

# **An Overview of Foreign Trade Activities Different Mode of Payment Procedures in Export Import Business**

## **Foreign Trade Financing**

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# FOREIGN TRADE

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### REASONS FOR FOREIGN TRADE

## Role of Bank in Foreign Trade

- To facilitate the payment
- To provide finance




# REGULATORY FRAMEWORK FOR FOREIGN TRADE

## Domestic Guidelines & Regulations:

- ❖ Foreign Exchange Regulations Act 1947
- ❖ Import Policy Order
- ❖ Export Policy
- ❖ Guideline for Foreign Exchange Transaction Vol-1 &2.
- ❖ BB Circulars & RBL Circulars etc.


## International Guidelines & Regulations:

- ❖ Uniform Customs and Practice for Documentary Credit(UCPDC) 600
  - ❖ Uniform Rules for Collection (URC 522)
  - ❖ Uniform Rules for Bank to Bank Reimbursement(URR 725)
  - ❖ Incoterms 2020
  - ❖ International Standard Banking Practice (ISBP 745)
  - ❖ International Standby Practices (ISP98)
  - ❖ Others.
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# MODES OF INTERNATIONAL TRADE PAYMENT

- Cash in Advance
- Open Account
- Documentary Collection
- Documentary Credit

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



## RISK OF BUYER AND SELLER

Methods of Payment	Buyer Risk	Seller Risk
Cash in Advance	Extreme	No/Very Low
Open Account	No/Very Low	Extreme
Documentary Collection	Low	Moderately High due to Dishonor
Documentary Credit	Low	Low

# FINANCE IN FOREIGN TRADE



# FINANCE IN FOREIGN TRADE

## IMPORT

### Pre Import

- Letter of Credit

### Post Import

- Payment Against Document (PAD)
- Loan against Imported Merchandise (LIM)
- Loan against Trust Receipt (LTR)



# FINANCE IN FOREIGN TRADE

## EXPORT

### Pre-shipment credit:

- **Export Cash Credit Hypothecation**
- **Export Cash Credit Pledge**
- **Back to Back LC**
- **Packing Credit**
- **Export Development Fund**

### Post-shipment credit:

- **Foreign Bill Purchased/Negotiation of Export documents**
- **Inland Bill Purchased**
- **Bill discounting**
- **Loan/Advance against Foreign Bill for Collection**
- **Loan/Advance against Inland Bill for Collection**









**IRC-Import Registration Certificate**

**ERC- Export Registration Certificate**

**CCI&E- Chief Controller of Import & Export**



# Import Procedure(DC)



BD

UK

RBL

RBS

IMP

LC

EXP

Chemical  
1000 KG  
100000 USD

- ❖ Proforma Invoice/Indent
- ❖ Insurance Cover note
- ❖ LCAF (Letter of credit Authorization Form)
- ❖ CF 7
- ❖ IMP Form
- ❖ Application in company letter head

- ❖ Issuing Bank
- ❖ Advising Bank
- ❖ Confirming Bank
- ❖ Reimbursing/Paying Bank
- ❖ Nominated/Negotiating Bank
- ❖ Presenting Bank

## Specimen of Letter of Credit

Sender: RUPBDDHLOD  
RUPALI BANK LTD  
(LOCAL OFFICE, DHAKA)  
0719 DHAKA  
DHAKA  
BD  
BANGLADESH

Receiver: NBOKKWKWXXX  
NATIONAL BANK OF KUWAIT  
KUWAIT  
KW

F27: Sequence of Total  
Number: 1  
Total: 1

F40A: Form of Documentary Credit  
IRREVOCABLE

F20: Documentary Credit Number  
026314010125

F31C: Date of Issue  
140416 2014 Apr 16

F40E: Applicable Rules  
Applicable Rules: UCPURR LATEST VERSION

F31D: Date and Place of Expiry  
Date: 140614 2014 Jun 14  
Place: KUWAIT

F51D: Applicant Bank - Party Identifier - Name and Address  
Name and Address:  
RUPALI BANK LTD.,LOCAL OFFICE,34,  
DILKUSHA C/A,DHAKA,BANGLADESH.

F50: Applicant  
BANGLADESH PETROLEUM CORPORATION  
BSC BHABAN,SALTGOLA ROAD,POST BOX  
NO.2052,CHITTAGONG-4100,BANGLADESH

**F59: Beneficiary**

Name and Address:  
KUWAIT PETROLEUM CORPORATION,  
P.O. BOX-26565 SAFAT,POST CODE  
13126,KUWAIT.

**F32B: Currency Code, Amount**

Currency: USD US DOLLAR  
Amount: 28000000,00 #28000000,00#

**F39A: Percentage Credit Amount Tolerance**

Tolerance 1: 10  
Tolerance 2: 10

**F41A: Available With ... By ... - Identifier Code - Code**

Identifier Code:  
NBOKKWKWXXX  
NATIONAL BANK OF KUWAIT  
KUWAIT KW  
Code: BY NEGOTIATION

**F42C: Drafts at ...**

30 DAYS FROM THE BILL OF LADING  
DATE (B/L DATE TO BE COUNTED AS  
DAY ONE)

**F42D: Drawee - Party Identifier - Name and Address**

Name and Address:  
RUPALI BANK LTD.,LOCAL OFFICE,  
34,DILKUSHA C/A,DHAKA-1000,  
BANGLADESH

**F43P: Partial Shipments**

ALLOWED

**F43T: Transshipment**

NOT ALLOWED

**F44E: Port of Loading/Airport of Departure**

SELLER'S LOAD PORT IN KUWAIT

**F44F: Port of Discharge/Airport of Destination**

CHITTAGONG ,BANGLADESH

**F44C: Latest Date of Shipment**

140515 2014 May 15

**F45A: Description of Goods and/or Services**

SUPPLY OF GASOIL 0.2 PCT. 'S' :30000 M.TON PLUS/MINUS  
COUNTRY OF ORIGIN :KUWAIT CARGO NO.KPC-15/14 AS PI

**F46A: Documents Required**

1)INVOICE (ORIGINAL + 3 COPIES) CERTIFYING THE FOLLOWING :

A.INVOICED QUANTITY DETERMINED BY INDEPENDENT SURVEYOR BEFORE  
BREAK BULK AT DISCHARGE PORT AS PER AGREEMENT.

B.INSURANCE POLICY NO.CTG/MP/PUB-74/06/2013 (OPEN) DT.11.06.2013

C.PRICE APPLIED AND QUALITY SUPPLIED IS AS PER CONTRACTUAL  
TERMS.

D.ALL OTHER TERMS AND CONDITIONS AS PER KPC'S CONTRACT REF.  
NO.T/MD/GKM/605.

E.IMPORT AUTHORIZATION FORM NO.80708.

2) 3/3 ORIGINAL B/L + 3 COPIES ISSUED OR ENDORSED TO THE ORDER  
OF RUPALI BANK LIMITED,LOCAL OFFICE,DHAKA,BANGLADESH A/C  
BANGLADESH PETROLEUM CORPORATION,MARKED FREIGHT PAYABLE AS PER  
CHARTER PARTY.

3).CERTIFICATE OF ORIGIN (ORIGINAL +3 COPIES)

4).CERTIFICATE OF QUALITY AND CERTIFICATE OF QUANTITY AT LOAD  
PORT (ORIGINAL + 3 COPIES).

5).FAX COPY OF CERTIFICATE OF QUANTITY ISSUED BY INDEPENDENT  
INSPECTOR AT DISCHARGE PORT ( 3 COPIES).

6).FAX COPY OF CERTIFICATE OF QUALITY ISSUED BY INDEPENDENT  
INSPECTOR AT DISCHARGE PORT ( 3 COPIES).

7).SHIPPING DOCUMENTS MUST BE SENT TO THE APPLICANT WITHIN 7  
(SEVEN) WORKING DAYS AFTER SHIPMENT DATE BY INTERNATIONAL  
COURIER SERVICE AND COURIER RECEIPT MUST ACCOMPANY THE ORIGINAL  
DOCUMENTS

8). CERTIFICATE OF BENEFICIARY TO THE EFFECT THAT ALL TERMS  
AND CONDITIONS OF THE CREDIT HAVE BEEN FULLY COMPLIED WITH.

**F47A: Additional Conditions**

1.DOCUMENTS WITH DISCREPANCY(IES) MUST NOT BE NEGOTIATED EVEN  
AGAINST GUARANTEE OR UNDER RESERVE.

2. THE TRANSPORTATION SHOULD BE EFFECTED BY THE VESSEL OF  
ANY COUNTRY WITH WHOM BANGLADESH HAS DIPLOMATIC RELATIONSHIP.  
SHIPMENT AND TRANSSHIPMENT FROM ANY PORT OF ISRAEL IS  
PROHIBITED.

3. BILL OF LADING ISSUED PRIOR TO THE DATE OF THIS L/C IS NOT  
ACCEPTABLE.

## Documents commonly used in International Trade

- ❖ **Bill of Exchange**
- ❖ **Commercial Invoice**
- ❖ **Bill of Lading/ Airway Bill/ Truck Receipt**
- ❖ **Packing List**
- ❖ **Certificate of Origin**
- ❖ **Beneficiary Certificate**
- ❖ **Warrantee Certificate**
- ❖ **PSI Certificate**
- ❖ **GSP Certificate etc as required in the LC.**



# Import Procedure



BD

UK

RBL

RBS

LC

IMP

EXP

Lodgment & Retirement  
of Documents

SCB NY





## **Types of Letter of Credit (LC)**

- **Irrevocable LC**
- **Confirmed LC**
- **Sight LC**
- **Deferred LC**
- **Local LC**
- **Foreign LC**
- **Transferable LC**
- **Revolving LC**
- **Red Clause LC**
- **Green Clause LC**
- **Govt. LC**
- **Private LC**
- **Back to Back LC etc.**



# Export Procedure



BD

UK

RBL

RBS

EXP

LC

IMP

SCB NY



# BBLC Procedure



BD

UK

SBL

RBS

LC

EXP

IMP

RBL

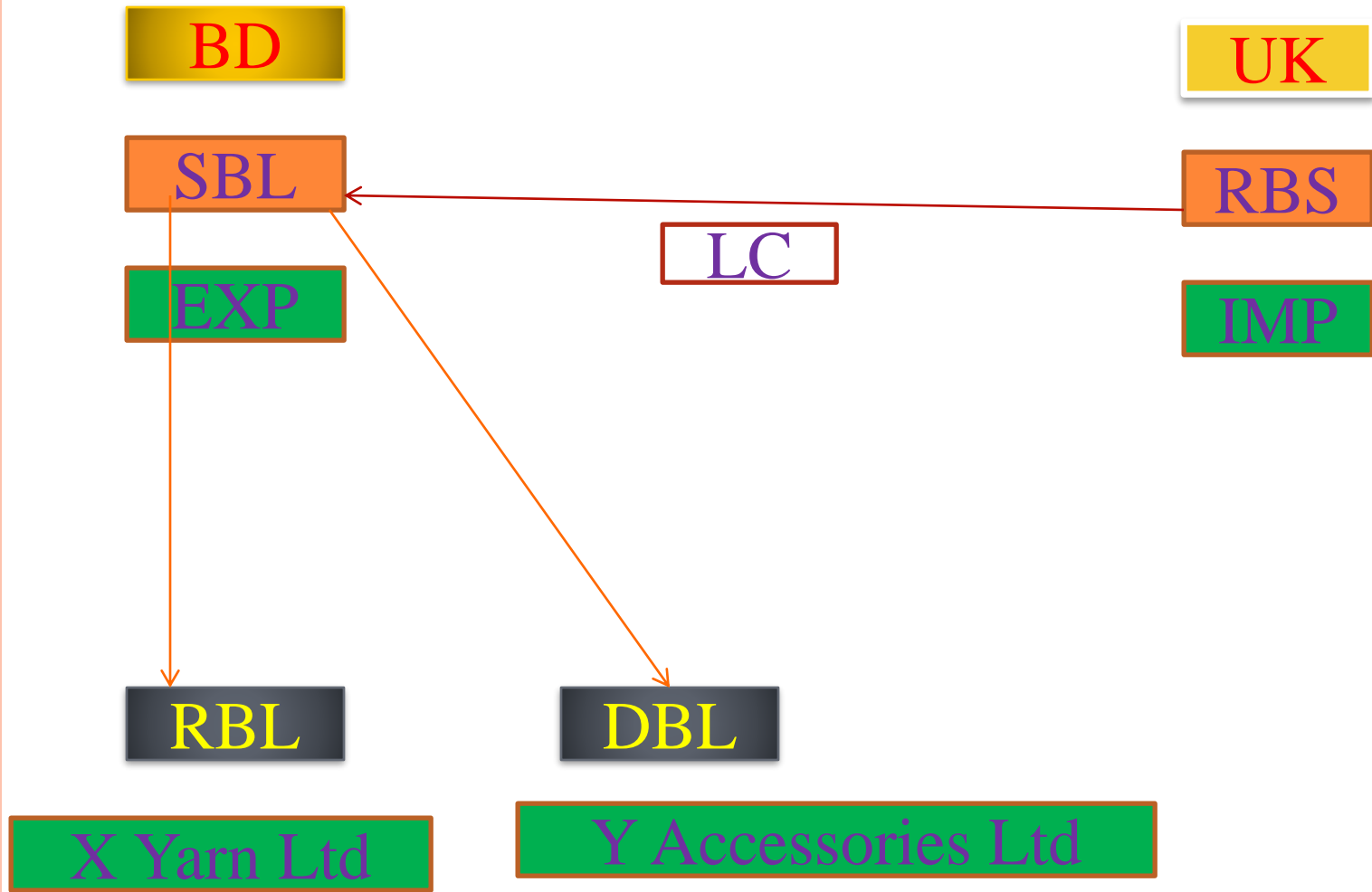
DBL

X Yarn Ltd

Y Accessories Ltd



# BBLC Procedure





- **Role of bank in Foreign Trade**
- **Import & Export Policy**
- **UCPDC 600**
- **Modes of Int. Trade payment**
- **Import Finance**
- **Export Finance**
- **Letter of Credit**
- **Proforma Invoice**
- **Lodgment**
- **Retirement**
- **Name of some Int. Trade documents**
- **Negotiating Bank**
- **Back to Back LC etc.**





Thank  
you

