

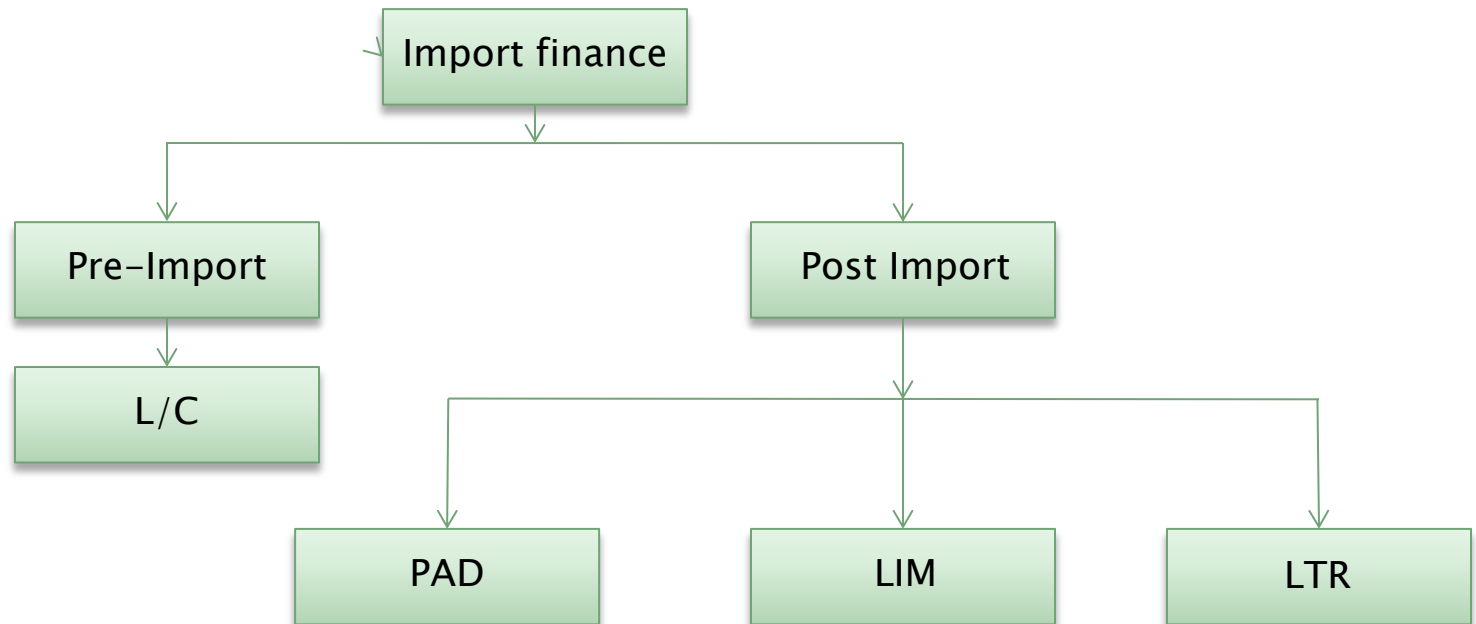
Foreign Trade Financing: Import Financing

Presented by

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Import Finance

- ▶ Import finance is a short-term cash advance paid to the importer that enables to meet immediate payment obligations under a sight or usance Letter of Credit or Import Documentary Collection.

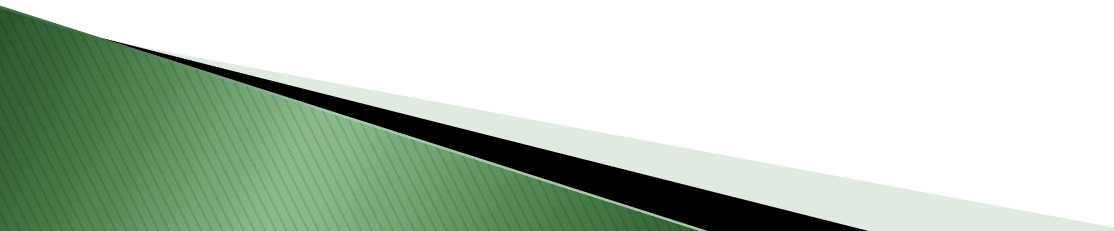


Pre-Import Finance: L/C

Letter of Credit is –

- ▶ an irrevocable undertaking (irrevocable means L/C or amendment can neither be cancelled nor amended without the agreement of the issuing bank, the confirming bank, if any, and the beneficiary.)
- ▶ Issued generally by a bank (though a bank will usually issue a documentary credit , any company or individual may act in the capacity of issuer, ref.– Gary Collyer, Guide to Documentary Credits, 5th edition P-18)
- ▶ at the request and instruction of a buyer/importer/applicant
- ▶ in favour of a supplier/exporter/beneficiary/seller
- ▶ to pay stated money
- ▶ within prescribed time limit
- ▶ against complying presentation {Complying presentation means a presentation that is in accordance with the terms and conditions of the credit, the applicable provisions of UCP 600 and International Standard Banking Practice (ISBP –745) as per UCP 600 article 2 }
- ▶ under some terms and conditions.

As per Article 2 of UCP 600

- ▶ Credit means any arrangement, however named or described, that is irrevocable and thereby constitutes a definite undertaking of the issuing bank to honour a complying presentation.
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Post Import Financing

PAD:

PAD is a kind of Post Import Trade Finance given by the Bank to the Importer. After receiving the concerned bill from the Bank, the Issuing Bank has to check the documents very carefully within a stipulated time. If the bank finds those without any discrepancy, the bill has to be lodged and debit PAD A/C, which is the direct liability of the Importer.

- Maximum Tenure: 21 Days
- Interest Rate: 9%

Accounting procedure

- ▶ Dr. PAD A/C
- ▶ Cr. HO/Treasury

Reversal of L/C liability

- ▶ Dr. Bank Liability L/C (cash sight)
- ▶ Cr. Customer Liability LC (cash sight) [i.e. Contingent Liability, at the time of issuing L/C, now being reversed]

Shipping documents are to be held with AD until PAD is adjusted by the importer with interest.

After debiting PAD A/C bank has to inform the Importer & also to advise him to 'Retire the bill' within stipulated time

LIM (Loan against Imported Merchandise)

LIM is the short-term loan given to the Importer, if he fails to retire the bill within the stipulated time. In LIM, after releasing the goods from the Customs authority, the possession of the goods remains with the Bank i.e. under bank's lock & key.

Purpose: To release the imported merchandise from the Customs authority.

- Maximum Tenure: Industrial – 60 days,
Commercial– 45 Days
- Interest Rate: 9%

LIM may be created in two ways

- a) LIM (at the request of Importer retaining margin prescribed on Landed cost)
- b) Forced LIM (When the importer does not retire the bill)

Accounting:

- ▶ Dr. LIM A/C (In the name of Importer)
- ▶ Cr. PAD A/C

If the importer is not in a position to retire the bill on cash, He/ She may apply for LIM. Under the approval of competent authority, the importer may be allowed to retire the PAD through LIM keeping sufficient margin on Landed Cost of the goods.

The branch must obtain the following charge documents before allowing LIM

- i) D.P. Note (CF-1,2)
- ii) Letter of arrangement
- iii) Letter of disbursement
- iv) Letter of Pledge
- v) Letter of indemnity (CF-24)
- vi) Letter of continuity (CF-11)
- vii) Letter of Disclaimer

Other precautionary Measures:

- If an importer becomes defaulter bank has to take under noted precautionary measures;
- ▶ No further limit will be sanctioned against the defaulter
 - ▶ Discourage for opening a new L/C

Forced LIM

- ▶ When the importer does not come to the Bank for retiring the Bill, Bank has to clear the imported goods from the Customs authority under bank's authority by creating a LIM A/C in the name of importer, which is known as Forced Lim. Before creating Forced LIM, bank has to calculate –
 - ▶ The 'Landed cost' and
 - ▶ Determine the value of the imported goods.
 - ▶ Interest rate: 9%

LTR

- ▶ LTR is 'Post Import Trade finance' given by the Bank to the Importer. Difference is, in LIM, the possession of the released goods remains under bank's control but in LTR, the Goods remains with the Importer. But he is holding the goods not as their owner but as an agent for the Bank.
- ▶ **Securities:** 1. 'The Letter of Trust Receipt'.
2. Other sufficient Securities.
- ▶ Interest Rate: 9%

The following documents must be obtained before allowing LTR:

- i) Application of importer for LTR in company letter head
- ii) D. P. Note (CF-1,2)
- iii) Letter of continuity (CF-11)
- iv) Trust Receipt (CF-18)
- v) Letter of Arrangement
- vi) Letter of disbursement

Accounting procedure:

- ▶ Dr. LTR A/C
- ▶ Cr. PAD A/C

Penal Interest

Additional 2.00% p.a shall be charged if the importer fails to retire the bill within stipulated time.

বিআরপিডি সার্কুলার লেটার নং-১২ তারিখ ২৬ এপ্রিল ২০২২ অনুযায়ী-

- ▶ সংজ্ঞাঃ নিত্য প্রয়োজনীয় ভোগ্যপণ্য বা ট্রেডিং পণ্য, শিল্পের কাঁচামালসহ ইত্যাদি বিভিন্ন খাতে আমদানি দায় পরিশোধের নিমিত্ত প্রদত্ত সকল প্রকার ফান্ডেড ঋণ সুবিধাসমূহ LTR/LATR/MTR/MPI ইত্যাদি যে নামেই অভিহিত করা হোক না কেন এসকল ঋণসমূহ বাংলায় “আমদানি পরবর্তী অর্থায়ন” এবং ইংরেজিতে “Post Import Financing(PIF)” নামে অভিহিত হবে। তবে ইডিএফ খাতে প্রদত্ত অর্থায়ন PIF- এর আওতাভুক্ত হবে না। এক্ষেত্রে ইডিএফ সংক্রান্ত সংশ্লিষ্ট নীতিমালা অনুসরণীয় হবে।
- ▶ খাত ও মেয়াদঃ গ্রাহকের চাহিদা, সংশ্লিষ্ট পণ্যের প্রকৃতি এবং উৎপাদন/বিপণন চক্রের সাথে সঙ্গতি রেখে PIF এর মেয়াদ ব্যাংকার- গ্রাহক সম্পর্কের ভিত্তিতে নির্ধারিত হবে, তবে এরূপ মেয়াদ নিম্নবর্ণিত মেয়াদের অধিক হবে নাঃ
 - ক) নিত্য প্রয়োজনীয় ভোগ্যপণ্যের ক্ষেত্রে (যেমনঃ চাল, ডাল, পেঁয়াজ, রসুন, মসলা, ভোজ্যতেল ইত্যাদি) PIF সৃষ্টির তারিখ হতে অনধিক ৯০(নব্বই) দিন;
 - খ) নিত্য প্রয়োজনীয় ভোগ্যপণ্য ব্যতীত অন্যান্য ট্রেডিং পণ্যের ক্ষেত্রে PIF সৃষ্টির তারিখ হতে অনধিক ১২০ দিন;
 - গ) কৃষিখাতের আমদানিকৃত পণ্য (যেমনঃ সার, বীজ, কীটনাশক ইত্যাদি) ও কৃষি যন্ত্রপাতি/মেশিনারিজ এবং প্রানিজ খাতের আমদানিকৃত পণ্য সমূহের (যেমনঃ মৎস্যসহ গৃহপালিত পশু-পাখির প্রয়োজনীয় পুষ্টি উপকরণ, ভ্যাকসিন, ঔষধ ইত্যাদি) ক্ষেত্রে PIF সৃষ্টির তারিখ হতে অনধিক ১৮০ দিন;
 - ঘ) শিল্পের কাঁচামালের ক্ষেত্রে PIF সৃষ্টির তারিখ হতে অনধিক ২১০ দিন।

Thank You

