STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES (STANDARD CHARTERED BANK)				
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI		$USD	€EUR	£GBP	¥CNY
0.64%	0.40%	$1,569.20	$60.58	0.57%	0.71%	0.04%	Closed	BUY TK	83.95	91.62	108.84	11.92
4,481.79	8,283.48	(per ounce)	(per barrel)	41,198.66	23,379.40	3,182.57		SELL TK	84.95	95.42	112.64	12.53

City

Star BUSINESS

DHAKA THURSDAY JANUARY 30, 2020, *MAGH 16, 1426 BS* starbusiness@thedailystar.net

Historically bad toxic loan situation makes govt creative

Sketches a draft act to form company to take on soured assets

AKM Zamir Uddin

The government is homing in on forming a public asset management company (PAMC), a brainchild of Finance Minister AHM Mustafa Kamal, as part of its efforts to redress the financial sector that is fast approaching a losing battle against default loans.

The finance ministry has already prepared a draft act titled "Bangladesh Asset Management Company Act" to purchase default loans from banks and sell them off to individuals or corporate entities.

Work on enacting the draft law is going on at bullet speed given the escalating trend of default loans in banks, said four officials of the government and the central bank involved with the process.

Until September last year, default loans in the banking sector stood at Tk 116,288.31 crore, up 23.82 per cent from nine months earlier.

"Our first objective is to enact a full-fledged law within the quickest possible time. But it will take at least six months more to make the PAMC functional," said a Bangladesh Bank official on condition of anonymity as he is not authorised to speak to media.

PAMCs have been deployed in a handful of countries with the view to bringing down default loans. But the result has been mixed.

South Korea and Malaysia saw the greatest success with the model, with their recovery rate being 46.8 per cent and 58 per cent respectively. The recovery elsewhere is less than 30 per cent.

It is the success of the two countries that have encouraged the government to form the PAMC, the BB official said.

The company will kick off its operation with an initial paid-up capital of Tk 5,000 crore.

"The amount of paid-up capital will be increased from time to time. If required, funds will be raised by way of issuing bonds in the capital market," according to the draft act.

The PAMC will be allowed to ink agreement with both local and foreign institutions in order to increase its capital and funds.

The Asian Development Bank has already showed its interest in providing financial support to the government in setting up the PAMC.

The Manila-based development lender has already given different types of technical support to the government to this end.

"We will be happy to provide financial support if the agency receives proposal from the government," Manmohan Parkash, country director of the ADB, said in a conference on November 26 last year.

The PAMC will take over the default loans, including collaterals such as lands and industrial plants of defaulters.

An official of the finance ministry said the government has yet to prepare a business model for the PAMC. "Different methods are now being considered," he said.

The company may take the default loans off the banks' hands in exchange for special bonds that would have certain maturity, enabling the lenders to keep provisioning for bad loans.

In some cases, the company will restructure the mortgaged assets and industrial plants after taking over those from banks.

The restructured assets will be sold to local and foreign investors by arranging an auction, the official said, adding that the PAMC will even sell the default loans directly if there is interest.

Besides, advisory support will be given to clients so that they will not face any trouble by holding the toxic assets.

In order to make the PAMC vibrant, a secondary market for default loans will be created, where people would be allowed to buy and sell default loans, the official said.

As per the draft act, the government will form the board of directors of the PAMC comprising of 13 members, of which 12 will come from the different government agencies and the rest from the Federation of Bangladesh Chambers of Commerce and Industry.

The tenure of the board will be three years and a member will hold his/her directorship for a maximum of two times in a row.

The central bank will be empowered to monitor the PAMC's operation and it will prepare regulations on how the company will run as well.

The PAMC, which will enjoy tax rebate facility on its income, will be allowed set up a number of branches in different parts of the country.

The company could invest its income in profitable sectors like banks and non-bank financial institutions.

READ MORE ON B3

Make prompt LC payment or face the music

BB warns banks

Star Business Report

The central back yesterday instructed banks to make their import payment to corresponding foreign banks on time or else strict actions will be taken against the errant lenders.

A good number of banks have recently showed an unwillingness to make import payments on time, which has had an adverse impact on the country's international image, according to a study done by the Bangladesh Bank.

A BB official said that the monetary authority had earlier imposed penalties on certain banks, which helped bring in corporate governance.

"But the lenders have started the malpractice once again. This time the central bank will have a zero tolerance policy against them," he added.

Senior bankers welcomed the initiative, saying that many foreign banks are reluctant to accept letters of credit (LC) issued from Bangladesh as a few local lenders frequently breach the terms and conditions while making payments.

The banks are also forced to pay additional interest to their corresponding lenders due to their failure to settle LCs promptly.

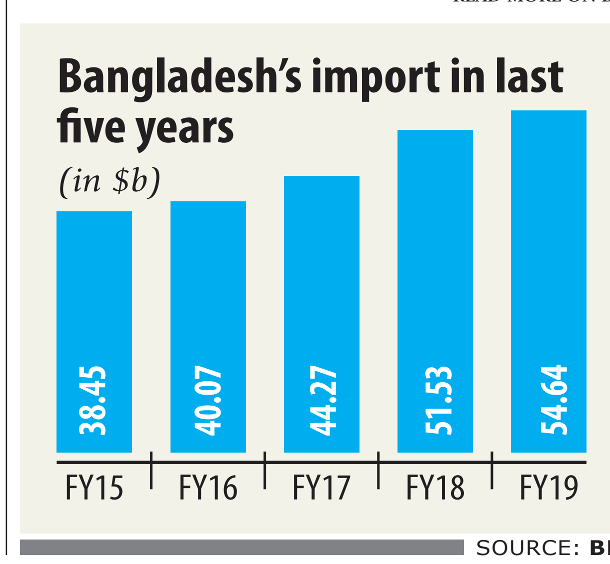
Besides, the confirmation charge for LCs is also on the rise as a result of the added pressure on the country's foreign exchange reserve.

Confirmation fees are a security mechanism that eliminates risks for exporters.

When exporters are not comfortable with the LC-issuing bank, usually due to insolvency risks or local political factors or sometimes both, they may seek an additional guarantee for the LCs.

Malpractice in the industry has also had a negative impact on the country's balance of payments, according to the BB notice to all banks.

READ MORE ON B3



Political commitment holds the key

Experts say at Bangladesh Development Forum

Star Business Report

Political commitment is a must to help Bangladesh become a self-reliant nation, said a senior official of the World Bank Group.

"You will not need a development partner if you have a very strong and efficient banking sector," said Ilias Skamnelos, lead financial sector economist of the FCI under the World Bank Group.

He spoke at a session on "Innovative Financing for a Self-reliant Bangladesh" at the two-day Bangladesh Development Forum 2020 at the Bangabandhu International Conference Centre in Dhaka yesterday.

The government should think of how to leverage the tools to make the development partners irrelevant. It should determine what makes more sense – direct interventions or incentives for the private sector, he said.

Skamnelos said the issue of default loans should also get more focus.

If a solution can be brought to the default loan problem, then a sizable amount of capital will be freed up, which can be lead to lower interest rates, he said.

Skamnelos suggested the government should develop a strong supervisor for the banking sector.

"And moreover, steps should be taken for a healthy capital market."

The government can build more institutional investors for the sake of the stock market.

A report of the General Economic Division of the Bangladesh Planning Commission estimated that an additional investment of $928.48 billion (at fiscal 2015-16 constant prices) would be required for the implementation of Sustainable Development Goals, said Monowar Ahmed, secretary of the Economic Relations Division.

	Challenges	Way forward
Public expenditure and national priorities	● Allocative efficiency among sectors ● Performance of SOE's	● Improving strategic resource allocation ● Strengthening links between planning and budgeting processes ● Enhancing operational efficiency in SOE's
Revenue	● Government revenue to GDP ratio is low ● Large informal sector: avoidance of tax	● Widening tax base through automation and training ● Integrated budgeting and accounting system, effective and efficient use of IBAS-platform
Private sector development	● PPP initiatives are yet to tap the potential ● FDI is very low	● Entrepreneur development program ● Improving WB's doing business indicator ● Dedicated 100 economic zones and 28 IT parks
ODA	● Lack of harmonisation, aid fragmentation and lack of ownership ● High dependence on foreign consultants, who is many cases lack in understanding	● Partnering with DP's under Busan agreement ● Designing projects through effective consultations ● Finding need-based home-grown solutions

As such, the average annual investment required for SDG implementation would be $66.32 billion during the period, he said in the session chaired by Planning Minister MA Mannan.

The GED identifies broadly five potential sources of financing: private sector financing (42.09 per cent), public sector financing (35.50 per cent), public-private partnership (5.59 per cent) and external financing (14.89 per cent).

Development partners need to mobilise private capital to achieve the SDGs through innovative financing. This may include practices as diverse as blended finance, impact investment and financial inclusion drives, Ahmed said.

The development partners therefore need to engage the private sector for development results in two major ways: engaging, primarily large and international, companies around their business activities in developing countries; and mobilising private capital for development purposes, to complement public financing.

Bangladesh has been a success story. But the government should not forget that the abundance of cheap labour will no longer be available with the economic growth, said Yutaka Yoshino, programme leader for equitable growth, finance and institutions of the World Bank.

He made the comment in another session titled "Private sector engagement and trade facilitation".

He also stressed the need for rationalisation of the supplementary duty and the importance of increased focus on bonded warehouse.

"There are so many opportunities left for Bangladesh and there are many areas to grow," said John Smith-Sreen, economic growth office director of the USAID.

The government should find out sectors other than garment, where the economy can grow, he said, adding that more focus should be given on the agro-processing, healthcare, pharma and tourism sectors.

The ERD should put forward an action plan on how to make most of the Bangladesh Development Forum, he added.

There is a lack of coordination among different ministries and divisions, said Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association.

Despite conducting meetings alone, all the efforts should be stitched together to bring a good result, she said.

Shamsul Alam, member of the GED, presented the outline of the eighth Five-Year Plan at a session on "Effective partnership for implementing the 8th five-year plan aiming towards achieving SDGs".

To help materialise their plans, the government will require Tk 7,741,800 crore in investment over the next five years, about 75 per cent of which will come from the private sector while the rest will be publicly funded, he said.

Although the role of development partners has become less significant over time, they are still considered as major players as far as socioeconomic development is concerned, he said.

"Bangladesh is very good in debt repayment," said Md Tajul Islam, LGRD minister.

READ MORE ON B3

Korean firm seeks 700 acres urgently

As its Myanmar investment plan unravels

Jagaran Chakma

Korea Industrial Complex Corporation (KICC) is urgently seeking 700 acres of land in Bangabandhu Sheikh Mujib Shilpa Nagar that it intends to start developing from June.

It aims to bring in South Korean textile, leather and jewellery manufacturers with an initial investment of $500 million.

KICC investment plan

- Area of land **700** acres
- Interested companies **200**
- KICC to start work in June 2020
- Initial investment **$500** million

Existing Korean investment in Bangladesh **$1.15** billion

Bae-Ho Cho, chief executive officer of the South Korean industrial infrastructure developer, also sought to know by February 15 if the land in Mirsarai can be leased out to them at a lower price.

The KICC has already conducted feasibility studies on the land they expect and is ready to make advance payments if necessary to expedite the allotment.

"We will provide land but are not sure how much we will be able to provide," said Paban Chowdhury, executive chairman of the Bangladesh Economic Zones Authority (BEZA), after the CEO met him for a third time on January 20.

The CEO showed keen interest for investment and does not want to waste time, Chowdhury told The Daily Star.

The KICC earlier informed that it was focusing on Bangladesh after facing setback in developing two industrial parks at Bago and Mun states in Myanmar since 2013 for a scarcity of power and water.

South Korean companies want to shift factories to Bangladesh to gain a competitive edge in context to prices in the global market while availing better utility services and infrastructure, Chowdhury said.

He further said many South Korean companies including Saumsung and LG were already present in Bangladesh and they too were looking for separate industrial parks to expand.

The BEZA has already allocated separate industrial zones for investors of Japan, India and China and development work of those have already started, he said.

During a visit to Bangladesh in July last year, South Korean Prime Minister Lee Nak-yon also expressed eagerness to invest in infrastructure, power, ICT, construction, shipbuilding and energy sectors of Bangladesh.

Over 150 South Korean companies have invested a total of $1.15 billion in Bangladesh, making the East Asian country the fifth highest investor, according to the Bangladesh embassy in Seoul.

READ MORE ON B3

BANK ASIA

Md Arfan Ali, president and managing director of Bank Asia, and Md Shafiqul Islam, managing director of SME Foundation, exchange the signed documents of a deal at the latter's head office in Dhaka recently. Textile and women entrepreneurs will get low-cost loans under the deal.

Telenor beats quarterly profit forecast, sees 2020 earnings growth

REUTERS, *Oslo*

Norway's Telenor posted higher-than-expected fourth-quarter operating profits on Wednesday and said it expects its underlying earnings to rise in 2020 after last year's decline.

The company's October-December profit before interest, tax, depreciation and amortisation (adjusted EBITDA) rose 17 per cent year-on-year to 11.88 billion Norwegian crowns ($1.33 billion), while analysts on average had expected profits of 11.68 billion.

"Entering 2020, we will continue to focus on growth, efficiency and simplification," Telenor said in a statement.

The company's fourth-quarter revenue also exceeded expectations, brokers DNB Markets wrote in a note to clients. "We expect the shares to open higher," said DNB, which holds a buy recommendation on the stock.

Organic revenue, which excludes effects of mergers and acquisitions, is expected to grow by up to 2 per cent in 2020 from a 0.4 per cent increase in 2019, Telenor said, while organic EBITDA will swing to growth of 2 per cent-4 per cent from a decline of 2.2 per cent last year. Norway's second-largest company, which has 186 million customers in nine countries across Europe and Asia, raised its full-year dividend to 8.7 crowns per share from 8.4 crowns, slightly below analysts' average forecast for 8.8 crowns.

Economic burnout: India's struggling workforce

AFP, *Mumbai*

India's government releases its 2020 budget on Saturday, facing stuttering growth and record unemployment and a jump in inflation that has further widened India's wealth gap.

A botched nationwide tax rollout, the 2016 shock cash ban, and a sharp liquidity crunch in the vast shadow banking sector all played their part in creating the crisis that roils Asia's third-largest economy.

AFP spoke to Indians from different sections of society about the impact of the economic slowdown, which has put Prime Minister Narendra Modi under considerable pressure.

An engineering degree from a prominent university followed by a job that paid 42,000 rupees ($590) a month: Rahul thought he was set for life. But when the slowdown struck and companies laid off thousands, Rahul -- whose name has been changed at his request -- lost his job and has been struggling to land another.

"I am constantly sending my resume hoping to get an interview call but companies barely respond. The situation is depressing," he said.

The 27-year-old told AFP he now relies on his father's savings and pensions to keep their household running.

At 50, Saroj Ahire was forced to take two jobs and work through the night to earn 15,000 rupees a month, simply to keep her head above water.

AFP/FILE

A domestic worker buys vegetables at a local market in Mumbai.

But the increase in income is no match for inflation, she said.

"By the 25th of every month, I run out of cash and have to buy rice on loan from local shopkeepers," the domestic worker told AFP.

With rising prices prompting her to think twice about what she eats -- onions are now a luxury rather than a staple -- planning for the future is impossible.

Working for wealthy households only makes her feel worse, said Ahire, who shares a cramped one-room shanty with four family members.

"Watching them enjoy good food while I clean their homes... it causes a bit of heartburn for sure," she said.

"We also want to live a good life and eat well." - What about the wealthy - Not everyone is faring poorly. India's stock markets have been hitting record highs, bringing cheer to investors with enough cash to plough into equities.

A report by the charity Oxfam published last week said the wealth of India's top one percent increased by a staggering 46 percent over the past year.

"Select stocks have done very well and since rich people have higher allocation of their wealth in equities they would have gotten richer," R. Venkataraman, managing director of financial services firm IIFL Securities, told AFP.

"Otherwise it's very difficult to give a figure of 46 percent increase in wealth in an economy like this." Reliance Industries, helmed by Asia's richest man Mukesh Ambani, became India's most valuable company with a market capitalisation of more than 10 trillion rupees in 2019.

As the "feel-good factor" evaporates for everyone in India except the super-rich, consumers are cautious about spending on non-essential goods.

Shopkeeper Aslam Malkani, whose Mumbai store stocks smartphone accessories, told AFP sales had plunged more than 80 percent over the past eight months.

"We open the shop and wait but there are no customers," the 36-year-old said.

"I have been working since I turned 16 and have never seen this extent of slowdown. It's just too scary." - 'Hope is dimming' - For some, the slowdown has made already difficult lives even more precarious.

Every morning, Munna Singh joins hundreds of migrant workers waiting at a crowded Mumbai junction, all hoping to be picked up for a job -- from masonry to construction to cleaning sewage pipes.

Singh, 45, left his village in northern India six months ago, desperate to earn a living.

"Every day, from 6 am to noon, we wait for some work but hope is dimming," he said, adding that he sometimes goes two or three days without a meal.

"Where are the jobs?"

China's January factory activity seen stalling as virus adds to risks

REUTERS, *Singapore*

Growth in China's sprawling manufacturing sector likely stalled in January after two months of modest gains, with an outbreak of a new virus adding to risks facing the already struggling economy, a Reuters poll showed.

More than 130 people have died from the virus in China in the last few weeks and nearly 6,000 have been infected, prompting widespread transport curbs and tough public health measures that are weighing heavily on the travel, tourism and retail sectors.

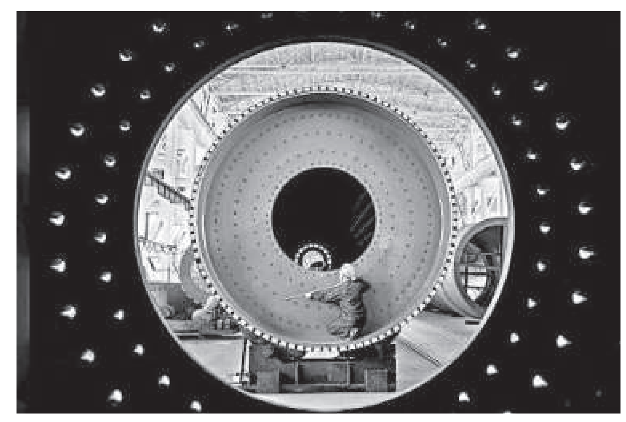
The official Purchasing Managers' Index (PMI) for January is expected to fall to a neutral 50.0 from 50.2 in December. The 50-mark separates expansion from contraction on a monthly basis, according to the median forecasts of 29 economists. The data is expected to be released on Friday.

China will also release a similar survey on activity in the non-manufacturing sector, which may give a better reading of the initial economic damage. Shops, restaurants and movie theatres are expected to see a slump in sales as people avoid crowded areas.

The timing of the long Lunar New Year holiday, which began on Jan. 25 this year, had already been expected to dampen factory activity to some extent after a stronger-than-expected showing in December.

Many businesses cut back operations or shut completely for a week or more to allow millions of workers to return home for celebrations, and authorities have extended the break by several days this year in a bid to contain the virus.

Health officials say it is too early to know just how dangerous the coronavirus is and how easily it spreads, but some analysts say the blow to the economy could be similar to that seen during an outbreak of Severe Acute Respiratory Syndrome (SARS) in 2002-03.



REUTERS/FILE

An employee measures a newly manufactured ball mill machine at a factory in China.

"Even if the coronavirus outbreak is brought under control quicker than SARS was in 2003, the economic impact now looks likely to be of at least a similar scale," Capital Economics said in a note to clients this week.

"We estimate that SARS lowered China's growth by three percentage points in the worst-affected quarter, though the economy soon bounced back."

Much of the "lost" spending during SARS was recouped by early 2004, workplaces generally stayed open and industrial activity was not affected, the consultancy noted.

China's economic growth is already near 30-year lows. It softened to 6.0% last year from 6.7% in 2018 under pressure from weak domestic demand and the escalating Sino-US trade war.

SIBL

Abu Naser Chowdhury, a deputy managing director of Social Islami Bank, opens the bank's sub-branch at Ramdoyal in Noakhali on Tuesday.

DBCCI

Faruque Hassan, outgoing president of the Dutch-Bangla Chamber of Commerce and Industry, presides over the chamber's 19th annual general meeting at Gardenia Banquets in Dhaka on Tuesday. Anwar Shawkat Afser, newly elected president, and Md Shakawat Hossain Mamun, newly elected secretary general, took over the charge for a two-year term at the meeting.

EXIM BANK

Md Nazrul Islam Mazumder, chairman of Exim Bank; Mohammed Haider Ali Miah, CEO; and Zakir Hossain Chowdhury, a general manager of Bangladesh Bank, attend an awareness programme styled 'Prevention of money laundering and combating financing of terrorism' organised by the former in Dhaka on Tuesday.

Do or die - Nissan takes the axe to the house Ghosn built

REUTERS, *Yokohama, Japan*

Nissan is planning aggressive cost cuts to deal with an unexpected slump in sales as the expansionist strategy it inherited from fugitive former Chairman Carlos Ghosn flounders, four people familiar with the plans said.

Japan's second biggest carmaker is set to eliminate at least 4,300 white-collar jobs and shut two manufacturing sites as part of broader plans to add at least 480 billion yen ($4.4 billion) to its bottom line by 2023, two of the people told Reuters.

The moves come on top of a turnaround plan unveiled in July and are likely to include cutting Nissan's range of cars and the array of product options and trims in each line, slashing jobs mostly at head offices in the United States and Europe, and reducing advertising and marketing budgets, they said.

"The situation is dire. It's do or die," a person close to Nissan's senior management and the company's board told Reuters.

Most of the planned cuts and measures to enhance efficiency were presented to Nissan's board in November and received its general blessing, two sources said.

A Nissan Motor Co spokeswoman declined to comment on new restructuring measures or the view that weaker-than-expected sales were the catalyst for a global overhaul.

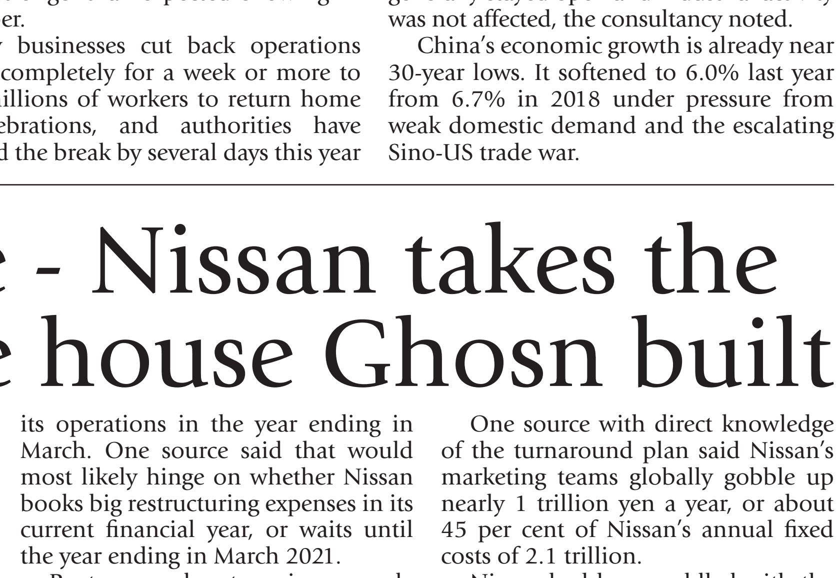
Under Ghosn, Nissan embarked on a global expansion, boosting capacity to add new models, driving more decidedly into markets such as India, Russia, South Africa and southeast Asia and spending heavily on promotions and marketing to hit targets.

Now, many of those models are missing sales goals and executives at Nissan's Yokohama headquarters estimate up to 40 per cent of its global manufacturing capacity is unused, or under-used.

Some executives are worried Nissan, part of an alliance with Renault and Mitsubishi, could post another loss at its carmaking business in the last quarter of 2019 - and possibly for all its operations in the year ending in March. One source said that would most likely hinge on whether Nissan books big restructuring expenses in its current financial year, or waits until the year ending in March 2021.

Reuters spoke to nine people familiar with Nissan's plans. All declined to be named due to the sensitivity of the subject.

In July, Nissan said it would cut 12,500 jobs from 14 sites around the world, from the United Kingdom to Spain, Mexico, Japan, India and Indonesia - and reduce its model range by 10 per cent.



REUTERS/FILE

Nissan's Ariya concept car is displayed during the Tokyo Motor Show.

At the time, Nissan officials told Reuters that meant shutting one production line at each plant.

Now, Nissan is considering shutting two plants permanently, on top of the reductions at the 14 other sites, people close to Nissan's management and board with knowledge of the matter told Reuters. They didn't say which two new sites were at risk.

People familiar with the plans said the axe was also likely to fall at Nissan's North American head office in Tennessee and its European headquarters in Geneva, as they were bloated with high-spending sales and marketing staff.

One source with direct knowledge of the turnaround plan said Nissan's marketing teams globally gobble up nearly 1 trillion yen a year, or about 45 per cent of Nissan's annual fixed costs of 2.1 trillion.

Nissan had been saddled with the excess, "thanks to (Ghosn's) highly aggressive, expansionist volume goals, which we failed to achieve", the source said. A spokeswoman for Ghosn said he declined to comment for this story.

Ghosn told a news conference in Beirut on Jan. 8 that Nissan's poor performance since 2017 was down to Hiroto Saikawa, who formally took over from him as Nissan CEO in April 2017. "He was CEO and he was responsible for it," Ghosn said.

In addition to cuts in Nissan's fixed costs, managers are also considering plans to kill off unprofitable models, accelerate the pace of new product development and reduce the average age of its line-up to 2-1/2 years from five now.

The new plans aim to add 480 billion yen to Nissan's bottom line by the end of March 2023, with 300 billion from cuts in fixed costs and 180 billion from an array of cars to be launched in the next three years, people familiar with the matter said.

CARE holds job fair in Kurigram

Star Business Desk

A daylong job fair was organised in Kurigram by CARE Bangladesh in an effort to alleviate poverty.

Around 400 young male and female visitors arrived from around the district on the premises of the deputy commissioner's office while jobseekers submitted their resumes and interacted with potential employers, the development organisation said in a statement yesterday.

Strengthening Household Ability to Respond to Development Opportunities (Shouhardo) III, a project of CARE, with support from its partners MJSKS and Technical Training Centre, Kurigram facilitated job opportunities for skilled youths in the fair.

Kurigram Deputy Commissioner Sultana Pervin attended the opening ceremony as chief guest.

Ishrat Shabnam, chief of party of Shouhardo, a project of CARE Bangladesh; Mirza Mohammad Nasir Uddin, vice principal of Kurigram Government College, and Ahsan Habib Nilu, president of Kurigram Press Club, also spoke.

Pran-RFL Group, Ayesha Abed Foundation, bdjobs.com and Dutch-Bangla Pack also took part.

Coronavirus hammers travel, tourism stocks in Hong Kong

AFP, Hong Kong

Travel, tourism and property stocks tumbled in Hong Kong on Wednesday as panicked investors fretted over the economic impact of the virus in China that has now killed at least 132 and infected more people than SARS on the mainland.

Dealers returned to trading floors for the first time after the Lunar New Year break and instantly began to sell, joining a global retreat that has wiped more than a trillion dollars off valuations.

The crisis comes just as the city was trying to recover from the impact of the China-US trade war and months of sometimes violent protests that drained confidence in the local economy.

At the end of the day, the Hang Seng Index was down 2.8 percent, though that was an improvement on the first few minutes -- which saw it lose more than three percent -- as traders took heart from a strong lead by Wall Street and Europe.

The outbreak carries echoes of the SARS crisis of 17 years ago, which paralysed regional travel and battered local economies. Chinese tourist numbers then fell by around a third.

The latest outbreak is expected to deal a massive blow to China's already-fragile economy, coming during the Lunar New Year holidays when millions criss-cross the country and spend billions of dollars. It also comes just as data indicated some sort of stability in the economy after a long-running slowdown.

Firms linked to travel and tourism took a beating as big-spending Chinese tourists stayed at home with Beijing clamping down on people's movement. Macau casino operators, which derive most of their cash from mainland gamblers, tanked.

Sands China dropped 5.6 percent, while Galaxy Entertainment dropped 5.2 percent and Wynn Macau lost 4.1 percent. Among property firms, New World Development retreated 3.4 percent and Henderson Land was 2.7 percent lower.

Cathay Pacific Airways, which has its main hub at Hong Kong International Airport, lost more than three percent. The carrier has said it would be "progressively reducing" flights to and from mainland China by at least half from January 30 to the end of March. Air China was also off three percent.

Historically bad toxic loan situation makes govt creative

FROM PAGE B1

Annual financial statement of the PAMC will have to be submitted to both the government and the central bank.

Experts -- and the immediate past finance minister -- welcomed the move cautiously: its success rests on ensuring corporate governance.

"I think the PAMC can improve the situation. It depends on how the company decides which asset it will take and in what condition," AMA Muhith, former finance minister, told The Daily Star in an interview earlier this month.

If the PAMC does that stringently, there is no chance of banks exploiting it and dumping their bad assets on it.

"At the same time, banks whose assets are being taken over PAMCs, those banks must be punished in another way," Muhith added.

The government should amend all financial sector related laws such as Banking Companies Act 1991, the Money Loan Court Act 2003 and the Bankruptcy Act 1997 before commencing the operation of the PAMC, said Zahid Hussain, former lead economist of the World Bank's Dhaka office.

Habitual defaulters frequently misuse the loopholes of the acts to be kept themselves from getting punishment, he said.

The government should clamp down on the wilful defaulters, confiscating their passports and boycotting them socially and economically.

"The PAMC will not work out at all if the habitual defaulters continue to enjoy impunity for their delinquency," Hussain said.

Fahmida Khatun, executive director of the Centre for Policy Dialogue, echoed the same.

She said the draft act for the proposed PAMC mentioned that 12 out of 13 directors will come from government organisation, which is not a good idea at all.

"The financial regulators have showed frustrating performance in improving governance in the sector in recent years. So, how will they operate the PAMC properly?"

The government should consider academicians, economists, representatives of civil society and the private sector for the formation of the PAMC's board of directors, Khatun said.

"It is a good step beyond doubt, but the initiative will not be successful if governance cannot be strengthened," said Syed Mahbubur Rahman, managing director of Mutual Trust Bank.

Default loans may go up further if both lenders and borrowers think that they will be able to transfer their toxic assets to the PAMC.

"So we have to implement our rules and regulations strictly to sidestep such situation."

The standard of collateral taken by banks is not good at all.

"So how the PAMC will fix the valuation of the collaterals is an important issue," said Rahman, also an immediate past chairman of the Association of Bankers, Bangladesh, a forum of managing directors of banks.

Meena Bazar in talks to take over Agora

FROM PAGE B4

Since then, customers' turnout increased gradually alongside the number of stores.

Today, Bangladesh has more than 150 supermarkets and convenience stores. Annual turnover in organised grocery retail sector rose 19 per cent year-on-year to Tk 2,300 crore in 2019, according to operators.

The sector has been registering 24 per cent compound annual growth.

Yet, organised grocery sector accounts for 2 per cent of wholesale and retail trade as 5 per cent VAT on sales keeps many customers away from superstores and is holding back the sector from expanding at a brisk pace, according to operators.

Insiders said Rahimafrooz formed its partnership with Brummer & Partners in 2009 to expand business and improve services, a year after ACI entered the superstore chain-based trade.

It could not expand that much.

However, a board member of Agora said it had three stores when Brummer and Partners, Sweden's largest hedge fund manager, invested in Agora. Today, Agora's total number of stores have increased to 17 and the Swedish firm has about 70 per cent stake in Agora, the second biggest superstore chain after Shwapno.

"Hopefully we have been able to make some contributions in making Agora bigger than what it was. We had been in it for 10 years. But when any foreign investor invests, it has to exit sometime. This is that phase," he said.

The sector will continue to grow and has great prospects as the supermarket landscape is still very small, the Agora board member added. As the majority shareholder of Agora wants to sell its stakes, Rahimafrooz is also not willing to continue, said a senior official of Rahimafrooz on condition of anonymity.

"Both of us put some money and we want to make some money," he said seeking to remain unnamed.

Contacted, Niaz Rahim, director of Rahimafrooz (Bangladesh), said in a text message: "Negotiation is progressing." He did not give any further detail.

Insiders said Meena Bazar wants to buy Agora's operations to increase its volume of sales to ensure profitability in the low margin sector, taking advantage of Agora's existing setup. Shwapno, a concern of ACI, is the biggest retail supermarket with more than 120 stores, including 61 Shwapno stores and 67 franchisees, known as Shwapno Express, mostly in Dhaka and Chattogram.

Korean firm seeks 700 acres urgently

FROM PAGE B1

While most of the South Korean investments are in the labour-intensive garment manufacturing sector, new funds are flowing in to power, shipbuilding, housing and banking.

According to the embassy, more than 20 big Korean companies showed interest in Bangladesh last year as the investment climate was improving very fast.

Bangladesh's exports to South Korea is on the rise but the trade gap is still heavily tilted towards the Asian economic giant.

In fiscal 2018-19, Bangladesh's exports stood at $370 million, according to data from the Export Promotion Bureau.

South Korea's exports to Bangladesh in fiscal 2017-18 stood at $1.2 billion. Last year's export data is not available with the Bangladesh Bank yet.

PADMA BANK

Finance Minister AHM Mustafa Kamal and Padma Bank Chairman Chowdhury Nafeez Sarafat cut a cake at the bank's annual business conference at a hotel in Dhaka on Tuesday.

SUMMIT

Abu Reza Khan, managing director of Summit Technopolis, and Niranjan Sharma, CEO of Claron Fibreoptics, a Mumbai-based optical fiber cable manufacturer, sign a land lease agreement at Kurmitola Golf Club in Dhaka recently for setting up an optical fibre cable manufacturing unit on 1.02-acre land at Summit Technopolis at Bangabandu Hi-Tech City in Gazipur's Kaliakair.

Mobile subscribers demand weekly public complaint hearings

FROM PAGE B4

BTRC Chairman Md Jahurul Haque acknowledged the existence of the issues and stated that the government needed to amend the telecom act, Ahmed said.

The association also alleged that mobile carriers were using far less spectrum against what was required for the existing number of customers.

They are also not purchasing spectrum at sufficient volume as the price was very high, as a result of which coverage and service quality were not up to the mark, he said.

Spectrum is a state asset and it needs to be utilised for citizens. So spectrum prices need to be cut so that mobile operators avail sufficient spectrum and offer better services that will ultimately give a boost to the government exchequer as well, they said.

The government is getting more than half of the earnings from the mobile sector in the form of VAT, tax, revenue sharing and other charges.

The association also urged the telecom regulator to set up a laboratory to determine the quality of mobile handsets and identify health hazards.

US deficit seen ballooning over $1tn this year: CBO

AFP, Washington

The US budget deficit is expected to swell this year to over $1 trillion and remain above that level for a decade as government debt balloons, the independent Congressional Budget Office said Tuesday.

Because of the large deficits, CBO said the US debt will grow to 98 percent of the size of the American economy by 2030 -- the highest share since 1946 -- and continue to rise "far higher than it has ever been" to 180 percent of GDP by 2050.

Following President Donald Trump's massive tax cut package at the end of 2017, the deficit has been marching higher, despite administration promises that reducing taxes for corporations and the wealthy would pay for themselves.

The budget gap came in just under the $1 trillion mark last year but is expected to average $1.3 trillion from 2021 through the end of the decade, according to the CBO's latest forecasts.

Make prompt LC payment or face the music

FROM PAGE B1

So, banks have been ordered to make timely import payments while following due diligence; otherwise the central bank will take punitive measures against wrongdoers.

In breach of global norms, some banks do not make import payments in order to provide extra facilities to their clients, said a bank official requesting anonymity as he is not authorised to speak with media.

Clients get extra time to adjust the bank loans against their LCs if their lenders do not duly make import payments, he added.

This is a good initiative as it will help restore the country's financial image, said Syed Mahbubur Rahman, managing director of Mutual Trust Bank.

"The country's LC confirmation charge is higher than in Pakistan. Our sovereign credit rating is better but despite that, we have to pay extra charge," Rahman said.

Foreign banks have a negative image of some local banks as they did not settle their LCs in line with banking rules and regulations, added Rahman, also the previous chairman of the Association of Bankers Bangladesh, a forum for managing directors of banks.

Md Arfan Ali, managing director of Bank Asia, echoed the same.

The illicit collaboration between banks and clients should be stopped for the greater interest of the country's financial sector, said Ali, who hopes that the central bank's instructions will help bring discipline to the banking sector.

Political commitment holds the key

FROM PAGE B1

He also sought increased support from the development partners to help Bangladesh keep growing.

The tax-GDP ratio in Bangladesh is still low and the government should take efforts to raise it, said Rensje Teerink, EU ambassador to Bangladesh.

He also expressed his willingness to work with Bangladesh to upgrade the business climate.

The government estimated $68.5 billion of investment is needed for adaptation and mitigation projects/programmes by 2030 to mitigate the impact of climate change, said Ziaul Hasan, secretary of the environment ministry.

It is working to implement the programmes with its own fund, he said in a session on "Partnership for climate change and its financing."

Development partners, bilateral and multilateral donors should come forward to assist in implementation of the programmes to achieve the global mitigation goal under the Paris agreement, he said.

Several studies have been conducted to understand how climate change can affect Bangladesh and what steps the government should take.

"No new study or survey is required now. What we need now is financial support from the development partners."

Meena Bazar in talks to take over Agora

Sohel Parvez

Meena Bazar, one of the country's biggest supermarket chains, is in talks to acquire its peer Agora in a bid to scale up its business volume to strengthen its foothold.

The discussions, which is halfway through, is expected to be complete by the middle of this year. People familiar with the matter were not interested in sharing the figures being negotiated.

Insiders said Agora's owners, Brummer and Partners and Rahimafrooz, started discussions with Meena Bazar's owner Gemcon Group a couple of months ago for what will be the first acquisition in Bangladesh's organised grocery retail sector.

Shaheen Khan, chief executive of Gemcon Food and Agricultural Products, Meena Bazar's operator, acknowledged the development.

Once the acquisition is complete, the number of Meena Bazar stores will double to 34 and it will become the second biggest retail chain after Shwapno. Agora has 17 stores, mostly in Dhaka.

Bangladesh's organised grocery sector started budding from 2001 thanks to Rahimafrooz.

Known in the automotive sector for battery, Rahimafrooz opened its first supermarket, Agora, in Dhaka in 2001 to attract shoppers by offering convenience in buying groceries and other daily essentials and giving a breather from visiting the unorganised wet market.

READ MORE ON B3

SUPERSTORES IN BANGLADESH

Journey began in **2001** by Agora

Agora: **17** outlets

Meena Bazar: **17** outlets

Shwapno: **120** plus including **67** franchise

Annual turnover: Tk **2,300**cr in 2019, up **19**%

Major Operators

Shwapno, Agora, Meena Bazar, Prince Bazar, Unimart, Daily Shopping and Lavender

Fed likely to keep interest rates on hold

Reuters, *Washington*

The Federal Reserve will conclude its latest policy meeting on Wednesday with interest rates almost certainly to remain on hold but officials likely to discuss possible changes to how they manage the US central bank's key overnight borrowing rate.

Since the Fed cut rates in October, its third and final reduction in borrowing costs in 2019, policymakers have agreed to keep their target policy rate in the current range of 1.50 per cent and 1.75 per cent until there is some significant change in the economic outlook.

US data since the Fed's last policy meeting in December have done little to shift expectations for continued economic growth this year of around 2 per cent and steady, low unemployment.

Some risks may have risen - with China's economic growth now in the spotlight after a coronavirus outbreak - and US Treasury bond yields have fallen as a result.

US President Donald Trump on Tuesday also repeated his call for even lower rates. The Republican president lambasted the Fed and its chief, Jerome Powell, in 2018 and 2019 for maintaining a monetary policy that he regarded as too tight.

While investors have increased bets the Fed would cut rates again at some point this year, analysts still were near unanimous that any such decision is months down the road.

Ninety-five of 108 economists polled by Reuters recently said they expected the Fed to leave rates on hold at this week's meeting, and JP Morgan analyst Michael Feroli said it would likely be "one of the least eventful meetings in recent years."

The Fed is due to release its policy statement at 2 p.m. EST (1900 GMT). Powell is scheduled to hold a news conference half an hour later.

The current solid consensus over rates, however, doesn't mean the agenda is empty.

The Fed is expected to soon decide how much longer it will continue its current practice of buying $60 billion a month in US Treasury bonds, how to scale that program back, and what will replace it as a long-term fix for its management of short-term bank funding markets.

Pumping that extra liquidity into the banking system each month has allowed the Fed to keep short-term interest rates within the target range, addressing an issue that arose last fall when a shortage of bank reserves led that rate to spike.

But it is considered less than an ideal fix. It means the Fed each month is adding to its roughly $4 trillion in assets. Some policymakers would prefer the central bank have a smaller balance sheet if possible.

It has also created the impression that the Fed is engaging in a scaled-down form of the "quantitative easing" it used to prop up the economy in response to the 2007-2009 recession.

Fed officials argue against that comparison, but they face the issue of how to scale the monthly purchases back without risking fallout in asset markets where the extra central bank liquidity is considered a "tailwind" that helps lift prices.

"The question is when, not if," the balance sheet growth stops, Cornerstone Macro analyst Roberto Perli wrote. "We expect Powell to convey this message but to stay vague on timing, for now."

As they discuss how to end this current round of asset purchases, Fed officials are also debating what could take its place. Some policymakers support a permanent offering of short-term "repo" loans that banks could tap as needed, a system they say would allow reserve levels to be set by banks.

In a related adjustment, the Fed may also raise by perhaps five basis points the interest rate it pays banks on excess reserves as a way to keep the federal funds rate closer to the middle of the current policy target rate.

WB 'committed to develop Bangladesh'

Star Business Report

The World Bank's portfolio in Bangladesh has nearly doubled in the last six years to $11.6 billion, with the country being one of the largest beneficiaries of concessional credit.

The Washington-based multilateral lender was among the first development partners to support Bangladesh following its independence. Since then, the World Bank has committed over $30 billion, mostly in grants, interest-free and concessional credits to Bangladesh.

"The World Bank is committed to join Bangladesh on its journey to upper middle-income status, in close cooperation with the government, stakeholders and development partners, and for the benefit of all people," said Hartwig Schafer, the WB's vice President for South Asia.

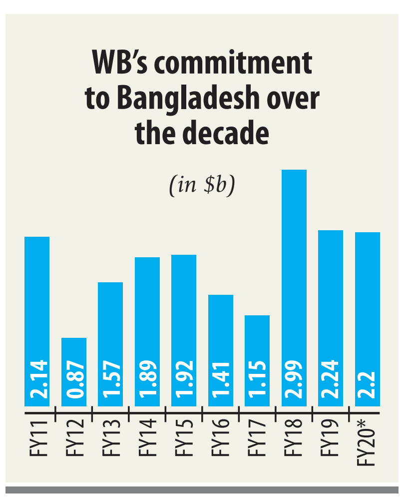
Speaking at the Bangladesh Development Forum yesterday, the opening day of the two-day event, Schafer said the country has proven that if the government and people are committed, a country can emerge as a low middle-income country in just four decades.

During the forum, Schafer exchanged words with the finance minister and other senior government officials, civil society representative and development partners, the WB said in a statement yesterday.

He also praised the country's development innovations, including its success in women empowerment, which has been instrumental in boosting the country's economic growth and development.

Earlier in his three-day visit, Schafer met with Prime Minister Sheikh Hasina and commended Bangladesh's remarkable progress in economic development and poverty reduction.

They discussed the country's development priorities and how the WB could support them to sustain the impressive results achieved in the past few decades.



ADB aims to help Bangladesh achieve SDGs

Star Business Report

Asian Development Bank (ADB) Vice-President Shixin Chen reaffirmed the multilateral lender's commitment to help Bangladesh achieve its Sustainable Development Goals (SGD) while addressing the Bangladesh Development Forum in Dhaka yesterday.

"The ADB stands committed to help the country meet its development aspirations," he said.

Chen attended the two-day event as the opening session's keynote speaker alongside Prime Minister Sheikh Hasina and various development partner representatives.

He held separate discussions on the sidelines with Finance Minister AHM Mustafa Kamal, Planning Minister MA Mannan and Monowar Ahmed, secretary of the Economic Relations Division and ADB alternate governor.

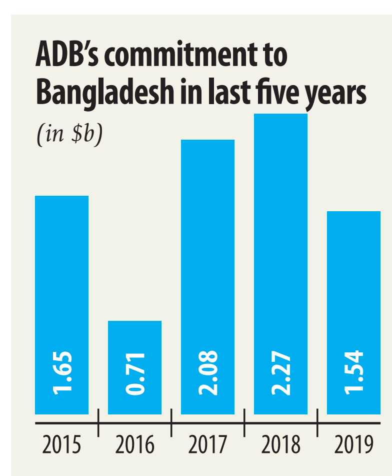
Ever since Bangladesh became an ADB member in 1973, the bank has mobilised more than $25 billion in loans and grants to help bring better infrastructure, public services, and social development outcomes to the people.

Bangladesh is now a global example for economic progress with an average GDP growth rate of more than 6.7 per cent over the last decade, Chen said.

The ADB's country partnership strategy for Bangladesh (2016-2020) reflects the government's key development priorities for sustainable and inclusive growth.

The key challenges ahead include increasing investments, both public and private, to close infrastructure gaps, improve skills, diversify the industrial base and improve the business climate, he said, adding that Bangladesh has made serious efforts to meet SDGs.

In his meetings with senior government officials, Chen expressed appreciation for the initiative to develop special economic zones to connect the country to regional and global value chains.



Preparing for post LIBOR era

Mamun Rashid

A few weeks back, I attended a financial sector specialist meet at New York. Apart from rapid technology transformation issues, a major discussion took place about transitioning from LIBOR to a new order, popularly termed as IBOR or Inter-bank Offered Rate, to shift the power from traders to finance or independent units for rate fixation.

The London Interbank Offered Rate (LIBOR) is a global benchmark interest rate that is prepared across major currencies and markets. It is computed and published daily by the Intercontinental Exchange (ICE). Top tier multinational banks use the rate to provide short-term loans to one another in the international interbank market.

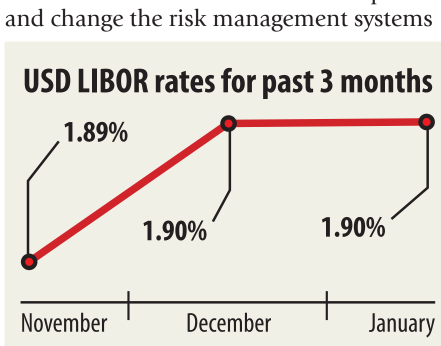
However, use of LIBOR is coming to an end in 2021. The financial crisis caused a notable reduction in transaction volumes in the unsecured inter-bank lending market. Therefore, LIBOR computation has been primarily based on expert judgement due to insufficient transaction data. Regulators as well as panel banks have expressed concerns which further grew with the 2012 LIBOR scandal. Banks were caught manipulating the rate to enhance their profitability. As a result, the Financial Stability Board (FSB) decided to devise a different method of rate calculation and transition by 2021.

This transition is expected to have a massive global impact and on Bangladesh as well, whatever may be the market's exposure is likely to be somehow affected. The change is going to be significant and will require immediate attention from financial institutions. However, preliminary reports reflect that a majority of banks and other financial institutions in Bangladesh are oblivious to the change and no notable step to make the transition has been taken yet.

Studies report that this wait-and-see approach is risky given the volume of products and processes which require alteration. Bangladesh, though in the short term has lending contracts of $7.5 billion outstanding in recent times, backed by either intra-company borrowing or borrowing from Middle Eastern or European banks.

The Dhaka Interbank Offered Rate (DIBOR), though not very active, is administered by the Bangladesh Foreign Exchange Dealers' Association (BAFEDA) and was introduced in 2010. The rate is computed using the same methodology as LIBOR, meaning it is also likely to be open to manipulation. Therefore, with the above-mentioned issues with LIBOR, it is strongly recommended to utilize a more compatible risk-free rate for financial operations.

A PwC publication predicts that the transition away from LIBOR can either be a slow rolling disaster or a once-in-a-generation opportunity. LIBOR is currently rooted into US$350 trillion dollars' worth of financial contracts globally. This must now be re-contracted or closed. The change may cause delays and disruptions to company operations and cost of capital will be altered significantly. This is because alternative rates will affect contract prices and change the risk management systems of an entity.



The evolution will alter a firms' market risk profiles, demand modification to risk models, valuation tools, product design and hedging strategies. There is also a question of how to maintain contractual continuity as various agreements which reference LIBOR have not anticipated the permanent cessation of the benchmark. Industrial bodies such as the International Capital Markets Association (ICMA), the International Swaps and Derivatives Association (ISDA) and the Alternative Reference Rate Committee (ARRC) are working towards developing a fall-back language catering to affected contracts.

Moreover, financial reporting and tax issues would arise as recognition, de-recognition and measurement of assets and liabilities would need to be reformed. The International Accounting Standards Board (IASB) recently issued an exposure draft called 'Interest Rate Benchmark Reform' which recommended alterations to IFRS 9 and IAS 39.

To substitute LIBOR, five alternative rates are currently being devised which differ by region, tenor, currency and basis. This includes the Secured Overnight Financing Rate (SOFR), Tokyo Overnight Average Rate (TONA), Euro Short-Term Rate (ESTR), Sterling Overnight Index Average (SONIA) and the Swiss Average Rate Overnight (SARON).

Most of the above-mentioned substitutes are 'backwards-looking' overnight rates. They are founded on actual historic transactions and issued at the end of the overnight borrowing period.

Even though the end of 2021 seems far off, mitigating the risks and adjustment will surely take most firms a large amount of time. Uncertainty is likely to linger and there may be significant consequences if progress is further delayed.

Sketching out a clear roadmap and expected risk identification to transition is essential for all firms at this stage. Therefore, with a smooth transition to nearly risk-free rates, firms are likely to have priced contracts moving forward.

While there should not be large panic about the aforementioned transition, as most global banks are prepared, we in Bangladesh or local banks need to take cognizance of this, especially where there is a need to rewrite contracts and underlying documentation.

Mobile subscribers demand weekly public complaint hearings

Star Business Report

Bangladesh Telecommunication Regulatory Commission (BTRC) should arrange weekly public hearings to take note of complaints, just like the Bangladesh Energy Regulatory Commission (BERC)'s, demanded the Bangladesh Mobile Phone Users Association.

The BERC holds the event every Tuesday and doing so will help the telecom watchdog upgrade its service quality, said the association while placing a 15-point demand before the BTRC chairman at his office yesterday.

In its 20-year-long journey, the telecom regulator organised two public hearings about the service quality and a couple of others on licencing guidelines.

The association also demanded that 25 per cent of any fine imposed on mobile operators by the regulator based on a complaint should go to the complainant.

This compensation practice has already been adopted by the Directorate of National Consumer Rights Protection, said Mohiuddin Ahmed, the association's president.

There is a huge number of unresolved complaints over poor network quality, slow data speed, bombarding of unwanted commercial messages and some other cases of fraudulence, the association said.

READ MORE ON B3

Clarification

In reference to The Daily Star story published on January 28, 2020 titled "Renata to set foot in the US this year", the drug maker sent in a clarification. Renata acknowledged that four of its products are registered in the US, but its manufacturing facilities are awaiting inspection by the US Food and Drug Administration.