STOCKS		COMMODITIES		ASIAN MARKETS			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 1.54%	▼ 1.13%	▲ $1,575.30 (per ounce)	▲ $69.49 (per barrel)	▼ 1.90%	▼ 1.91%	▼ 0.62%	▼ 0.01%
4,331.95	8,017.17			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A portion of the fund was deposited at Mercantile Bank's Mohakhali branch, of which Tk 10 crore was withdrawn and paid to Kashem by issuing two pay orders.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.

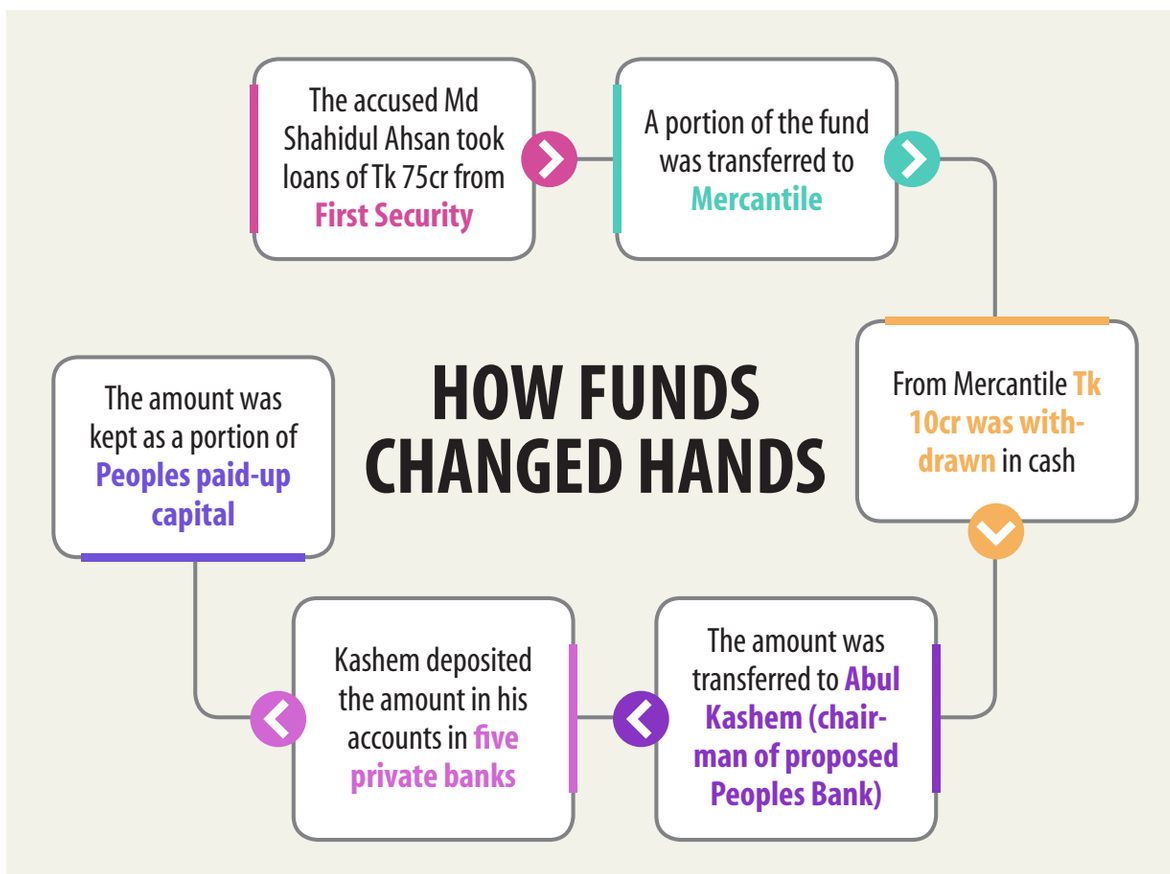
"Ahsan did not use the loans taken from FSIBL in the sectors mentioned in his credit proposal. Rather, he layered the money in order to perpetrate money laundering," said Md Serajul Islam, spokesperson and an executive director of the BB.

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.

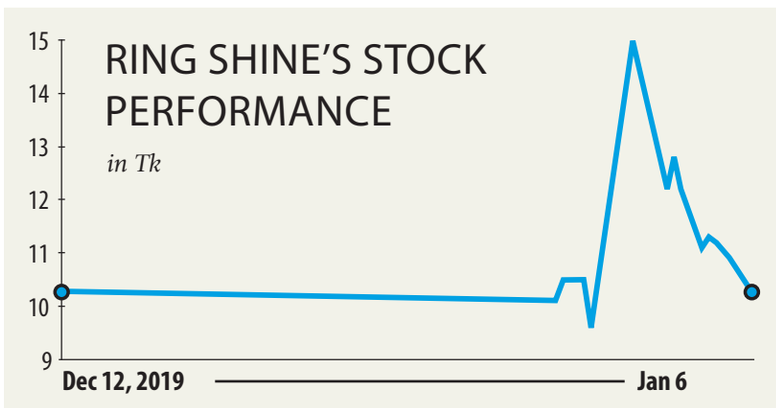
"This was expected," he said, adding that Ring Shine floated a large volume of shares, which failed to drum up excitement among stock investors.

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.

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.

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

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.

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