STOCKS		
	DSEX	CSCX
	▼ 1.54%	▼ 1.13%
	4,331.95	8,017.17

COMMODITIES	Gold ▲	Oil ▲
	$1,575.30	$69.49
	(per ounce)	(per barrel)

ASIAN MARKETS	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
	▼ 1.90%	▼ 1.91%	▼ 0.62%	▼ 0.01%
	40,676.63	23,204.86	3,218.86	3,083.41

CURRENCIES STANDARD CHARTERED BANK

	$ USD	€ EUR	£ GBP	¥ JPY
BUY TK	83.95	92.90	109.22	0.76
SELL TK	84.95	96.70	113.02	0.80

Star BUSINESS

DHAKA TUESDAY JANUARY 7, 2020, *POUSH 23, 1426 BS* starbusiness@thedailystar.net

Grand money laundering scheme

How BB foiled Shahidul Ahsan's plan to buy shares of Peoples Bank with loans from First Security Islami Bank

STAR BUSINESS REPORT

Layering is one of the most popular methods for money launderers as it makes it harder for financial regulators and law enforcement agencies to sniff out the money trail.

The first step under the method involves introducing cash into the financial system by some means ("placement").

The second involves carrying out complex financial transactions to camouflage the illegal source of the cash ("layering"). Lastly, the wealth generated from the transactions of the illicit funds is put back into the financial system ("integration").

Md Shahidul Ahsan, chairman of Ahsan Group, and Abul Kashem, chairman of proposed Peoples Bank, thought they had carried out the three steps flawlessly, but they were not clean enough to get past the open-eyed Bangladesh Financial Intelligence Unit (BFIU) and the Bangladesh Bank.

THE GRAND PLAN

Ahsan's endgame was to gain ownership of the proposed Peoples Bank. He attempted to purchase shares in the name of one of his companies: AG Green Property Development.

But, he was not willing to put in his own money for the endeavour, found the probe by the BFIU and two other inspection departments of the central bank, which spent the first half of last year to unearth the sensational laundering case.

The Daily Star obtained copies of the probe reports.

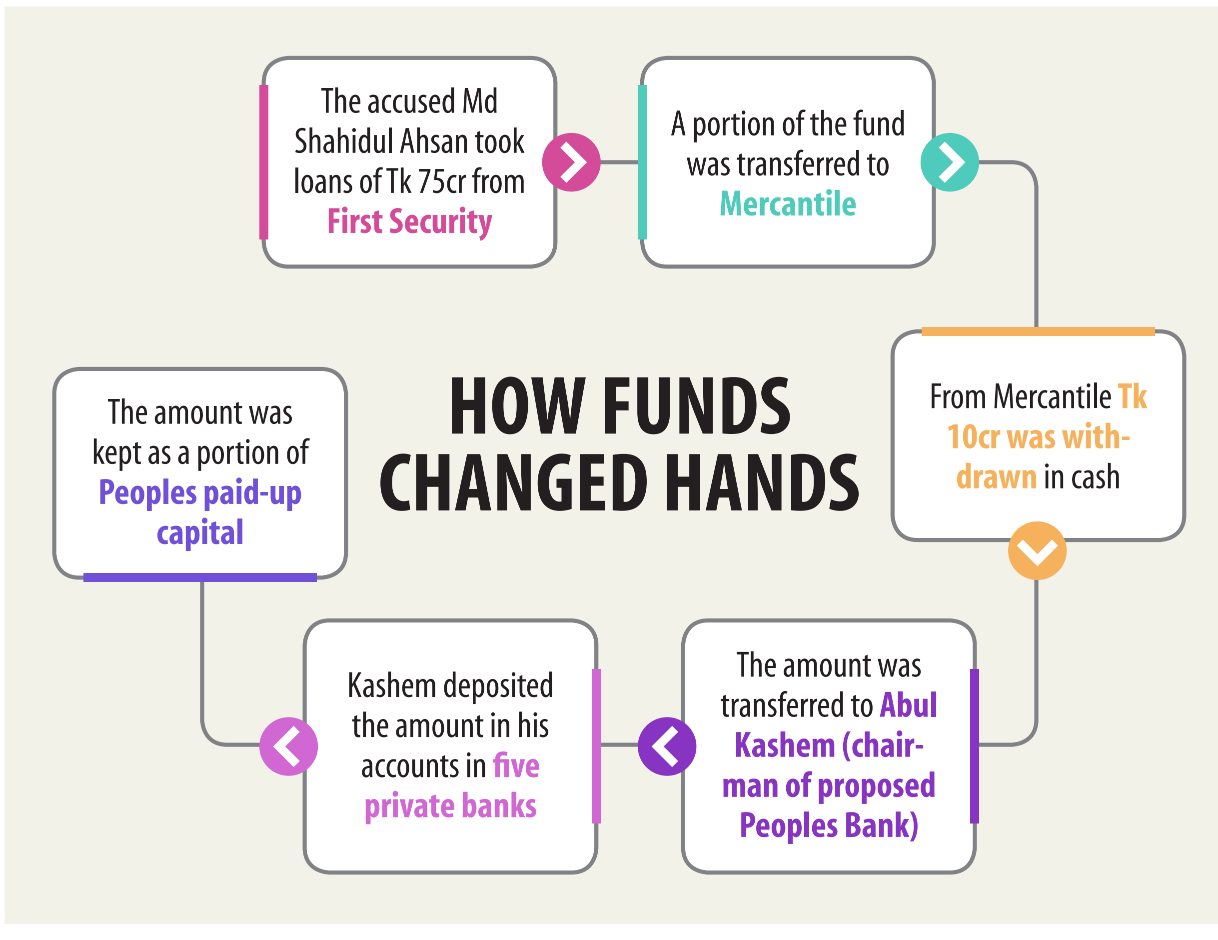
Instead, he took out a loan of Tk 75 crore from the Banani branch of First Security Islami Bank's (FSIBL), saying he would be purchasing construction equipment with the sum.

As per banking rules, a person has to spend his/her own net worth to purchase more than 5 percent shares of a bank.

Ahsan, who was then a director of Mercantile Bank, was well aware of this, which is why he sent the funds through five banks to bury their source.

A portion of the fund was deposited at Mercantile Bank's Mohakhali branch, of which Tk 10 crore was withdrawn and paid to Kashem by issuing two pay orders.

Kashem opened accounts with five banks in a week in January 2018, where he deposited the amount. In so doing, he thought he had concealed the fact that Ahsan was the actual source of the funds, said the BB reports.



The names of the five banks are being withheld as they could not be reached for comments.

UNDOING OF PLAN

The central bank got wind of the scheme when Abul Kashem was proposed as the chairman for Peoples Bank, which has been trying to get a licence since 2017.

Kashem was asked to submit documents of his net assets as part of the process of getting licence for the new bank -- a move that unravelled both Ahsan and Kashem's plan.

He has net assets worth Tk 43.94 crore in the US, where he resides, and Tk 56.92 lakh in Bangladesh, according to the documents provided by him to the central bank.

This means, he would have to sell off about 90 percent of his assets to purchase shares in Peoples Bank -- a move that many would consider to be baffling.

Other than this oddity, the central bank found discrepancy in his net asset certificate by a New York-based accountancy firm by the name of Rafiq & Associates, CPA, LLC.

In the hard copy furnished to the BB by Kashem in February last year the firm's name differed in the letterhead and the stamp.

Subsequently, the central bank stalled the process of giving licence to Peoples Bank in February last year and started an investigation against Kashem.

It was during this investigation that Ahsan came under the scanner of BFIU and the BB.

STEPS AGAINST AHSAN

The probe found that Ahsan's actions went against the interest of both Mercantile Bank and depositors.

In September last year the central bank was compelled to initiate the process of removing Ahsan from the Mercantile Bank board, the BB report said.

Ahsan was asked on September 8 last year to explain the money laundering trail that the BFIU had discovered.

But his explanation did not pass muster and the central bank asked him to take part in a personal hearing before the BB's standing committee on December 12 last year.

After completion of the hearing, the standing committee recommended the central bank's higher ups that Ahsan had lost his moral ground to continue as the director of Mercantile Bank.

Ahsan also served as the chairman of the executive committee of Mercantile Bank.

As part of the central bank move against Ahsan, Mercantile was finally asked on January 2 to remove Ahsan from its board of directors.

"Ahsan did not use the loans taken from FSIBL in the sectors mentioned in his credit proposal. Rather, he layered the money in order to perpetrate money laundering," said Md Serajul Islam, spokesperson and an executive director of the BB.

The lender had complied with the instruction on Sunday by removing Ahsan from the board, said Mati Ul Hasan, spokesperson and additional managing director of Mercantile Bank.

His replacement in the Mercantile board was elected on the same day.

He will not be allowed to participate in the management of any bank over the next three years, according to the central bank decision.

The Daily Star could not reach Kashem, whose mobile phone was switched off. Ahsan did not answer his phone calls and reply to text message requests for comment. FSIBL was not available for comment.

BTRC's third attempt to audit Banglalink

STAR BUSINESS REPORT

Bangladesh Telecommunication Regulatory Commission (BTRC) yesterday called for expression of interest (EoI) to conduct financial and technical audits of Banglalink, its third attempt to do so.

The audits on Banglalink, the third largest mobile carrier, would be run from its inception in 1996 until December 2019, according to the offer uploaded on the BTRC's website.

The regulator in a recent meeting also decided to run audits on Airtel, which has already merged with Robi, said Subrata Roy Maitra, vice-chairman of the regulator, adding that audits would be gradually run on all the mobile operators.

The first attempt on combing through Banglalink's books in 2011 went in vain as the auditors expressed their unwillingness to continue halfway into the work. At that time the commission had formally decided to launch audits on Banglalink, Robi and out-of-operation Citycell.

In December 2017, the BTRC floated its second EoI.

This time, bidders raised questions on why their capacities at running technical and financial audits alongside offers were simultaneously being evaluated when the BTRC had itself stipulated that technical capacities would first be examined.

CHRONICLE OF AUDIT ATTEMPTS

- First initiative was taken in 2011
- Auditor had started work but later declined to carry on
- Second attempt was made in 2017
- But audit could not begin and was cancelled in May 2019
- In Dec 2019, BTRC decided to run fresh audit
- An expression of interest was made yesterday

The regulatory commission then in May last year announced that it had decided to repeal the process and start afresh.

The development comes at a time when the country's top two mobile operators are at loggerheads with the telecom regulator over claims made after audits into their books.

The operators took the matter to court, which instructed Grameenphone to pay Tk 2,000 crore and Robi Tk 138 crore.

Both figures are about 16 percent of what the telecom regulator had fixed through auditing.

The audit on Grameenphone in 2011 claimed Tk 3,034 crore.

Grameenphone challenged it and the telecom regulator in October 2015 followed court directives to appoint the Toha Khan Zaman & Co to conduct an audit.

In March 2016, the Masih Muhith Haque & Co was appointed to conduct the information system audit in Robi Axiata.

The telecom regulator then claimed Tk 12,579.95 crore from Grameenphone and Tk 867.24 crore from Robi.

Ring Shine crash lands

Stock trading at less than face value within 15 days of debut

AHSAN HABIB

Abdullah Hujaifah, a retail investor, was terribly excited when his name was drawn from the lottery for Ring Shine Textiles' initial public offering (IPO).

This was the second time he managed IPO shares. The last time he got them, he made a killing, so he was expecting it would be the same this time.

But his hopes were dashed soon. Ring Shine's stock price started sliding soon after it made its debut on the Dhaka and Chattogram bourses on December 12.

Yesterday, its shares were trading at Tk 9.60 yesterday -- Tk 0.40 less than its face value, according to data from the Dhaka Stock Exchange (DSE).

The episode raises questions about the aptitude of the issue manager, who was in charge of designing the IPO.

A merchant banker blamed the stunning crash on the mismatch of demand and supply.

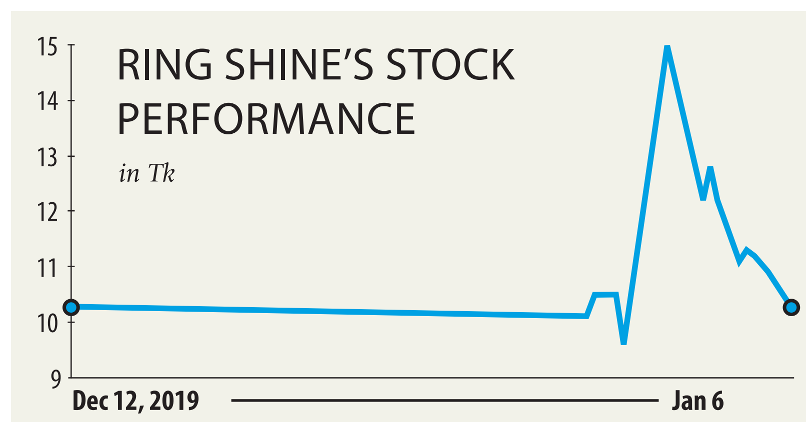
"This was expected," he said, adding that Ring Shine floated a large volume of shares, which failed to drum up excitement among stock investors.

The textile manufacturer raised Tk 150 crore by issuing 15 crore shares.

Furthermore, it provided 15 percent stock dividend, which further expanded its share supply, according to Hujaifah.

It is rather unusual for a stock's price to crash this soon after getting listed. "I can't remember seeing anything of this nature in at least 15 years," the merchant banker said.

Plus, the textile manufacturer's company performance is nothing to write home about.



Year	2017-18	2018-19
Turnover (in crore Tk)	999.53	982.36
Profit	55.42	49.16
NAV	23.17	24.88

Ring Shine's profits dropped 11.29 percent year-on-year to Tk 49.16 crore in the 2018-19 financial year, according to the company's annual report. Its turnover also fell 17.17 percent year-on-year to Tk 982.36 crore during the same period.

The textile manufacturer's net asset value was Tk 24.88 as on June 30 last year.

"As a result, many investors got rid of their stocks," Hujaifah said.

However, AFC Capital, the issue manager, remains defiant.

"The company's fundamentals are good enough, so it will give good returns to shareholders," said Mahbub Hossain Mazumdar, chief executive officer of AFC Capital.

Mazumdar believes that the drop in stock price fall is not related to the company's performance.

"The episode will further weaken investor confidence in the market, as it demonstrates that the quality of IPOs nowadays are sub-par," said Abu Ahmed, a stock market analyst.

Subsequently, he urged caution when going for IPO shares.

Hujaifah, who works in a travel agency, too is thinking along this line.

"I won't put my money on IPOs anymore," said the disappointed retail investor, adding that he is now biding his time to sell off his 500 Ring Shine shares.

Dozen banks face capital shortfall

STAR BUSINESS REPORT

Seven state-run banks have failed to meet the minimum capital requirement, meaning they need further taxpayer-funded recapitalisation to stay afloat.

The latest data from the Bangladesh Bank showed 12 banks, including the seven state lenders, faced a capital shortfall of Tk 17,653 crore as of September last year.

The lenders are Sonali, BASIC, Rupali, Janata, Agrani, Bangladesh Krishi Bank, Rajshahi Krishi Unnayan Bank, Bangladesh Commerce Bank, Community Bank Bangladesh, ICB Islamic Bank, AB Bank, and National Bank of Pakistan.

Among them, Krishi Bank had the highest amount of capital shortfall of Tk 9,078 crore, up 10.63 percent from a year ago.

Sonali's capital shortfall stood at Tk 2,056 crore, a U-turn from a year ago, when it had a surplus of Tk 848 crore.

"The central bank should take immediate measures to address the problem as such a situation sends out a negative message to the international community and local businesspeople that the banking sector was weakening," a BB official told The Daily Star yesterday.

The widening default loan was one of the major reasons for the shrinking capacity of the banks to keep the required capital.

CAPITAL SHORTFALL IN SEPTEMBER LAST YEAR

In crore taka

Sonali	2,056	BCBL	691
Janata	933	Community	2.71
Agrani	788	ICB Islamic	1,591
Rupali	546	NBP	59
BASIC	562	BKB	9,078
AB	652	RAKUB	701

SOURCE: BB

As of September, default loans in the banking sector stood at Tk 116,288 crore, up 23.82 percent from nine months earlier.

BB data showed the capital shortfall at the state-owned banks stood at Tk 14,664 crore as of September.

The government has been recapitalising the state lenders since 2009 but they are yet to strengthen their capital base in absence of corporate governance.

Foreign businesses usually look at the capital base and non-performing loans of scheduled banks before making any investment decisions, the central banker said.

"This type of capital shortfall will put foreign investors at bay," he said, urging the central bank to strengthen monitoring to rein in financial scams.

Govt starts working on bank commission

Kamal talking to prospective members

STAR BUSINESS REPORT

The government has finally started working on forming a bank reform commission to review the sector's health and take necessary remedial measures, finance ministry officials said.

Finance Minister AHM Mustafa Kamal has already talked to some former bankers, bureaucrats and economists, whom a ministry official believes are probable chairman and member candidates of the commission.

According to the official, the commission is likely to be formed by this month if the members are finalised.

While unveiling the budget for fiscal 2019-2020 in June last year, Kamal said a banking commission would be formed at the earliest.

Six months on, the commission is yet to be formed.

His predecessor AMA Muhith had several times announced that he would form the commission.

Bangladesh's banking sector has been deteriorating for the last few years owing to increasing default loans and corruption.

The sour loans average 10.69 percent of the total outstanding loans while, in case of state-run banks, over 25 percent.

READ MORE ON B3

Mohammad Jahangeer Kabir, a director general of the Implementation Monitoring and Evaluation Division, and Mashi-ur-Rahman, managing director of the Micro Industries Development Assistance and Services (MIDAS), exchange signed documents of a deal at the former's office in Dhaka on Sunday. The MIDAS will conduct an in-depth monitoring study on a "Multipurpose Disaster Shelter Project".

MIDAS

Trump admin pressed Dutch hard to cancel China chip-equipment sale

REUTERS, *Washington/Amsterdam/San Francisco*

The Trump administration mounted an extensive campaign to block the sale of Dutch chip manufacturing technology to China, with Secretary of State Mike Pompeo lobbying the Netherlands government and White House officials sharing a classified intelligence report with the country's Prime Minister, people familiar with the effort told Reuters.

The high-level push, which has not previously been reported, demonstrates the importance the White House places on preventing China from getting hold of a machine required to make the world's fastest microprocessors. It also shows the challenges facing the US government's largely unilateral efforts to stem the flow of advanced technology to China.

The US campaign began in 2018, after the Dutch government gave semiconductor equipment company ASML, the global leader in a critical chip-making process known as lithography, a license to sell its most advanced machine to a Chinese customer, two sources familiar with the matter told Reuters.

Over the following months, U.S officials examined whether they could block the sale outright and held at least four rounds of talks with Dutch officials, three sources told Reuters.

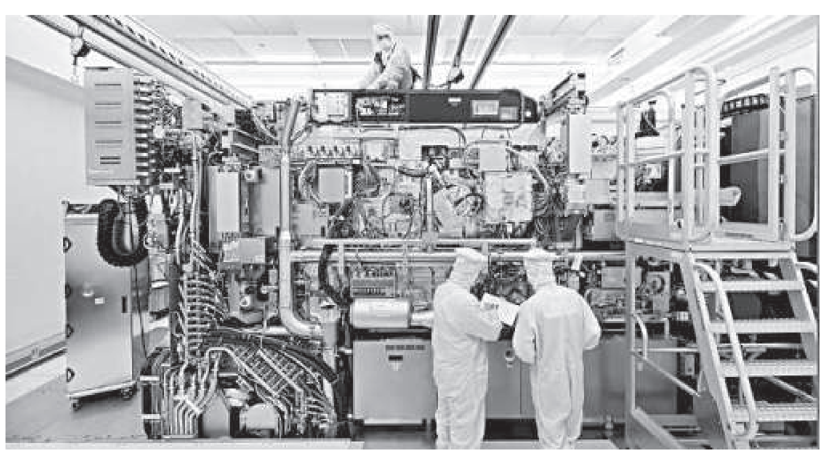
The effort culminated in the White House on July 18 when Deputy National Security Advisor Charles Kupperman raised the issue with Dutch officials during the visit of Netherlands Prime Minister Mark Rutte, who was given an intelligence report on the potential repercussions of China acquiring ASML's technology, according to a former US government official familiar with the matter.

The pressure appears to have worked. Shortly after the White House visit, the Dutch government decided not to renew ASML's export license, and the $150 million machine has not been shipped. Ilse van Oevering, a spokeswoman for Rutte's office, declined comment, saying the government cannot discuss individual licensing cases. The White House declined to comment. Kupperman did not reply to a request for comment.

The delayed shipment was first reported on Nov. 6 by the Nikkei Asian Review, but details of the US pressure campaign have not previously been disclosed. ASML said it is still awaiting approval of a new license request and declined further comment.

ASML has never publicly disclosed the identity of the Chinese customer, but Nikkei and others have reported that it is Semiconductor Manufacturing International Corp (SMIC), China's biggest chip-making specialist. SMIC did not reply to a request for a comment.

The ASML machine uses extreme ultraviolet (EUV) light beams, generated by lasers and focused by giant mirrors, to lay out extraordinarily narrow circuits on slabs of silicon known as wafers. That in turn makes it possible to create faster and more powerful microprocessors, memory chips and other advanced components, which are critical for consumer electronics and military applications alike.



REUTERS/FILE

Employees are seen working on the final assembly of ASML's semiconductor lithography tool with its panels removed, in Veldhoven, Netherlands.

Japan could press Lebanon to extradite Ghosn: minister

REUTERS, *Tokyo*

Japan on Monday said it could still press Lebanon to extradite Carlos Ghosn, after the former Nissan Motor boss skipped bail to become a fugitive in a country that normally does not extradite its nationals.

In the Japanese government's first briefing since Ghosn fled to his childhood home of Lebanon, Justice Minister Masako Mori gave little insight into the events of the escape, repeatedly telling reporters she could not comment on specifics because of an ongoing investigation.

The ousted boss of Nissan and France's Renault was forbidden from leaving Japan while awaiting trial on charges of financial misconduct, which he denied. However he fled at the end of last year, saying he escaped a "rigged" justice system.

Mori noted that as a general principle, Tokyo could possibly request extradition from a country with which it has no formal extradition agreement.

Such a request would need to be carefully examined based on the possibility of "guaranteeing reciprocity and the domestic law of the partner country," Mori told reporters in Tokyo.

She did not elaborate on what would be required to guarantee reciprocity - the idea that benefits or penalties extended by one country to citizens of another country should be returned. She also did not say whether there were any Lebanese nationals in Japan that were wanted by authorities in their home country.

Japanese officials on Sunday broke days of silence about the Ghosn case, saying they would tighten immigration measures and promising a thorough investigation. Authorities have also issued an international notice for his arrest. All government offices and most businesses in Japan have been shut for the New Year holidays, which formally ended on Monday.

Japan's Justice Minister Masako Mori

Lebanon has said it received an Interpol arrest warrant for Ghosn and that Ghosn entered the country legally. A senior Lebanese security official has said Lebanon does not extradite its citizens. Mori also defended Japan's justice system against Ghosn's charges that it was "rigged" and discriminatory.

In Japan, suspects who deny charges against them are often detained for long periods and subject to lengthy questioning without a lawyer present, a system critics call "hostage justice".

Buoyant demand boosts India services activity

REUTERS, *Bengaluru*

Activity in India's dominant service industry accelerated to a five-month high in December as demand rose at the fastest pace in more than three years, a private business survey showed on Monday.

The findings are likely to provide some relief to markets and spur hopes of an economic recovery in Asia's third-largest economy, which registered its weakest growth since 2013 in the July-September quarter.

The Nikkei/IHS Markit Services Purchasing Managers' Index rose to 53.3 in December from November's 52.7, holding above the 50-mark that separates growth from contraction for the second straight month.

"It's encouraging to see the Indian service sector continuing to recover from the subdued performances noted in September and October," Pollyanna De Lima, principal economist at IHS Markit, said in a release.

Japan's December factory activity contracts at faster pace as output slumps: PMI

REUTERS, *Tokyo*

Japanese manufacturing activity shrank at a faster pace in December than in the previous month as output slumped, underscoring growing pressure on businesses from sagging demand abroad and at home.

The Jibun Bank Final Japan Manufacturing Purchasing Managers' Index (PMI) slipped to 48.4 on a seasonally adjusted basis, matching a more than three-year low last touched in October. It was down from a preliminary figure of 48.8 for last month and compared with November's final reading of 48.9.

"Japan's manufacturing sector has ended 2019 where it started, stuck in contraction with little hope of an imminent turnaround," said Joe Hayes, economist at IHS Markit, which compiles the survey.

"The manufacturing economy has endured its worst performance in over three years, with momentum clearly to the downside heading into 2020."

The PMI survey showed output fell to its lowest since March as companies faced unfavourable demand conditions, and weak new exports due to lower sales to China.

Overall new orders and output stayed in contraction for the 12th consecutive month, though the decline in new business slowed for the second straight month.

Japan's industrial output slipped for the second straight month in November, raising the likelihood the economy will contract in the fourth quarter.

The Bank of Japan last month offered a gloomier view on factory output, while keeping intact its assessment that the world's third-largest economy continues to expand moderately as a trend.

China's services sector expands at slower pace

Reuters, *Beijing*

China's services sector expanded at a slower pace in December following a strong rebound in the previous month, with business confidence falling to the second lowest on record despite a pick-up in new orders, a private survey showed on Monday.

The more downbeat reading suggests services companies remain cautious about the outlook for China's economy despite a flurry of stimulus measures, signs of improvement in the manufacturing sector and a long-awaited US-China trade deal.

The services sector accounts for more than half of the economy.

The Caixin/Markit services purchasing managers' index (PMI) slowed to 52.5 last month from 53.5 in November, but was still higher than an 8-month low hit in October.

The index has stayed above the 50-point margin that separates growth from contraction on a monthly basis since late 2005.

The cooling trend in the private survey echoed that in the official non-manufacturing PMI, published by the National Bureau of Statistics, which fell from November's eight-month high.

Beijing has been counting on a strong services sector to cushion a prolonged slowdown in manufacturing and investment and create jobs for workers laid-off in other areas. Economic growth has cooled to near 30-year lows amid sluggish demand at home and abroad.

"China's economy is likely to get off to a quick start in 2020, but it will still be constrained by limited demand for the rest of the year," Zhong Zhengsheng, director of macroeconomic analysis at CEBM Group, wrote in a note accompanying the Caixin PMI release.

Services companies surveyed expressed concerns over subdued economic conditions and a lack of staff, the Caixin survey showed. Their expectations regarding the one-year outlook for business activity fell to the second-lowest level since the series began in 2005.

REUTERS/FILE

People walk past a statue, placed there to promote a restaurant, at a shopping district in Beijing.

The pace of job creation was also more modest, with the employment sub-index hitting the lowest level since July. Meanwhile, input costs continued to rise, while firms had to lower their selling prices for the first time in over a year, squeezing companies' profit margins.

That was despite a faster rise in the volume of new work in December, suggesting some companies were cutting prices to promote sales amid fierce competition.

"It is difficult for the measure of business confidence, which remained at a relatively low level in December, to improve. That has become a major hurdle to stabilizing the economy," Zhong said.

While domestic demand picked up somewhat in December, new orders from overseas weakened to the worst level in six months, deteriorating notably from November.

Caixin's composite manufacturing and services PMI, also released on Monday, slowed to 52.6 in December from 53.2 in November.

While the "Phase one" trade deal with the United States, which is expected to be signed on Jan. 15, will ease some of the pressure on exporters by reducing US tariffs, analysts at NatWest markets said a recovery in the manufacturing sector is unlikely be sustainable if further tariff escalation remains a threat.

"We expect the stronger recovery momentum in the services sector to partially offset the downside risks of the manufacturing sector outlook into 2020," they wrote in a note.

Crude and gold extend gains, stocks sink on fear of US-Iran war

Afp, *Hong Kong*

Oil prices surged, gold hit a more than six-year high and most equities tumbled Monday after the US assassination last week of a top Iranian general fanned fears of a major conflict in the Middle East.

Donald Trump warned of a "major retaliation" against Tehran after it threatened revenge for the killing Friday of commander Qasem Soleimani, which shocked world markets and sparked a sell-off in stocks and a spike in crude.

Iran announced on Sunday a further rollback of its commitments to its nuclear accord, while Iraq's parliament demanded the departure of US troops from the country as fallout from the attack spread.

The crisis has jolted investors, who had been in an upbeat mood as China and the US prepare to sign their mini trade deal next week, while data indicates a slight improvement in the global economy.

Both main crude contracts rallied in Asian trade, with Brent above $70 for the first time since September when attacks on two Saudi Arabian facilities briefly halved output by the world's top producer.

White facing criticism for the action and calls to dial down the tension, the US president was in combative mood, saying the White House had dozens of sites lined up for strikes in case of retaliation by Iran -- adding that he did not need Congressional approval, even for a "disproportionate" hit.

"Geopolitical tensions look like remaining elevated in coming days, so lending support to oil prices and keeping risk asset markets on the defensive," said Ray Attrill at National Australia Bank.

Safe-haven assets popular in times of turmoil were also on the rise, with gold at highs not seen since mid-2013, while the Japanese yen was at a three-month high against the dollar.

"The nasty wake-up calls that no one wanted to start the year has roused the global stock market as investors had assumed smooth sailing after the phase one trade deal was announced," said AxiTrader's Stephen Innes. "Now they're scrambling to seek out safe harbours."

Equity markets tracked losses on Wall Street, where the three main indexes fell from record highs, while all seven bourses in the Gulf Cooperation Council (GCC) states finished sharply down, with some fearing Iranian revenge attacks on US assets or troops.

Some of the GCC members, including Kuwait, Qatar and Bahrain, are home to major US military bases, while there are also hundreds of troops in Saudi Arabia.

The losses on equity markets extended into Asia, with Tokyo down almost two percent as dealers returned for the first time since the new year break. Hong Kong lost 0.8 percent.

Singapore fell 0.7 percent, Seoul shed one percent, Taipei and Mumbai each lost more than one percent and Manila dived 0.9 percent, with Jakarta down 0.7 percent.

Shanghai ended flat as investors cheered a pledge by authorities at the weekend to support China's troubled banking sector and small businesses in the face of a growing debt mountain.

While markets were broadly lower, energy firms rallied on the back of higher crude prices. Inpex jumped more than four percent in Tokyo while in Hong Kong, PetroChina added four percent and CNOOC surged 3.6 percent.

In early trade London fell 0.4 percent, Frankfurt sank 1.1 percent and Paris lost 0.7 percent.

Friday's attack sent shockwaves through global markets, which had been enjoying a healthy run of gains in the wake of the China-US trade deal, which eased tensions between the economic powers.

Euro zone business activity close to stagnation

Reuters, *London*

Euro zone business activity remained close to stagnation at the end of last year, a survey showed on Monday, as an upturn in services activity only partially offset a continued decline in the bloc's manufacturing industry.

IHS Markit's final euro zone composite Purchasing Managers' Index (PMI), seen as a good indicator of economic health, nudged up to 50.9 in December from November's 50.6.

That beat a preliminary estimate which suggested no change from the previous month but remained close to the 50 mark separating growth from contraction.

"Another month of subdued business activity in December rounded off the euro zone's worst quarter since 2013. The PMI data suggest the euro area will struggle to have grown by more than 0.1 percent in the closing three months of 2019," said Chris Williamson, chief business economist at IHS Markit.

That is worse than the 0.2 percent growth predicted in a December Reuters poll.

Fed focuses on repo market exit strategy after avoiding year-end crunch

Reuters, *New York*

Wall Street's worst fears of a year-end funding squeeze never materialized thanks in large part to the quarter-trillion dollars the Federal Reserve stuffed into the market to ensure nothing became gummed up.

The question now, though, is what it will take for the U.S. central bank to withdraw from its daily liquidity operations in the $2.2 trillion market for repurchase agreements, or repos - after it became a dominant player in a short three months. "The repo operations are a band-aid, but the wound isn't healed fully," said Gennadiy Goldberg, an interest rate strategist at TD Securities.

The New York Fed began injecting billions of dollars of liquidity into the repo market in mid-September, when a confluence of events sent the cost of overnight loans as high as 10%, more than four times the Fed's rate at the time. A month later, the Fed moved to expand its balance sheet - and boost the level of reserves - by snapping up $60 billion a month in U.S. Treasury bills.

The Fed will continue pumping tens of billions a day into the repo market through at least the end of January. Its ability to exit from the repo market after that time will depend on how long it takes the central bank to make the balance sheet large enough so there are adequate reserves in the banking system - and the repo operations are no longer needed.

"It seems implausible to me that the Fed will be able to stop their repo operations by the end of January," said Mark Cabana, head of U.S. rates strategy at Bank of America Merrill Lynch.

Minutes from the Fed's December policy meeting released on Friday showed its staffers expected repo operations to be "gradually" reduced after mid-January. However, staff members also said the central bank may need to continue offering some repo operations until at least April, when tax payments could reduce the level of reserves.

Another challenge for Fed officials: Deciding just how big the central bank's balance sheet, which is currently about $4 trillion, should be.

"There are people at the Fed who have a preference for the smallest possible balance sheet, and we just don't know how much their views have evolved," said Lou Crandall, chief economist at Wrightson ICAP, a research firm.

Fed policymakers have said they will continue purchasing Treasury bills into the second quarter of 2020 with the goal of bringing reserves back above the level seen in mid-September, when they fell below $1.5 trillion.

Bringing reserves to $1.7 trillion would provide a cushion of about $200 billion to absorb shocks during periods of tight liquidity, said Joseph Abate, a short rate strategist for Barclays. Holding up to $2 trillion in reserves could offer a bigger cushion and reduce the likelihood of volatility in short-term borrowing markets, depending on what the demand is for reserves, he said.

Some financial firms are urging the Fed to stay involved permanently through a standing repo facility, which would allow firms to trade Treasury holdings for cash. But Fed officials are still working out the details and plan to keep discussing the issue at future meetings, the minutes from Friday showed.

REUTERS/FILE

Federal Reserve Board building is seen in Washington.

Decisive UK election result cheers companies: PMIs

Reuters, *London*

Optimism among companies in Britain's dominant services sector surged after Prime Minister Boris Johnson's landslide election victory last month, despite an economy which continues to stagnate, a business survey showed on Monday.

The business expectations component of the IHS Markit/CIPS UK Services Purchasing Managers' Index (PMI) hit its highest level since September 2018, while order books increased for the first time in four months.

The overall PMI in December improved to 50.0 from a preliminary "flash" reading for the month - based on responses before the election - of 49.0. It was also higher than November's 49.3.

Still, the index has not exceeded the 50 threshold denoting growth since August - the longest run below that mark since 2009 - and survey compiler IHS Markit said its readings were consistent with no growth in the economy in the fourth quarter.

Investors are watching for early signs of the impact of Johnson's emphatic victory in the Dec. 12 election when he defeated the opposition Labour Party under left-wing leader Jeremy Corbyn.

"The modest rebound in new work provides another signal that business conditions should begin to improve in the coming months, helped by a boost to business sentiment from greater Brexit clarity and a more predictable political landscape," said Tim Moore, economics associate director at IHS Markit. Johnson's success in winning a large parliamentary majority means Britain is on course to leave the European Union on Jan. 31 and start an 11-month, no-change transition period.

But some businesses are worried that Johnson's refusal to contemplate asking for an extension to the transition, even if Britain has not sealed a new trade deal with the EU before the end of the year, risks creating another Brexit "cliff edge."

The composite PMI, which combines the services and manufacturing output indexes, held at 49.3 in December, matching September's 38-month low, but better than the preliminary estimate of 48.5.

UK car sales hit six-year low in 2019: industry body

Afp, *London*

New UK car sales sank in 2019 to a six-year low on weak demand for high-polluting diesels and amid Brexit uncertainty, an industry body said Monday.

Sales slid 2.4 percent to 2.31 million new cars in 2019 from the previous year, the Society of Motor Manufacturers and Traders (SMMT) said in a statement.

That was the lowest total since 2013 and marked the third annual drop in a row, as consumers continued to switch diesel cars for more environmentally-friendly automobiles.

In contrast, demand for combined alternatively fuelled vehicles -- including purely electric and hybrid models -- surged by a fifth to a record market share of 7.4 percent.

Motorists however remain unclear about government moves to introduce so-called "clean air" zones in towns and cities, according to the SMMT.

"A third year of decline for the UK new car market is a significant concern for industry and the wider economy," warned SMMT head Mike Hawes.

"Political and economic uncertainty, and confusing messages on clean air zones have taken their toll on buyer confidence."

Hawes added: "A stalling market will hinder industry's ability to meet stringent new CO2 targets and, importantly, undermine wider environmental goals.

"We urgently need more supportive policies: investment in infrastructure; broader measures to encourage uptake of the latest, low and zero emission cars."

Amazon to showcase its transportation drive at world's largest tech show

Reuters

From making cars talk using Alexa's voice to managing data from factories full of robots, Amazon.com Inc wants a big piece of the action in transportation, and next week at CES will unveil more about its strategy to achieve that goal than ever before.

The Seattle retail and cloud services powerhouse plans to use the annual technology show in Las Vegas to unveil its plan to be a major player in self-driving vehicle technology, connected cars, electric vehicles and management of the torrents of data generated by automakers and drivers, company executives told Reuters.

Amazon Web Services, which provides large-scale cloud computing and data management services, is central to Amazon's strategy.

"We really are extending ourselves more and more out in the ecosystem from manufacturing to connected car," Jon Allen, head of professional services in Amazon Web Services' automotive practice, said in a telephone interview. "The takeaway message on this is if you go to CES this year we really are taking it as a 'One Amazon' view."

Until now, Amazon has shown its transportation strategy to investors - and rivals - one piece at a time. Amazon has invested in self-driving software startup Aurora. It also has signed deals with automakers to deliver packages to vehicle trunks, help develop electric vehicle charging networks and use AWS to network their factories.

The Seattle company will share the CES stage with partners such as virtual reality firm ZeroLight, electric vehicle startup Rivian, Canada's BlackBerry Ltd and video game software development company Unity Technologies.

"It's our attempt to weave everything together in a single experience for our customers," Dean Phillips, AWS' automotive technical leader, told Reuters. "Customers don't distinguish AWS from Alexa from Amazon.com. It's Amazon."

At CES, ZeroLight and General Motors Co's Cadillac will demonstrate how they are partnering to develop an online vehicle configuration experience that will allow high-fidelity images of vehicles that consumers build online to be taken with them on visits to dealers, Phillips said.

The process can open the door to dealers better meeting customer needs by knowing what users focused on when building their dream car. It has already boosted profit per vehicle at Volkswagen's Audi brand by an estimated 1,200 euros ($1,340), he said.

Rivian, in which Amazon has twice invested, will demonstrate Alexa in the R1T electric pickup truck it will begin building this fall, as well as the companion R1S SUV that will follow, Phillips said. Rivian will begin building 100,000 electric delivery vans for Amazon starting in 2021. Alexa will be integrated into all of those vehicles, Amazon said. BlackBerry and Karma Automotive, using AWS back-end services, will demonstrate how to better predict an electric car's battery health, allowing automakers to train drivers on how to drive in ways that will extend the battery's lifetime, he said.

Unity will show how its gaming simulations are used by automakers to create virtual worlds to allow self-driving vehicle developers to speed the training of the software used in those cars, Phillips said.

Some industry officials fear the loss of profits to technology companies, but Amazon has worked to woo the sector by showing greater flexibility to company needs. For instance, when Alexa is launched in GM cars in the US market next year, it will be push-button activated and not use the wake word, "Alexa," Amazon officials said.

A new in-car feature, using the voice command "Alexa, pay for gas," will enable users to buy fuel at 11,500 Exxon and Mobil gas stations, Amazon said. A new version of Fire TV will be available this year on in-vehicle entertainment systems from Fiat Chrysler Automobiles NV, Amazon said.

Govt starts working on bank commission

FROM PAGE B1

The actual size of bad loans is, however, more than double the officially recognised figure, according to a recent report of International Monetary Fund.

The finance minister recently gave defaulters a chance to have their loans rescheduled by making a 2 percent down payment.

The central bank recently decided to cap the interest rate on industrial loans in a move that would be a boon for manufacturers as their cost of funds would go down to single digit at the expense of banks' profitability.

But experts and economists say the bad loan situation would not improve without good governance in the banking sector.

Global tensions fuel edible oil prices

STAR BUSINESS REPORT

Edible oil has seen a 20 percent rise in domestic prices in the last one month thanks to their soaring international rates, which will surely take another blow from the escalating crisis in the Middle East.

In Dhaka, a litre of loose soybean oil was traded at Tk 91-93 yesterday, up 12 percent from a month ago, while palm oil rose by 20 percent to Tk 80-82, according to the Trading Corporation of Bangladesh (TCB).

And retailers were also seen selling each five-litre container of soybean oil at 6 percent higher rates of Tk 470-515 yesterday from December 6 last year.

"We have to increase the prices as the global rates for soybean and palm oils have been going upwards since November," said Biswajit Saha, director for corporate and regulatory affairs at City Group.

Depreciation of the taka against the US dollar has further fuelled the import costs of the group, said the official of one of the leading commodity importers and processors of Bangladesh.

Edible oil became costlier at a time when consumers were hit hard by the skyrocketing prices of onion, a key cooking item, now selling at as much as Tk 170 a kilogramme.

Bangladesh annually requires 20 lakh tonnes of edible oil and it meets almost 90 percent of its demand through import, according to a report of Bangladesh Tariff Commission.

Bangladesh mainly imports and refines crude degummed soybean oil, the prices of which soared 20 percent year-on-year to $794 a tonne on December 20, according to the report obtained from the commerce ministry.Rates of crude palm oil and refined, bleached and deodorised palmolein also rose during the same period, said the report.

Imposition of value added tax (VAT) in all stages of the value chain of edible oil further fuelled the price spiral, industry insiders opined.

Refiners in December also informed the government about the hike in price of soybean oil in the wake of soaring import costs of crude soybean and palm oils.

They have increased the retail prices of each litre of soybean oil by 8 percent to Tk 110 and to Tk 540 for each five-litre container respectively.

Global market for edible oils will remain high, as the production of palm oil was less than the demand last year, said AKM Fakhrul Alam, regional manager for Bangladesh and Nepal at Malaysian Palm Oil Council.

"The crisis in the Middle East is likely to further increase the prices of commodities and edible oils.

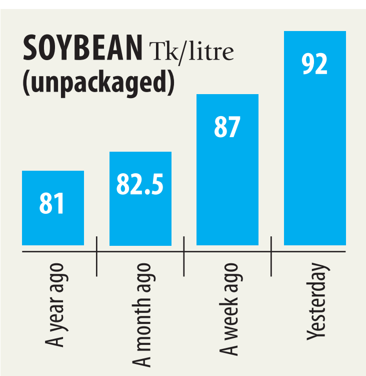
Insurance premium has already increased, he said.

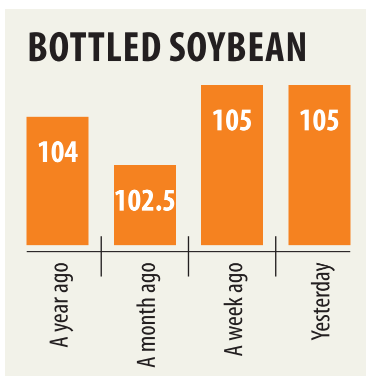
Soaring prices of petroleum will increase freight cost too, he added.

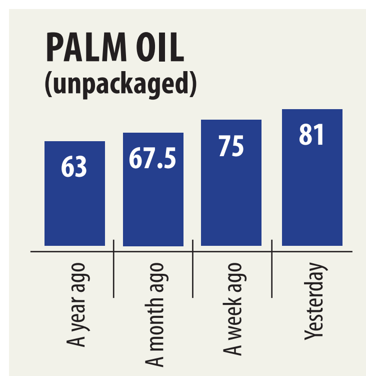
Global oil prices surpassed $70 a barrel on Monday for the first time in more than three months as the US warned of increased threats to energy facilities in the Middle East, after the assassination of an Iranian general last week.

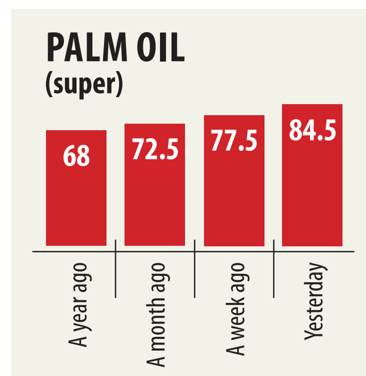
Annual consumption of edible oil will drop in the domestic market in 2020 as prices will be on the upward trend, Alam said.

Prices of commodities such as wheat, oil and pulses are forecast to remain upward, said Abul Bashar Chowdhury, chairman of BSM Group, a Chattogram-based commodity importer.









STORMY DAY FOR DSE

DSEX 4,331.95 points (fell 68.18 points, or 1.54%)

Turnover Tk 375.81 crore (rose Tk 83.35 crore or 28.50%)

TOP FIVE GAINERS

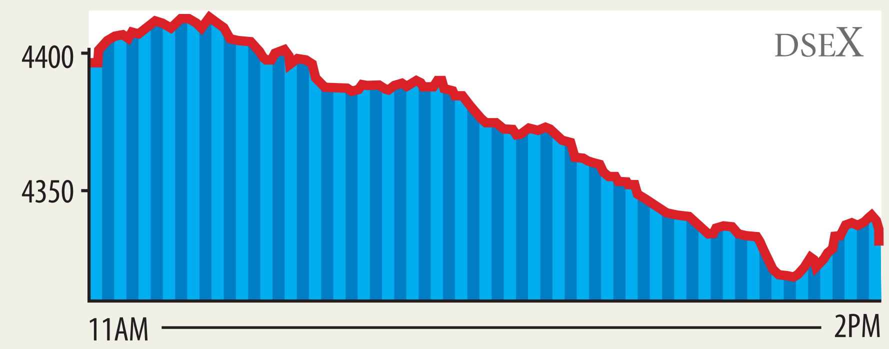
Company	Gain (in %)
LafargeHolcim	7.06
Hwa Well Textiles	4.37
Bangladesh Lamps	4
Bangladesh General Insurance	3.73
Coppertech	3.63

TOP FIVE LOSERS

Company	Loss (in %)
SS Steel	7.26
Confidence Cement	7.25
Sinobangla Industries	7.09
Brac Bank	6.70
United Airways	6.66

TOP TURNOVER

Company	Turnover (in crore Tk)
LafargeHolcim	26.20
Khulna Power	19.01
ADN Telecom	16.59
Brac Bank	16.49
Square Pharmaceuticals	9.07



TECHNICAL EDUCATION

Govt to give stipend, free books to 10 lakh students

The Tk 957cr project may get go-ahead today

STAR BUSINESS REPORT

The government is now taking several initiatives to promote technical education in order to build a skilled generation capable of grabbing jobs worldwide and give a boost to the economy.

As part of the plan, the government will extend stipends and free books under a Tk 957 crore project among 10 lakh poor and underprivileged students who are interested to take technical education and vocational training.

Some 607,392 students will get stipends while 329,352 will get financial support to buy books.

Moreover, around 7,663 biometric attendance devices will be procured to ensure presence of students in the classes.

A total of 3,389 educational institutions, including state-owned and private polytechnic institutes, technical school and college and the ones that have vocational courses for secondary school certificate and dakhil students, will be served under the project.

The initiative aims at encouraging poor and underprivileged students to be educated, ensuring higher attendance and upgrading quality of education through good academic results, a cut in dropout rate, bringing more girls to schools and stopping child marriage.

> Stipend for 607,392 students
>
> Money to buy books for 329,352 students
>
> 7,663 units of biometric attendance device
>
> 3,389 educational institutions will be served

It also targets to raise the enrollment rate in technical education to 26 percent by 2025, which now hovers around 14 percent, according to the project proposal.

The project, tenure of which runs from January 2020 to December 2022, is scheduled to be placed in today's meeting of the Executive Committee of the National Economic Council (Ecnec).

From now on, technical centres will get priority instead of the general educational institutions in case of inclusion in the monthly pay order (MPO) scheme, according to education ministry officials.

The government has decided to do so as the number of unemployed people educated in the general line is increasing fast compared to the technical knowledge holders, they said.

Another project to ensure safe water in rural areas by 2025 will also be tabled at today's Ecnec meeting.

The Department of Public Health Engineering will implement the project at a cost of Tk 8,850 crore between January 2020 to June 2025. The government will finance the project from its own fund.

Earlier on December 24, another Tk 267.35 crore project got Ecnec's go-ahead, under which over 1 lakh youths across the country will be trained on driving motor vehicles.

Munshi warns against abnormal price hike, stockpiling of essentials

STAR BUSINESS REPORT

The government will take stern action against businessmen if they are found to be involved in making hefty profit from sales of basic commodities by creating an artificial crisis in the market, Commerce Minister Tipu Munshi said yesterday.

Businessmen will not be spared if they are found to be involved in stockpiling of basic commodities illegally with the view to making quick profits.

"The government, however, will not harass any businessman illegally," Munshi said in a statement.

The warning from the commerce minister came after the price of onion, a key cooking ingredient, moved past Tk 100 a kg.

Yesterday, it was sold between Tk 200 and Tk 120 kg per kg in the city markets.

Onion prices had dipped below Tk 100 kg in recent days after the government took steps to boost supplies.

A week ago, imported onion was selling at Tk 50-100 a kg and the new local varieties at Tk 90-100, according to the Trading Corporation of Bangladesh (TCB). But the were respectively selling at Tk 70-110 and Tk 140-160 respectively yesterday.

The government is offering various facilities to onion importers so that they can import the bulb smoothly for the domestic market.

"New varieties have arrived and onion is being imported every day. The supply of onion has been normal. There is plenty of supply of local and imported onion, so there is no logical reason for the price hike."

The government has already strengthened the market monitoring so that manipulators cannot take the opportunity to make hefty money from the sales of basic commodities at abnormal prices, Munshi said.

The government will begin price monitoring of the basic commodities soon to arrest any price spiralling, he said, adding that the commerce ministry will also strengthen monitoring to check the abnormal price hike of onion.

The district and divisional administrations have been instructed to monitor markets strictly so that unscrupulous traders can't sell basic commodities at abnormal rates, he said.

TCB is selling onion at Tk 35 per kg through 200 trucks across the country. Moreover, various social organisations and importers are selling the vegetable at Tk 45 per kg, the statement said.

Businessmen have been asked to preserve the import price, purchase price and memos so that those could be compared with retail prices. The commerce ministry also suggested retailers of basic commodities put on display the price lists at convenient spot.

Last week, Munshi told importers, wholesalers, retailers and leaders of wholesale markets in Dhaka to make reasonable profit from the sale of basic goods before and during the upcoming Ramadan.

The government will import two lakh tonnes of onion soon to meet the local demand before the fasting month in April.

TCB and business groups City, Meghna and S Alam will import the onion in equal shares. TCB will sell the onion at a fixed price.

IFC, Sreda team up for 35-50MW solar plant in Kushtia

STAR BUSINESS DESK

International Finance Corporation (IFC) has teamed up with the state-run Sustainable and Renewable Energy Development Authority (Sreda) to support a solar project in Kushtia to generate 35 to 50 megawatts of electricity.

The pilot project, which will be developed through competitive bidding under public-private partnership, is aimed at demonstrating a viable model for a solar power plant in Bangladesh, the World Bank's private sector arm said in a statement yesterday.

At present, around 90 percent of Bangladeshis have access to electricity.

Bangladesh aims to boost share of renewable sources in its energy generation mix from less than 3 percent to 10 percent by 2021 and double it by 2030.

Currently, over 90 percent of the power generation is dependent on fossil fuel while renewable energy projects face challenges for a limitation of land.

This is a unique concept as it will support the government in creating a viable and sustainable renewable energy model in Bangladesh, using marginal low-lying land to produce solar energy, said Wendy Werner, country manager of the IFC for Bangladesh, Bhutan and Nepal.

"By engaging the private sector, we aim to promote more investment in renewable energy projects in Bangladesh and reduce reliance on thermal energy."

The IFC is helping with structuring and tendering of the project to attract a credible private sector developer through a transparent and competitive process.

Three entities are supporting the funding for consultants.

They are the European Commission's Directorate General for International Cooperation and Development, Germany's Federal Ministry of Economic Cooperation and Development, and Sustainable Development Investment Partnership, backed by the World Economic Forum and the Organisation for Economic Co-operation and Development.

"This plan to bring in a solar independent power producer through a competitive bidding process will play a pivotal role in developing the country's renewable energy programme," said Mohammad Helal Uddin, chairman of Sreda.

It will provide increased electricity access and clean energy, which will have positive impact on businesses and households, he said.

The IFC supports over 20 percent of Bangladesh's power generation. It has a committed global portfolio of over $8.2 billion in power and energy, half of which is in renewables.

India plans to cut spending to curb deficit; may hurt growth

REUTERS, *New Delhi*

India's government is likely to cut spending for the current fiscal year by as much as 2 trillion Indian rupees ($27.82 billion) as it faces one of the biggest tax shortfalls in recent years, three government sources said.

Asia's third largest economy, which is growing at its slowest pace in over six years because of lack of private investment, could be hurt further if the government cuts spending.

But with a revenue shortfall of about 2.5 trillion rupees, the government has little choice to keep its deficit within "acceptable limits", the first official, who did not want to be named, told Reuters.

The government has spent about 65 percent of the total expenditure target of 27.86 trillion rupees till November but reduced the pace of spending in October and November, according to government data. A 2 trillion-rupee reduction would be about a 7 percent cut in total spending planned for the year.

In October and November, government spending increased by 1.6 trillion rupees, nearly half the 3.1 trillion it spent in September. The fiscal year starts April 1 and ends March 31.

Lack of demand and weak corporate earnings growth in the economy led to lagging tax collections this year. Analysts said growth will be hurt.

"When the private investment has slowed so much, this will definitely drag down growth further," said Rupa Rege Nitusure, chief economist at L&T Financial.

India's economic growth slowed for six consecutive quarters to 4.5 percent in July-September, despite a 135-basis-point cut in interest rates by the central bank since February 2019.

Now, even the Reserve Bank of India seems to have become more worried about inflation rising. It kept its key lending rate on hold on December 5, even though it slashed its growth forecast for the current fiscal to 5 percent, which would be the lowest in a decade.

Even a surprise corporate tax rate cut announced by Finance Minister Nirmala Sitharaman earlier this year failed to spur private investment in the economy.

The government is likely to keep the fiscal deficit under 3.8 percent of gross domestic product, sources said, while letting it slip from its earlier set target of 3.3 percent for the year.

The government is likely to announce additional borrowing of 300 billion to 500 billion rupees for the current year to match the revised fiscal deficit, two sources in the government said.

REUTERS/FILE

A cashier checks Indian rupee notes inside a room at a fuel station in Ahmedabad, India.