

BSEC shades DSE for ACI share slide

STAR BUSINESS REPORT

The Bangladesh Securities and Exchange Commission (BSEC) has blamed the Dhaka Stock Exchange (DSE) for the dip in ACI Limited's stock prices, and subsequently the market's main index, citing the premier bourse's inability to keep the investor's confidence.

In mid-February last year, the DSE formed a committee to investigate why ACI Logistics Limited and Swapno, two of ACI's subsidiaries, have been incurring enough losses to eat into the profits of their parent company.

The BSEC found that the DSE's investigation and subsequent reports published by newspapers in the aftermath disheartened investors, which ultimately led to the drop in ACI stock prices.

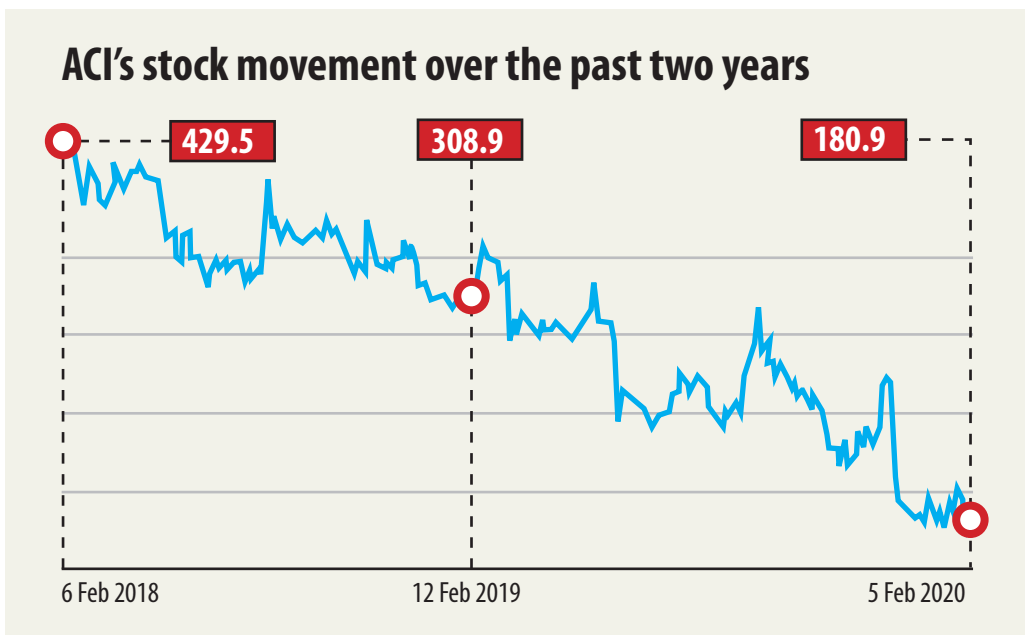
In that regard, the stock market regulator issued a show cause notice last week, asking why appropriate action should not be taken against the managing director, chief regulatory officer and board members of the DSE.

An enquiry committee of the BSEC, which was formed to find the reasons behind unusual price fluctuations of a few listed companies, issued the notice.

ACI's market price decreased by 33 between December 2018 and June 2019, which was during the DSE's investigation.

"The drastic fall of securities has huge impact on the recent decline in the index as ACI is a large cap securities listed with the DSE," according to the BSEC committee.

The aforementioned negative statistics regarding financial statements was the main reason behind the downward trend of ACI share prices, the BSEC committee said, adding that a few ACI directors and committee members have issued statements to the press on the matter.



However, ACI's share prices were already slipping ahead of the investigation. ACI stock prices dropped to Tk 107.7, or by 25.07 per cent, between February and December 2018.

ACI's share price fell as the company incurred losses in the recent times whereas it was once a high profit company, according to market analysts.

ACI's earnings per share was negative Tk 12.20 during the July-December period of 2019. It was Tk 0.05 for the same period in 2018.

In a letter, the BSEC said that the DSE and its directors do not have the jurisdiction to form or conduct any investigation on any listed company

as per securities law.

The DSE may inspect a company with the BSEC's approval. However, since no approval was sought, it was clearly in breach of regulations.

Moreover, DSE directors ignored the code of conduct by conducting such an investigation before going on to disseminate their findings to the media, the BSEC letter said.

The BSEC has now requested DSE representatives to appear at a hearing personally or through other authorised personnel next Sunday at the Securities Commission Bhavan in Agargaon.

Search for China alternative activated

Says Sonali Bank MD

STAR BUSINESS REPORT

Several banks and entrepreneurs are considering alternative sources for capital machinery and raw materials sourced from China following the Coronavirus outbreak in China's Wuhan province, said Ataur Rahman Prodhan, managing director of Sonali Bank, the country's largest lender.

Bangladesh imports various raw materials, including fabrics, and other products from China. However, shipments from the world's most populous country have slowed in the face of the viral epidemic.

Now, entrepreneurs are searching for a suitable alternative country to open new letters of credit (LC) and import substitute products for the time being, he said at a media briefing held at the Sonali Bank head office in Motijheel yesterday.

Prodhan organised the media briefing to discuss the bank's overall situation and new plan for 2020.

Another major step Sonali Bank intend to take is reduce its default loan percentage to single digits by the end of the year. In 2019, the state-owned lender's default loans dropped to 19 per cent, down 7 percentage points year-on-year, he said.

The banks recovered Tk 3,000 crore of classified loans and Tk 800 crore in cash against default loans last year.

Now, the bank has Tk 6,700 crore cash capital shortfall, Prodhan said.

Despite the government's decision to not recapitalise state-owned banks, Sonali

will still seek funds from the government to meet their capital shortfall. The bank is also considering issuing bonds.

"Government banks work in the interest of the people, so they should also be extended a hand," he said, adding that Sonali provides 37 services free of cost.

For instance, Sonali opened LC worth Tk 94,000 crore against the Rooppur nuclear power plant without any commission. If it took the minimum charge, the lender would have received at least Tk 5,000 crore.



The bank also provided a Tk 6,500 crore loan to Biman Bangladesh Airlines for the purchase of seven Boeing aircrafts at just a 0.75 per cent interest rate.

The government plans to purchase more aircraft to enhance Biman's fleet and Sonali is keen to continue its support, he said, adding that representatives from American aeroplane manufacturer Boeing met with Prodhan last month to discuss financing plans for Biman.

Sonali made a profit of Tk 1,730 crore last year, down 15.53 per cent year-on-year.

In response to a query, Prodhan said that 2,800 applications for rescheduling of default loans were made last year. Of the number, 2,500 applications were approved and about Tk 2,600 crore rescheduled.



Aznan Hasan, a member of the Shariah supervisory committee of Standard Chartered Bank, speaks at a discussion styled 'Business Ethics: Inspiration from the life of Prophet Muhammad (PBUH)' organised by the British bank as part of its series of scholarly talks, Living Islam, to mark 15 years of Islamic banking in Bangladesh. Rehan Shaikh, global CEO of Islamic banking at Standard Chartered, and Naser Ezaz Bijoy, CEO of Standard Chartered Bangladesh, were present at the event held in the capital's Lakeshore hotel yesterday.

Revamping Bangladesh's insurance sector



MAMUN RASHID

As Bangladesh has covered considerable ground into achieving the coveted middle-income country status, a robust insurance sector will be vital in consolidating the growth story.

By managing risk on both a micro and macro scale, insurance constructs foundations for sustainable growth, a resilient environment for investment, while safeguarding socially vulnerable segments of the population.

The insurance sector can contribute towards the economy through funding infrastructure development, which requires long-term investments and insurance companies tend to make such investments.

This synergy is leveraged by other nations, which make it mandatory for pension funds to allocate part of their funds to domestic infrastructure investments.

The need to fund infrastructure projects will increase with the growth of Bangladesh economy.

Fundamental macroeconomic indicators, including GDP growth and foreign direct investment (FDI), could

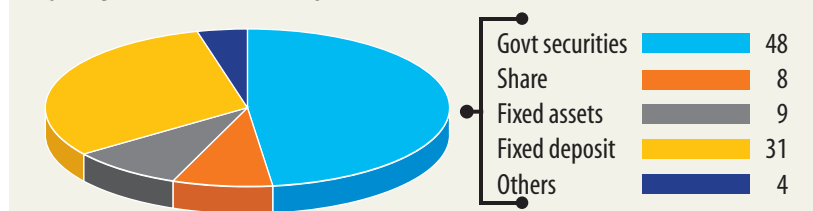
be advantaged by a strong insurance sector as well. The insurance sector can promote growth by providing guaranteed access to liquidity via insurance coverage.

If higher savings are channelled to various financial savings instruments, including insurance, the capital markets will benefit greatly, boosting growth. FDI, yet another central concern for a developing nation, is also likely to be boosted by regulatory reform relating to solvency and risk

per cent and 2.74 per cent, respectively in 2018. Globally, Bangladesh ranks 86th out of 88 nations in terms of premium per capita (USD).

Bangladesh stands to benefit from insurance in a few critical areas. We need insurance products like agricultural insurance. Protection against agricultural production shocks are essential for socioeconomic development. These will help the rural population keep their children in school and preserve assets.

LIFE FUND INVESTED IN DIFFERENT SECTORS (as of Nov 2018, in %)



management.

In comparison to other nations, Bangladesh's insurance sector is trailing behind. Overall insurance penetration (insurance premiums as a fraction of GDP) in Bangladesh was only 0.57 per cent in 2018 and has been decreasing since 2009.

Bangladesh's life insurance penetration rate falls behind compared to its contemporaries. While Bangladesh's life insurance penetration rate is only 0.41 per cent, Vietnam's and India's rates are 1.58

Other than NGOs and public insurance corporations, however, there are very few providers of agricultural insurance products. Moreover, as Bangladesh suffers from frequent natural calamities, it can benefit from reinsurance.

Thus, there is ample space for the expansion and improvement of Bangladesh's insurance sector.

Bangladesh does have the macroeconomic pulse to facilitate growth in the insurance sector.

READ MORE ON B3

Bid to use state enterprises' surplus funds rankles opposition

MPs walk out from parliament

STAR BUSINESS REPORT

A bill over bringing the surplus money of state agencies to the national exchequer was passed amid unprecedented opposition from Jatiya Party (JP) and BNP MPs in the parliament yesterday.

The bill was placed on January 14 with a view to bringing the surplus money held by 61 state agencies to the national exchequer and utilising the funds for implementing development projects.

The surplus funds will be deposited to the national exchequer after keeping aside the operational cost, additional 25 per cent of the operational cost as emergency funds, money for general provident fund and pension, according to the bill. The respective organisation can estimate its operational cost.

The agencies have been included in the bill and they will have to deposit the funds to the national exchequer within three months of completion of a fiscal year.

If an organisation does not provide correct information about the funds, legal actions will be taken against it, the bill said.

Agencies have parked huge amounts of money in banks as deposits and the government needs the money to finance ongoing development projects.

The money belongs to the people and should be spent for their welfare, the bill said.

Both JP and BNP MPs termed the

bill as 'black', 'dangerous' and 'anti-people' law and all of them refrained from placing their amendment proposals on the 'Deposition of Surplus Money of Self-Governed Agencies including Autonomous, Semi-Autonomous and Statutory Government Authorities and Public Non-Financial Corporations to the National Exchequer Bill 2020'.

The main opposition JP MPs voted 'No' when the Speaker placed the bill for voice vote in the House. But another opposition, BNP MPs, staged walkout protesting the passage of the proposed law.

This is for the first time in the recent history of the country's parliament that no MP raised amendment proposals on a bill protesting it.

The opposition MPs demanded withdrawal of the bill from the House to send it for eliciting public opinion.

Finance Minister AHM Mustafa Kamal faced blistering attacks from the MPs following the placing of the bill in the House with Speaker Dr Shirin Sharmin Chaudhury in the chair.

The MPs who harshly criticised the bill are JP MPs Kazi Firoz Rashid, Mujibul Haque, Fakhrul Imam and Shameem Haider Patwary, and BNP MPs Harunur Rashid and Rumeen Farhana.

They said if the ruling party unilaterally passes the bill with their brut majority, it would invite dire consequence for the country's economy.

The government paid attention to

the fund of the self-governed agencies after looting the money of the government organisations, Farhana said.

"Since the government is heavily indebted, the bill was brought to loot the money of the self-governed organisations," she said, adding that if the bill is passed it will have huge adverse impact on the stock market.

"As the bill is black and anti-people law. I withdraw my amendment motions on the bill," the BNP MP said.

The government has initiated move to collect the money from the fund of the self-governed agencies as there was massive corruption in the mega projects, Rashid said.

"If the bill is passed, the 61 self-governed organisations will be destroyed and their efficiency will decline," he said.

Kazi Firoz Rashid said if the government passes the bill by dint of their brut majority, the consequences will be dire and the financial discipline will collapse.

"The government puts its hands into the pockets of the people after looting the money from the banks. Bring back the laundered money as tens of thousands of crore taka was siphoned off the country," he said pointing at the Finance Minister.

Taking a swipe at Kamal, Mujibul Haque said it is normal that this situation turned worse when the country's finance minister is a businessman.

READ MORE ON B3



Tarique Afzal, president and managing director of AB Bank, launches the bank's new product 'AB Height' at the Dhaka Club yesterday. The product is a bundled proposition of an account and a credit card with value-added services.