

THE INSTITUTE OF BANKERS PAKISTAN
ISQ Examination (Winter-2010)
INTERNATIONAL TRADE FINANCE & FOREX OPERATIONS

- Q.1 Please write the alphabet of the selected choice in the answer column:**
- Q.2 State True or False in the answer column.**
- Q.3 Consider the following situations and give your answer with appropriate explanation.**
- i) You have received a documentary collection from a Bank in Nigeria specifying that the same is covered under URC 522, but your bank has no correspondent relationship and are worried due to country risk. How are you going to handle this collection?**
 - ii) As a nominated bank you received documents under a letter of credit on 30th August which is due to expire on 31st August. After scrutiny and negotiation you are mailing the documents to the Letter of Credit issuing bank on 2nd September. Answer the following:**
 - a) Whether the nominated banks can mail the documents after the expiry of the credit?**
 - b) How can you protect yourself from rejection of documents if 2nd September is mentioned on your covering schedule.**
 - iii) The LC issuing bank on receipt of negotiated documents under LC noticed a number of discrepancies. The nominated bank was accordingly advised about rejection of documents stating that the same are held at their disposal. The applicant thereafter approaches and is giving approval of discrepancies and release of documents against payment. Can the issuing bank release the documents? Explain.**
 - iv) The beneficiary of the letter of credit has presented documents and as per terms of the letter of credit the bill of lading is issued to the order of the importer.**
 - a) Can an authorized dealer issue a certificate to the shipping company to issue title to cargo to the order of the importer as per local exchange Pakistan control regulations?**
 - b) Who is taking greater than usual risk if the letter of credit calls for the title to cargo to the order of the importer?**
 - v) An exporter has approached for a finance facility of Rs. 1,000,000 and offered the balance held in his personal foreign currency account as security. Can the bank extend finance against such type of security? Explain.**

- Q.4** Who are authorized to open a private foreign currency account according to the local Exchange Control regulations and what are the specific guidelines of the State Bank of Pakistan for utilization of these funds by an authorized dealer?
- Q.5** A) Why would it be useful to examine a country's balance of payments?
- Q.5** B) Briefly discuss the main components of Balance of Payments Account.
- Q.6** An authorized dealer at the close of business on 31st May had the following exposure in the under noted currencies:

Currency	Balance
US Dollar	500,000 (over bought)
Pound Sterling	100,000 (over sold)

On 1st June the following transactions had been reported by its network of branches:

US Dollars

Provided reimbursement amounting USD 1,000,000 under letters of credit.
Received remittances for USD 800,000 for credit to customer's Pak Rupees accounts.
Negotiated sight documents for USD 250,000 under letters of credit.
Sold USD 100,000 under a forward sale contract matured on 1st June.

Pound Sterling

Received remittances for GBP 50,000
Negotiated sight documents for GBP 150,000
Purchased GBP 25,000 from a customer maintaining foreign currency account against Pak Rupees.

Required :

- A) Compute the exposure in each currency at the close of business on 1st June.
- B) Compute the total exposure on 1st June in Pak Rupees. Convert USD at Rs.85 and GBP at Rs.130.

Q.7 You have been assigned the responsibility to quote foreign currency rates against Pak Rupees at Bank 'A'. You have received a query to quote two way rates of CAD/PKR and GBP/PKR. The rates of US Dollars in interbank market and Canadian Dollar and British Pound in New York market are as under:

Interbank market

	<u>Bid</u>	<u>Offer</u>
US Dollar/PKR	85.55	85.60

New York market

USD/CAD	1.0594	1.0614
GBP/USD	1.5463	1.5473

While quoting the rates you have a policy to provide 0.05% margin as your exchange profit.

Required : Quote two way rates of CAD/PKR and GBP/PKR

Q.8 Draw a comparison between a Transferable Credit and a Back-to-Back Credit.

Q.9 Write short notes on the following:

- I. Clean/dirty Bill of Lading
- II. Transferable Letter of Credit
- III. Cross Rate
- IV. Value Date
