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DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY	
2.11%	1.91%	\$1,551.50	\$65.02	0.62%	Closed	0.15%	0.75%	83.95	92.61	108.82	0.75	
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BB's baffling move

Gives approval to new NBFIs, Strategic Finance and Investments, when sector is in meltdown

AKM ZAMIR UDDIN

The central bank has given the go-ahead to set up a new non-bank financial institution (NBFI) in its last board meeting -- a move that has stumped experts and industry insiders given the poorly state of sector.

In its meeting on Sunday evening, the board of directors of the Bangladesh Bank gave the letter of intent to Strategic Finance and Investments.

Its chairperson is Anjuman Ara Shahid, wife of Padma Bank Chairman Chowdhury Nafeez Sarafat.

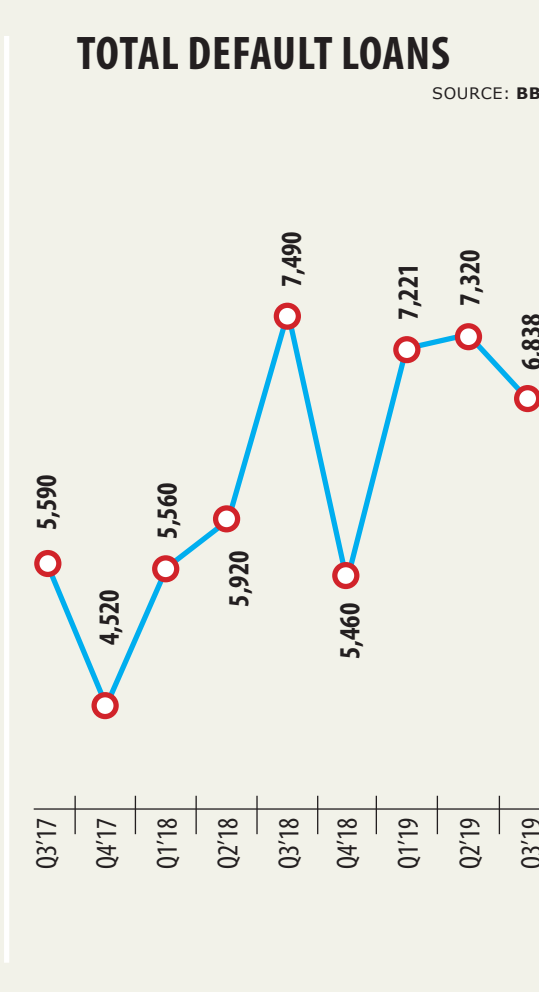
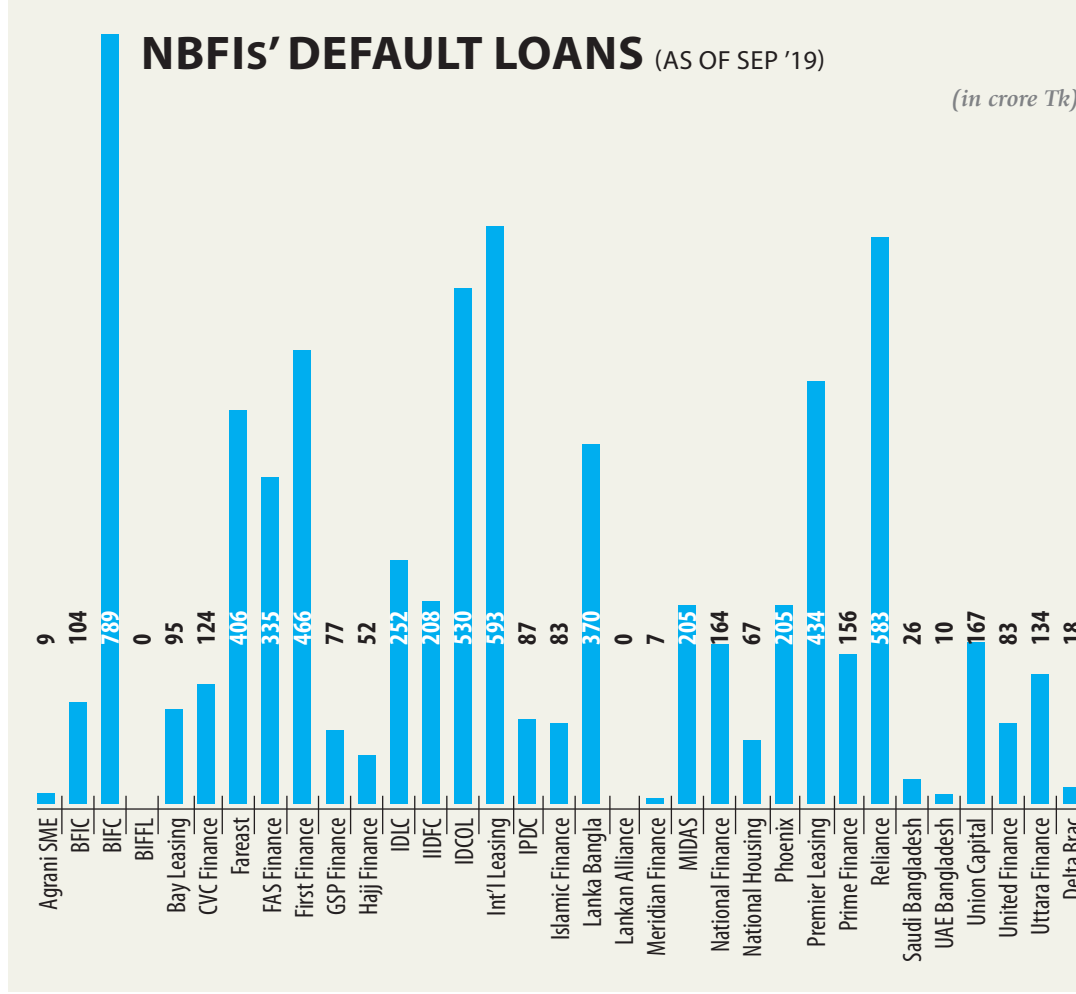
She is also a sponsor-shareholder of Padma Bank, which was rechristened from Farmers Bank earlier in January last year as part of its effort to sweep the gross irregularities and loan scams under the carpet and get an image makeover.

"This is quite the illogical move on the part of the central bank," said Ahsan H Mansur, a former economist of the International Monetary Fund.

The financial health of NBFIs is worse than banks, said Fahmida Khatun, executive director of the Centre for Policy Dialogue, a preminent think-tank.

At present, there are 33 NBFIs and the majority of them are struggling to survive amid rising default loans and inability to repay depositors' money.

Another unusual aspect of the move to award the licence to Strategic



said, adding that foreign institutions will hold a good number of shares of Strategic Finance and Investments.

Khatun of CPD remains unimpressed.

"Our experience is bad. In the past many spoke of such new models but they rarely followed through with their commitment," she said.

Had a well-reputed foreign company intended to set up an NBFI, the reception would have been different, said Mansur, executive director of the Policy Research Institute.

"But there is no scope of welcoming this decision," he said, adding that the NBFI sector is too crowded.

Zahid Hussain, former lead economist of the World Bank's Dhaka office, echoed the same.

"I do not find any logic on the central bank's decision to allow another NBFI as the existing numbers are too much larger than the requirement. And majority of them are facing different types of problem, including liquidity crunch and a lack corporate governance," he added.

At least three managing directors of NBFIs on condition of anonymity said that a good number of them have stopped fresh lending due to acute cash crunch.

Subsequently, Mansur, also the chairman of Brac Bank, urged the central bank to liquidate the weak NBFIs for the interest of the economy or merge them with stronger ones.

In July last year, the BB was forced to start the process of liquidating People's Leasing and Financial Services as the NBFI failed to repay depositors' money despite maturity of funds.

Furthermore, on September 30 Rupali Bank alleged that 10 NBFIs have failed to pay back its funds amounting to Tk 933 crore, according to BB documents.

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Finance and Investments was the time it took the central bank to do its due diligence.

Strategic Finance and Investments had applied for licence on

October 16 last year and the central bank completed all processes in less than three months, when it usually requires at least 5 to 6 months.

The move surprised even a number of the central bank officials.

"This was done within the shortest possible time," said a high official of the BB requesting anonymity due to sensitivity of the topic.

The central bank has given the

letter of intent to Strategic Finance and Investments as it had given commitment to bring the majority portion of its equity and fund from foreign sources, said Md Serajul Islam, spokesperson and an executive director of the BB.

"The new NBFI will not face any liquidity crunch as it will mobilise funds from abroad."

Islam, however, sidestepped a

query on whether the financial sector needs another NBFI.

Sarafat told The Daily Star yesterday that the new NBFI will kick off its operation on February 2 and it would take a different financial model than the existing ones.

"The majority of the NBFI's equity and funds will come from foreign sources. So, it will inject fresh liquidity into the financial sector," he

BIDA to roll out the red carpet for foreign investors

Dhaka airport gets a dedicated lounge to welcome them

JAGARAN CHAKMA

BIDA has shelled out Tk 2 crore to set up a lounge at the Hazrat Shahjalal International Airport as part of its efforts to woo in foreign investors to boost the country's historically low

investment from abroad.

Foreign investors have often complained of finding Bangladesh an overwhelming destination for doing business. For instance, although Bangladesh advanced 8 notches in this year's global ease of doing business

ranking of the World Bank, its ranking at 168 is lower than all its Sarc neighbours save for Afghanistan and competitors vying for foreign direct investment and exports like Myanmar, Ethiopia, Vietnam and Cambodia.

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Indonesia, UAE sign \$23b investment agreements

AFP, Jakarta

Indonesia and the United Arab Emirates have struck nearly \$23 billion in business deals, including agreements in the energy sector and on infrastructure projects, the Southeast Asian nation said Monday.

The investments will be made through a new Indonesian sovereign wealth fund set to also involve Japan's Softbank and US International Development Finance Corporation, Jakarta said, without elaborating.

The figure includes nearly a dozen deals signed after a meeting between Indonesian President Joko Widodo and Crown Prince Sheikh Mohammed Bin Zayed in Abu Dhabi over the weekend, Widodo said on social media.

About \$12.6 billion was linked to an agreement between Indonesia's state energy firm Pertamina and Abu Dhabi National Oil Company to develop a petrochemical plant in West Java, according to Indonesia's foreign ministry.

Other investments include deals in ports, renewable energy and agriculture.

Indonesia's leader has said he will focus his second term on luring more foreign investment to Southeast Asia's biggest economy and keep up a multi-billion-dollar infrastructure drive.

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