **L/C**

A letter of credit often referred to as just a "credit letter," is an assurance from a bank that a buyer's monthly payment will be paid in whole and on time. The bank is expected to reimburse the whole or residual cost of the deal if the buyer is unable to make the payment. It's conceivable that it will be offered as a service.

Because of the nature of global trade, which encompasses issues like distance, different laws in each country, and the difficulties of knowing each participant, the use of letters of credit has become a critical export market.

### **Dollar Endorsement**

SBL provides the facility of dollar endorsement. At present, a Bangladesh national can endorse up to 12000 dollars in a particular year against travel. In addition, another 10000 dollars can be endorsed against foreign travel on medical grounds.

Required document for dollar endorsement:

- Passport
- Visa
- Air ticket

### **FC Account**

Foreign Currency Accounts are accounts opened and maintained in foreign currency by approved dealer branches without previous authorization from Bangladesh Bank.

Required documents for opening an FC account:

- Account opening form.
- The Bangladesh Embassy must fill out the account registration form and signature card, which must be signed and validated.
- Two copies of the account holder's passport-size photograph, as well as two copies of each nominee's passport-size photograph.
- The account holder's signature on a photograph of the nominee.
- For non-resident Bangladeshi nationals, a photocopy of the first seven pages of their passport, verified by the Bangladesh Embassy overseas.

- On the account opening form, you must sign your name.
- Copies of the certificate issued by the employer.

# Chapter 5

## Analysis of Internship Site

### 5.1 Company Level Analysis:

My internship was performed at Sonali Bank Limited Dhaka Cantonment Corporate Branch. In Bangladesh's banking industry, Sonali Bank Limited is the most well-renowned bank. As an intern for SBL, I mostly worked in the foreign department, but I also get to view the entire banking activities. SBL takes the following steps in the production to ensure a healthy

The working environment for its employees:

- SBL maintains a clean work environment and has a water supply filter on each floor.
- The branch has a welfare foundation to safeguard the safety of female employees.
- SBL has a separate department dedicated to fire safety. They are made up of fire officers and firefighters who work shifts to ensure fire safety. They hold fire drills to raise awareness among employees.

### 5.2 Market Level Analysis:

In Bangladeshi financial circles, the SBL is highly recognized. The National Bank of Pakistan, the Premier Bank, and the Bank of Bhawalpur merged to form Sonali Bank Limited, Bangladesh's largest commercial bank, in 1972. The government of Bangladesh owns the bank entirely. It now has a paid-up capital of Tk. 450.00 crores, a deposit rate of 51.61 percent, and a loan and investment portfolio worth Tk. 69,317.00 million.

The Board of Directors of Sonali Bank Limited is made up of 11 people. A very well-known businessman and renowned specialist serve as the bank's CEO and CEO. The banking corporation's headquarters are in Motijheel, Bangladesh's business hub. It has grown to become Bangladesh's largest government-owned commercial bank.

### 5.3 Professional Level Analysis:

Sonali Bank Ltd is the largest bank in Bangladesh. In the Bangladesh banking industry, the SBL is a well-known name. They have a considerable presence in the Bangladeshi Banking industry. I

finished my internship in SBL's foreign exchange department. The purpose of an internship like this is to gain important practical experience. We have gathered a lot of theoretical information during the course of our four years of university classes in numerous areas. However, this internship course was the first in which I gained real knowledge of the Bangladeshi job market and work locations. As a result, the internship's primary goal was to get real-world work experience. SBL's FE department taught me a lot throughout my three-month internship. But I was an intern in the FE department at SBL. In the banking sector, the main duties of the FE department are to exchange one currency for another. That's why, in order for me to gain a better knowledge of my FE responsibilities, my mentor assigned me to keep a record of the information of WEDB bondholders. I indicated before in this report what I've learned from working in this department and how that knowledge helps me accomplish my duties as an FE intern. I am really thankful to SBL for providing me with such a fantastic opportunity, as well as to my supervisor, who assisted me in learning a new skill and adjusting to this completely new atmosphere throughout my internship period. Working here has also taught me soft skills such as communication, time management, empathy for others, and colleague respect. All of this knowledge will benefit me in the future in both my personal and professional lives.

# Chapter 6

## Conclusion & Recommendation

### 6.1 Recommendation

#### **Customer's convenience:**

Sonali Bank Limited should hire additional employees so that they may provide speedier services to their valued customers. Relationship and database banking should be started as soon as possible. Training, motivational work, and internal marketing must all be used to improve the bank's overall team spirit.

#### **Ensuring communication:**

Maintain a proper communication system as well as files and machinery like as phones, computers, fax machines, and photocopiers.

#### **Profitable Fund Mobilization:**

It has been noted that a significant quantity of money remains uninvited or is badly invested, posing a substantial threat to the bank's profitability. As a result, money mobilization should be done with caution and profit in mind.

#### **Loan & Advance:**

Top management should endeavor to change the services in the loans and advances industry in order to gain a competitive edge and provide quality service. The following actions should be implemented to improve sound lending and reduce the rate of bankruptcy:

#### **Computerization:**

The bank should be entirely automated to ensure error-free, quick tasks. Online banking and electronic services are currently in high demand. In their diverse activities, the management functions (from planning to control) are not clearly present. Only the best branch's cash area is computerized. Sonali Bank, on the other hand, is trying to avoid insolvency should be developed right away Through the Credit & Project Finance Information System, computer.

**Credit risk management:**

Sonali Bank is Bangladesh's first and largest bank. Profit, growth, progress, and welfare are the main goals of its operations. This bank's management system is completely democratic. It adheres to the Bangladesh Bank's rules at all times. Sonali Bank Staff College offers training to the bank's middle and junior level officers, as well as executive growth and internship programs. This is my opinion that the lecture on credit risk management and negative obstacles to financing should be discussed more broadly than it has been in the past. Because of Sonali Bank's management's substantial engagement in lending risk and project finance procurement with the bank's growth, profit, and future. Officers in charge of credit risk management and project finance procedures should pay close attention to the timing of finance sanctioning. Because demand for a wide range of products is variable. So, assuming everything else stays the same, the sanctioning procedure should not be postponed.

**Product differentiation and Marketing:**

In order to keep up with the times, various new goods need to be developed based on customer needs and desires.

**Networking:**

Sonali Bank uses a manual network rather than a digital network. As Bangladesh's largest commercial bank, Sonali Bank should implement a networking infrastructure that allows all of its branches to be easily connected. Sonali Bank could dispense services via ATM, Debit card, Master Card, and Q-Cash using a computerized networking infrastructure.

**Decoration of offices:**

To entice visitors to come into the office, it should be fully ornamented.

**Policy:**

The policy should be different and dynamic in order for borrowers to embrace it. Regional, financial, continental, demographical, economic, and psychographic considerations should all be taken into account when making policy.

**Restructuring of salary:**

To inspire employees, the pay structure should be improved.

**Political power:**

Maintaining credit management and project finance procedures should not be based on political power. Most of the time, the procedures in Bangladesh are too lax for funding, and the end result is bankruptcy.

**Others:**

The intrusion of CBA in customer service and administration should be eliminated. Internal banking policies must be reserved by Sonali Bank Limited.

Finally, Sonali Bank should create a conducive environment for borrowers to haggle or negotiate loan and finance terms. Because of Sonali Bank, it is necessary to consider the needs, wants, and demands of the borrower as well as his profitability.

**6.2 Conclusion**

Sonali Bank Limited is the largest commercial bank in Bangladesh and the country's largest employer in government and industry. The bank plays a very important role in the development of economic well-being through the development of the industrial sector. All common banking services, as well as other specialized financial services, are used to help the economy.

Finally, because the flexibility was not so bad, the bank's profit was sufficient. Several new branches were opened during the study. Its success as long as the new bank stands out. Finally, we can apply for a bank to become a first-class banker if it keeps its costs and takes the necessary steps to deal with its small restrictions.

In short, every company has its pros and cons, and these can stand out more than ever before in the example of Sonali Bank Limited. However, it seems that the negative aspects will be eradicated soon because the management is determined to reach the pinnacle of success.

Staff productivity can be greatly enhanced with appropriate training, motivation, and organizational assistance such as computer programming, a good work environment, government intervention in policy development, and desk work. In addition, the institution must take the necessary steps to obtain a non-performing or disbursed loan in order to maximize its core profits. It should also be able to coordinate government transactions quickly. He has to think about getting a blank slate. There are fees and charges for free services.



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