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.

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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.

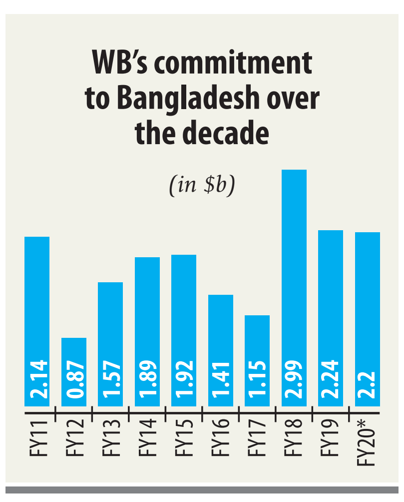
Speaking at the Bangladesh Development Forum yesterday, the opening day of the two-day event, Schafer said the country has proven that if the government and people are committed, a country can emerge as a low middle-income country in just four decades.

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.

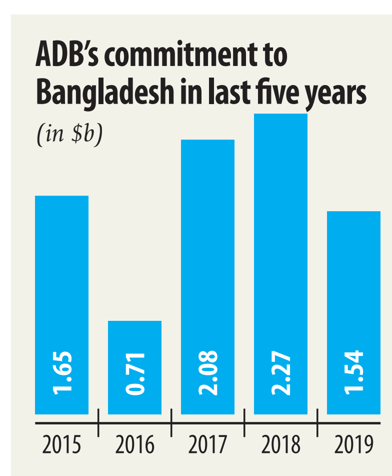
Ever since Bangladesh became an ADB member in 1973, the bank has mobilised more than $25 billion in loans and grants to help bring better infrastructure, public services, and social development outcomes to the people.

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.

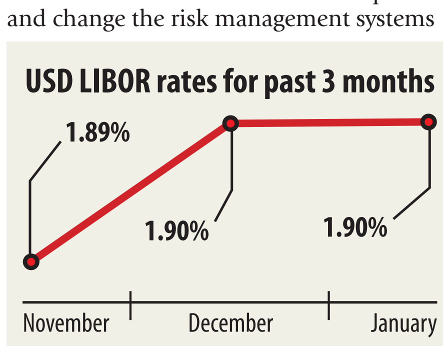
However, use of LIBOR is coming to an end in 2021. The financial crisis caused a notable reduction in transaction volumes in the unsecured inter-bank lending market. Therefore, LIBOR computation has been primarily based on expert judgement due to insufficient transaction data. Regulators as well as panel 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.

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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.