In Bangladesh Bank we trust

ZAHID HUSSAIN

THIS ought to be, if it already is not, the motto of stock market players in Bangladesh. Bangladesh Bank (BB) has left no stone unturned to show that it stands ready to put lipstick on everything to drive stock markets higher.

In the process, it has seen how hard it is to make lipstick stick. So far there has been no free lunch. As they say, failure is the pillar of success, so keep trying.

The BB has now opened another window to encourage banks to invest in the stock market.

Each bank can create a special fund worth Tk 200 crore for five years to expand their exposure to the stock market subject to several regulations.

The banks can use their own funds or borrow from the BB at 5 per cent, instead of the existing 6 per cent, for 5 years through repo or refinancing mechanism against treasury bills and bonds.

Banks had Tk 1.4 lakh crore in bills and bonds as on June 29, 2020, thanks to the surge in government borrowing from the banking system during the last year and a half.

The banks can invest the fund directly to build their own new portfolio (40 per cent), new portfolio of their subsidiaries (20 per cent), other bank or their subsidiaries (30 per cent) and other merchant bank or brokerage houses (10 per cent).

They also have the option to lend to share market intermediaries at 7 per cent rate of interest without needing to include it in their loan-deposit ratio.

Remember, the ratio is not allowed to exceed 85 per cent for conventional scheduled banks. The BB will closely monitor the use of this fund on a quarterly basis.

The total liquidity in the banking system will be about Tk 11,400 crore higher if all the 57 banks use the repo facility to create the fund. This could potentially increase reserve money (BB's holding of net foreign assets, claims on government and claims on deposit money banks) growth by 4.5 per cent (relative to the stock at end-December 2019) by increasing BB's claims on the banks.

It will therefore be fair to characterise this as a step towards monetary expansion. However, the link between reserve and broad money (net foreign plus domestic assets of the banking system) growth has been rather variable in recent years.

Banks have been very reluctant to invest in the stock market since 2016 as slumping stock prices eroded profit from portfolio investments.

While initiatives like this are designed to help keep liquidity flowing to the bourses, the latest measures could push up banking sector risk if they lead banks to buy higher risk shares than they previously had appetite for.

The banks' overexposure to stock market contributed to creating stock price bubbles in 2010, leading BB to tighten regulations on banks portfolio investments.

Times have changed. BB offered liquidity support to banks in September last year at 6 per cent repo rate to nudge banks to invest in shares. Hardly any bank responded to the Tk 3,000 crore opportunity because the profit prospects were extremely poor.

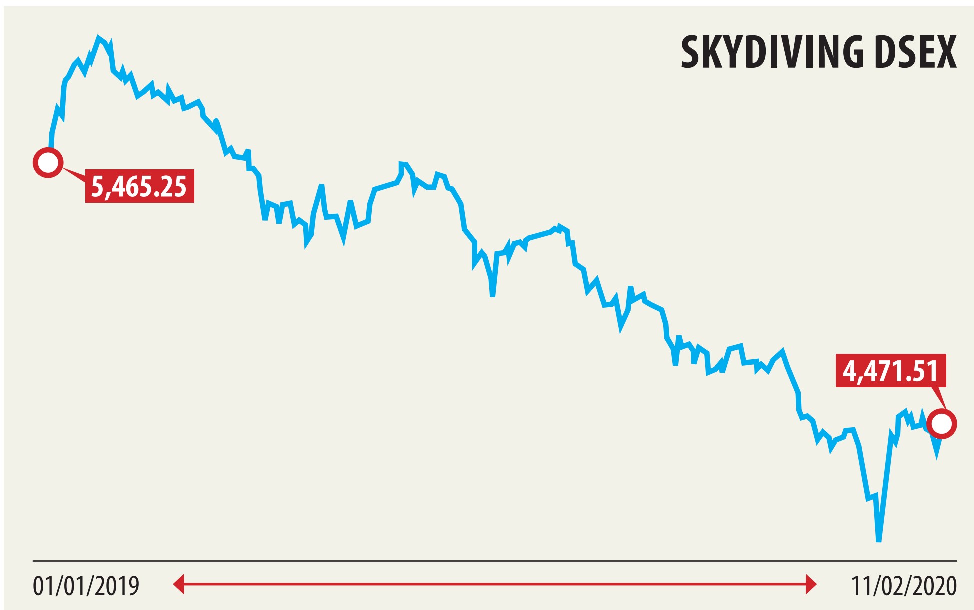
Even before the advent of the coronavirus, the state of the economy was weak. Many big corporates listed in the two stock exchanges have suffered declines in sales and profit in the first half of the current fiscal year.

Confidence on the governance of the stock exchanges and regulatory institutions does not appear to have improved.

The spread of coronavirus has dampened expectations about a recovery in export, import and credit growth in the second half of the current fiscal year.

Vastly increased government borrowing from the banking system and the consequent rise in the risk-free rates has reduced the incentive for banks to look for alternative income earning opportunities.

Whether the 1 per cent reduction in the repo rate to borrow for investing directly or indirectly in shares will be sufficient to overcome the pre-exiting deterrents is literally a 11,400-crore-taka question.



It will not at all be surprising to see the market rise in the next few days on the expectation of fresh liquidity injection from the banks.

However, such increases could quickly revert back to bearish trends since the bullish outlook is not driven by any change in the market fundamentals. Banks therefore run the risk of losing their investment as expectations of price rise induced by the latest announcement fizzle out. Historically, unlike in developed country markets, returns to stocks have failed even to stay ahead of inflation. In fact, if you invested in the whole basket on which DSE Index is based, you would have suffered a capital loss at a compound annual rate of 5.2 percent since 2010. Thus, holding on to investments in shares does not offer much promise.

There is considerable debate on the appropriate role of stock prices in the determination of monetary policy.

Conventional wisdom says changes in stock prices should affect monetary policy only to the extent that they affect the central banks' assessment of capital accumulation.

Bangladesh's overarching approach across the financial system is aimed at achieving a more inclusive financial system in which banks can support lending to parts of the economy that are beyond their risk appetite; the micro, cottage and small enterprises for instance.

The stock market does not fall in this category because such enterprises are not listed in the bourses.

Exposure to stock market, on the other hand, increases the potential of risks spilling over to banks, exacerbated by the limited capacity of Bangladesh's capital market regulator to provide comfort on improved governance.

The recent stock market bust has created a serious dilemma for BB. Shares are trading at prices that seem well below normal as is the volume of trading. However, it is hard to figure the "normal levels".

We can almost never be sure whether these reflect a demand supply mismatch or simply a re-evaluation of fundamental values by market participants. These two different interpretations have very different implications for the appropriateness of BB actions. aking the problem worse is the fact that the markets are influenced by several other factors.

There are good reasons to worry about attempts by BB to influence stock prices, including the fact that the effects of such attempts on capital market psychology are predictably unpredictable.

Effective market discipline requires credibility. Aggressive banks responding to the new policy initiative must believe that they are at risk of loss and that there is no insurance backing them up.

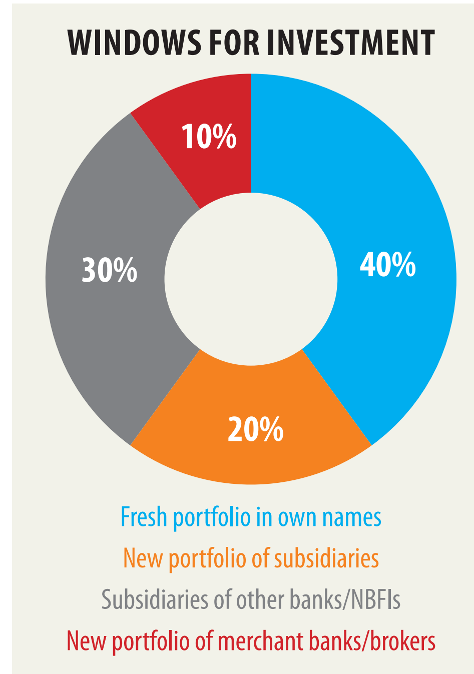
It is neither possible nor necessarily wise to eliminate entirely the potential for support of uninsured banks.

However, it is possible to reduce both the probability of a bailout and the extent of protection banks receive when a bailout occurs. This can partially mitigate the moral hazard associated with the public safety net supporting banking.

Putting responsive banks at risk of loss in a credible manner is no easy task. Experience tells us that such credibility needs to be explicitly established.

We cannot count on banks to spontaneously decide to price risk appropriately. A mechanism to limit spill overs from one bank to another is critical because these spill overs -- the contagion effect -- are a principal rationale for bailing out the aggressive banks when all their stock market bets fail and they each end up owing Tk 200 crore to the BB.

The author is an economist



BB BAILOUT AT A GLANCE

Each bank can form a fund of Tk 200cr

Banks will take the fund from BB via repo

Interest 5%, tenure until Feb 2025

Investment won't be counted as stock exposure

BB bailout unlikely to perk up bourse: experts

AHSAN HABIB

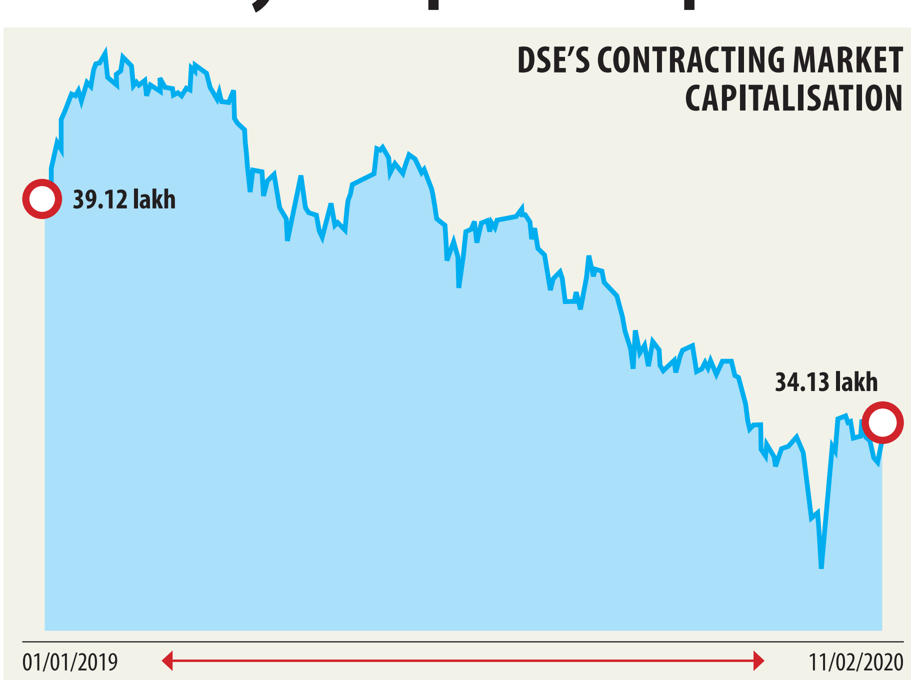
Boosting stocks by providing an incentive of making loans available is not a sustainable way for reviving investors' confidence, rather, it might lead to the creation of further risks for the banking sector, said experts on the matter.

On Monday, Bangladesh Bank announced a special package, saying each bank will be allowed to form a Tk 200 crore fund by taking financial support from it in order to invest in the stock market.

The lenders will avail the central bank funds for a five-year period at 5 per cent interest through repurchase agreements (repo) against treasury bills and bonds they own.

However, specialists believe that investing into stocks on taking loans was a risky move. Moreover, the way the loan would be recorded in the banks' books was concerning.

Salehuddin Ahmed, a former Bangladesh Bank governor, said the banks were already in a lot of problems and adding the stock market issue on top of it would worsen the situation.



Bangladesh Bank should have kept in mind that banks deal money of ordinary citizens, not their own, and ordinary citizens want safeguarding of their money, he said, adding that investing in the stock market was not a safe move.

Giving incentives on an ad-hoc basis will not help prop up stocks for the long run as the stock market's problems lie elsewhere, he added.

Solutions must be provided for the problems, such as the presence of a low number of stocks having good performance records and the rampant insider trading and gambling, said Ahmed.

The stock market, in terms of sustainability, will not be in a good position until fundamental changes are brought to it, said Zahid Hussain, former lead economist at the World Bank's Dhaka office.

READ MORE ON B3

Bangladesh eyeing $50b in investment from Saudis

STAR BUSINESS REPORT

Investment is set to top the priority list as two days of talks between Bangladesh and Saudi Arabia begin at Economic Relations Division (ERD) from today.

The meetings are of a Joint Economic Commission formed by the two countries. It will comprise a 40-member Saudi delegation, led by a deputy minister for labour and social development and including 10 representatives from seven conglomerates.

The entities are Saudi Aramco, ACWA Power, Honey and Health, Engineering Dimension Com, Aljomaih Energy and Water Company, Albwani Water and Power, and Red Sea Gateway Terminal (RSGT).

The company representatives will take part in technical sessions of business-to-government meetings to discuss about investment opportunities and the modalities.

READ MORE ON B3

Banglalink's audit has 8 takers

STAR BUSINESS REPORT

Eight accounting firms are vying to audit Banglalink, an exercise that has thus far turned out to be a challenging mission for the telecom watchdog.

This is the Bangladesh Telecommunication Regularity Commission (BTRC)'s third attempt to pour over the books of the operator, which was founded in 1996 under the name of Sheba.

The telecom regulator's first initiative to inspect Banglalink's accounts and network was in 2011. But a few months into the inspection the auditor quit.

The BTRC then asked another auditor to complete the study, but the firm eventually backed out.

Two year ago, the BTRC attempted to audit Banglalink once again but that too went in vain, leaving industry stakeholders surprised by the outcome.

The applications, which came in response of the telecom regulator's invitation for expression of interest on January 5, will now be sent to the evaluation committee for shortlisting, said a senior BTRC official requesting anonymity as he is not authorised to speak with the media.

"The process would be completed as soon as possible," he added.

The audit firm that will clinch the job must be a member of the Institute of Chartered Accountants of Bangladesh (ICAB) and have prior experience of auditing multinational telecom or IT companies, according to the EOI.

Joint venture audit firms with technical knowledge in the relevant field were particularly encouraged to apply.

Banglalink's audit will be conducted under categories such as regulatory, legal, technical and financial matters and other related issues.

In response to the EOI, Banglalink urged the government to also audit two other mobile network operators, Airtel and Teletalk, to level the playing field.

The decision to conduct a fresh audit on Banglalink was taken during a commission meeting last December, which also decided to audit Airtel that merged with Robi around two-and-a-half years ago.

The BTRC has remained embroiled in a longstanding legal battle with Grameenphone and Robi over the settlement of huge audit discrepancies amounting to Tk 13, 445 crore.

READ MORE ON B3

Now there's a portal to monitor resource usage in garment sector

STAR BUSINESS DESK

IFC, a member of the World Bank Group, has developed a web tool, PaCT Portal, to help calculate resource consumption in the country's readymade garments industry.

The data-driven monitoring software will provide real-time analytics for readymade garment factories, helping them in their efforts to improve use of resources, such as water and energy, according to a statement.

The initiative comes as IFC-led Partnership for Cleaner Textile (PaCT II) enters its third year with eight partners working together to reduce the environmental impact of the export-oriented sector. Bangladesh is the second largest apparel exporter in the world, next only to China, according to the World Trade Organisation. Apparel accounts for more than 80 per cent of the country's exports.

The portal was launched at the PaCT annual meet held in Dhaka yesterday, where panel discussions focused on issues such as low-carbon opportunities in the textile industry.

Panellists also highlighted how emerging consumer behaviour and choice are now shaping the global apparel market.

This monitoring tool will work as an analytical information exchange platform to help with users' decision-making regarding water and energy consumption, said Nishat Chowdhury, programme manager for PaCT.

"It can play a big role in leading the industry towards sustainability and achieve results that are right for the industry, the planet, and our future generation," Chowdhury added.

COLLECTED

IFC officials and its partners pose during the launch of a web tool, PaCT Portal, in Dhaka yesterday.

In a video message, Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association, said: "The industry has saved a huge amount of water and energy through the collaborative partnership with PaCT. We would like to think and shape tomorrow for the better and we can only do that by being the best of partners in the days to come."

Supported by Denmark, Australia, and the Netherlands, PaCT's multi-stakeholder partnership has already helped the industry save 25 billion litres of water and 2.5 million megawatt hours of energy annually.

READ MORE ON B3

MTB

Syed Mahbubur Rahman, CEO of Mutual Trust Bank, opens the bank's agent banking centre in Paikpara area of Mirpur in the capital recently.

India's economic growth set to bounce back: govt adviser

REUTERS, *New Delhi*

Indian economic growth is poised to bounce back after slipping to a more than six-year low of 4.5 per cent in the July-September quarter as the government has taken measures to prop up investments and consumer demand, a top government adviser said.

"Corporate tax reductions, the Insolvency and Bankruptcy Code and the banking sector reforms have helped and will help propel growth further," Sanjeev Sanyal, principal economic adviser at the finance ministry, told Reuters.

The Insolvency and Bankruptcy Code, introduced in May 2016, has helped banks to recover billions of dollars stuck in outstanding corporate loans and offer loans to new borrowers.

Sanyal said economic growth was set to accelerate to 6 per cent in the financial year beginning in April, compared with estimated growth of 5.0 per cent in the current one.

But many private economists are less optimistic, saying the current downturn may continue for the next few quarters due to a dip in private investments and tepid consumer demand.

Nomura said Asia's third-largest economy will see a sub-par recovery, and forecast 4.7 per cent GDP growth for the current fiscal year and 5.7 per cent for the next fiscal year.

Sanyal dismissed the conservative estimates and said his numbers took into account early signs of recovery in manufacturing and a pick-up in consumer demand.

He said the government expected that average consumer price inflation would fall to 4 per cent in the next financial year beginning April, after a recent spike driven largely by food prices.

There is enough space for the central bank to further cut interest rates, however, as inflation was likely to ease following a fall in vegetable prices, he said.

Cambodia PM says country 'will not bow down' a day before EU trade decision

REUTERS/FILE

Cambodia's Prime Minister Hun Sen attends a celebration marking the 66th anniversary of the country's independence from France, in central Phnom Penh.

REUTERS, *Phnom Penh*

Cambodian Prime Minister Hun Sen was defiant on Tuesday, a day before the European Union is to decide whether to end the country's special trade preferences over human rights concerns, saying the nation "will not bow down" to foreign demands.

Cambodia benefits from the EU's "Everything But Arms" (EBA) trade program, which allows the world's least-developed countries to export most goods to the European Union free of duties.

The European Union has threatened to suspend the trade preferences over a crackdown on the opposition, NGOs and the media by Hun Sen, who has ruled the country of 16 million for more than 35 years.

In a speech on Tuesday, Hun Sen said he wouldn't bow to respond to EU's demands.

"Therefore, we call on the Cambodian people to stand up to protect Cambodia's independence, sovereignty and peace. Let's not bow down to anyone, we must work hard to live," Hun Sen said.

"We want to be friends and partners with all countries around the world but if they do not understand us and want to force us, we don't agree," Hun Sen said. "We have already tasted countless war, tragedies they had made for us, but we are not dead."

The garment industry is Cambodia's largest employer, generating $7 billion for the economy each year. Exports to EU markets were worth $5.4 billion in 2018, according to official data.

A document posted on European Parliament's website suggested that the EBA withdrawal from Cambodia would be on "some products," and that rice was not included.

Self-exiled Cambodian opposition figure Sam Rainsy said on Tuesday that Hun Sen should have complied with the EU's demands, aimed at restoring fundamental freedoms in Cambodia.

"Even a partial suspension of the EBA scheme is a sad development because it will still affect Cambodian workers' jobs and our country's economy at least to a certain degree and because such a development could have been avoided," Rainsy told Reuters in an email.

Rainsy said that "because of Hun Sen's stubbornness" the Cambodian people will lose on both fronts.

"Let's hope that Hun Sen will open his mind and his heart to start negotiation with the EU to prevent any further commercial sanctions because of his repressive regime," Rainsy said.

Deutsche Bank taps US tech companies for makeover

REUTERS, *Frankfurt*

Deutsche Bank has invited bids from Microsoft, Google and Amazon to overhaul the German bank's outdated and fragmented technology networks, people with knowledge of the matter said.

The bank's approach to the US tech companies, which has not been previously reported, is part of a 13 billion euro ($14.20 billion) technology investment Deutsche has planned up to 2022 as it restructures to recover from years of losses.

Bernd Leukert, who recently joined Deutsche's board as chief technology officer from software group SAP, is overseeing the initiative.

Deutsche Bank said in a statement: "To help us evaluate our options, we have started a tender process with several cloud providers ... we expect to be able to complete the process in the coming months."

Microsoft and Google declined to comment. Amazon did not respond to a request for comment.

Technology is a challenge for all global banks, but Deutsche Bank has particularly struggled to harmonize its networks in the decades after a rapid global expansion that included the acquisition of Morgan Grenfell in London and Bankers Trust in the United States.

Even some of the bank's most basic processes are outdated. Some retail customers still get their balances entered into savings books by printers for which spare parts are no longer manufactured.

The three US tech groups set up shop on site at Deutsche Bank in Frankfurt last week to come up with proposals to fix technology and partner on projects across the bank, two of the people said.

China's central bank gives green light to Mastercard's China JV for clearing business

REUTERS, *Beijing*

China's central bank said on Tuesday it has approved an application by Mastercard's China joint venture to conduct bank card clearing operations in the country.

The People's Bank of China (PBOC) made the announcement weeks after China and the United States signed a Phase I trade deal in which Beijing agreed to open up its giant financial services market.

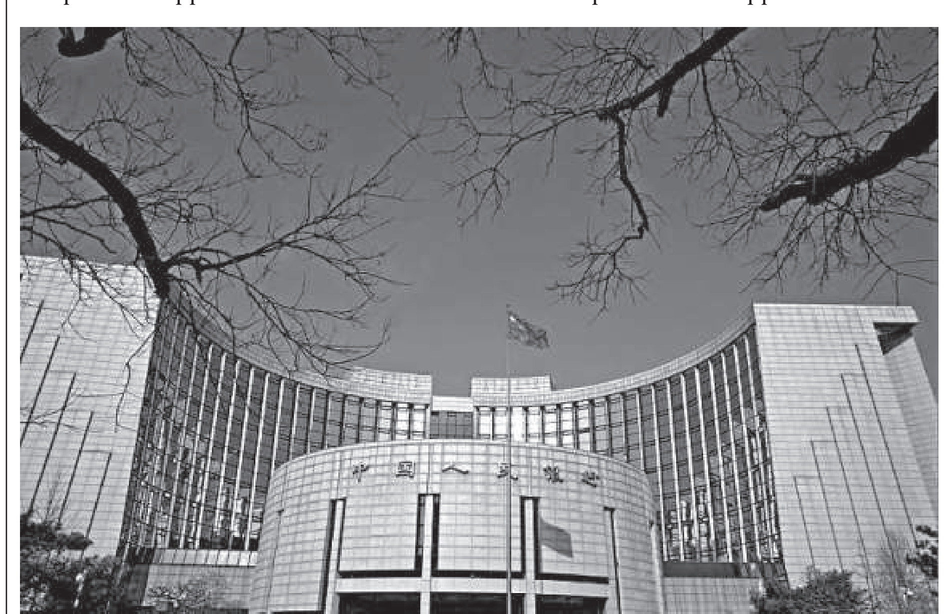
The approval, made with China's banking regulator, is another example of "China opening up its financial industry, and deepening supply-side reforms in the sector," PBOC said in a statement on its website.

In early January, PBOC said it had accepted an application from a unit of American Express Co regarding starting operations in China. American card giant Visa submitted its application in early 2018 and is still awaiting approval.

China is opening up its local currency payments market to foreign companies after a decade of lobbying from foreign players seeking direct access to what is set to be the biggest bank card market by 2020.

Mastercard's China JV is given a maximum of one year to prepare for business opening, which also requires PBOC approval.

The Sino-U.S. Phase I trade deal states that no later than one month after US service suppliers, including Mastercard, Visa and American Express, notify China that preparatory work is completed, China shall accept the licence application.



REUTERS/FILE

The headquarters of the People's Bank of China, the central bank, is pictured in Beijing.

Global markets rebound on easing virus fears

AFP, *London*

Asian and European stocks advanced Tuesday, after more Wall Street records overnight on easing investor concerns over the economic impact of China's coronavirus outbreak.

Investors were looking ahead to any comments on the fallout from US Federal Reserve Chairman Jerome Powell in his testimony to Congress on Tuesday and Wednesday.

In late morning European trade, Frankfurt and London stock markets each were up 0.7 percent while Paris gained 0.4 percent.

The positive mood followed Monday's rallies on Wall Street, where the S&P 500 and the tech-heavy Nasdaq hit fresh records on easing global worries over the coronavirus.

"European equities have continued the rebound begun yesterday in the US," said IG analyst Chris Beauchamp.

"But... investors have yet to see an end in sight for the crisis in China and with other assets like oil so far refusing to respond in bullish fashion some will worry that equities are beginning to run out of road in the short-term.

"For now, practically the only data outside of virus infections that matters is China's economic growth." All eyes are on China as the world's second-largest economy sputters back to life after a forced extension to the Lunar New Year holiday because of the outbreak, which has killed more than 1,000 people and disrupted major global supply chains.

After a nervous start to the week that saw Asian bourses plunge, most bounced back.

Hong Kong closed up 1.3 percent, while mainland China's benchmark Shanghai Composite Index was 0.4 percent higher. Tokyo was closed for a public holiday.

The 2019-nCoV virus, which emerged in central China, has spooked equity and oil markets for weeks, having spread to more than two dozen countries.

More than 42,000 infections have been confirmed so far in mainland China and President Xi Jinping has described the situation in Hubei, the outbreak epicentre, as "still very grave".

Chinese authorities are expected to make policy interventions to help ease the economic hit from the virus, analysts said, which could boost market confidence.

"While... uncertainties remain around nCoV, one sure thing you can probably count on is that the mother of all stimulus measures will get laid down by the (Chinese central bank)," wrote Stephen Innes, chief market strategist for Asia-Pacific at AxiCorp.

A number of earnings reports are also expected this week, including from companies that could suffer a coronavirus hit to their numbers.

Chinese tech giant Alibaba, Japanese automaker Nissan and MGM Resorts are among the firms scheduled to announce results this week.

China, the world's largest importer and consumer of oil, was already battling an economic slowdown when the coronavirus emerged.

Fears of a decline in demand from China, and the resulting supply glut, has caused oil prices to tumble in recent weeks. But main oil contracts rebounded on Tuesday. Brent Crude was up 1.5 percent while West Texas Intermediate rose 1.3 percent.

JPMorgan in talks to merge blockchain unit Quorum with startup ConsenSys

REUTERS, *New York*

JPMorgan Chase & Co is in talks to merge its marquee blockchain unit Quorum with Brooklyn-based startup ConsenSys, according to people familiar with the plans.

The deal is likely to be formally announced within the next six months, but financial terms are still unclear, the people said.

Around 25 people currently work on the Quorum team globally, and it is unclear whether they will join ConsenSys after the merger, the people said.

Blockchain emerged over a decade ago as the software tracking cryptocurrency transactions. Since then, banks and other large corporations have been investing millions of dollars to develop and test a range of business applications using the nascent technology.

Efforts have had mixed results, with few projects achieving significant impact.

JPMorgan built the Quorum blockchain internally using the ethereum network, the software that underpins ether, one of the most well known cryptocurrencies.

It is being used by JPMorgan to run the Interbank Information Network, a payments network that involves more than 300 banks. JPMorgan, the largest U.S. bank by assets, also said it would use Quorum to issue a digital currency called JPMorgan Coin that it designed to make instantaneous payments using blockchain.

A merger with ConsenSys would have no impact on the IIN and other JPMorgan projects running on Quorum, one of the people said.

JPMorgan has been considering spinning off Quorum for around two years, evaluating options including setting up an open-source foundation, creating a new startup or merging it with another company, the person said.

A merger with ConsenSys was chosen as the best path forward as both organizations work with ethereum and have been involved in joint initiatives in the past.

ConsenSys, a prominent blockchain startup that grew rapidly during the 2017 crypto bubble, was founded by Joe Lubin, one of the co-founders of ethereum.

The company announced last week that it had laid off around 14% of its staff, as it undergoes a restructuring to separate its software development business from its venture activities.

A merger with Quorum would align with its shift toward growing its software division.

Quorum is open source, meaning its code is free and may be modified and redistributed. The plan after the merger is to maintain the Quorum brand and keep the technology open source, one of the people said.

REUTERS/FILE

A view of the exterior of the JP Morgan Chase & Co corporate headquarters in New York City.

'Encourage youths to become entrepreneurs'

Says commerce secretary at Brac's light engineering fair

STAR BUSINESS DESK

Engaging the youth in productive activities and encouraging them to become entrepreneurs is the best thing to do to boost economy, said Md Abdul Halim, secretary to the industries ministry yesterday.

He spoke at the concluding ceremony of a two-day 'Light Engineering Trade Fair' organised by Brac at the Bangabandhu International Conference Centre in Dhaka.

The fair was held under BRAC's 'PRo-poor growth of rural enterprises through sustainable skills-development (PROGRESS)', a project funded by the European Union.

A total of 58 small businesses from 41 districts participated in the fair and received work orders worth more than Tk 1.9 crore.

"Access to finance is a significant area and we need whatever you want in writing so that we can work on the issues entrepreneurs face," said Halim.

He thanked BRAC for bringing approximately 5,000 light engineering entrepreneurs under the project.

"I would request them to keep these people under their umbrella so that they can avail benefits of the BRAC access. I would also request Bangladesh Small and Cottage Industries Corporation (BSCIC) to enlist these 5,000 entrepreneurs in their database," he added.

Brigadier general (retd) Aftab Uddin Ahmed, director of BRAC Skills Development Programme; Abdur Razzak, president of the Bangladesh Engineering Industry Owners Association; Mokammel Hossain, an additional secretary to the Prime Minister's Office; and Lila Rashid, a general manager of Bangladesh Bank, also spoke.

BRAC

Analysts take part in a discussion in the concluding ceremony of a two-day 'Light Engineering Trade Fair' organised by Brac at Bangabandhu International Conference Centre in Dhaka yesterday.

Emirates offers free hotel stay and complimentary visa for Dubai stopover

STAR BUSINESS DESK

Emirates has recently offered free hotel stay for two nights and complimentary 96-hour visas to visit Dubai for all those travelling via its home base en route to Europe, the Americas and Africa. The offer is valid for bookings made between February 11 and February 24 and for travel between February 20 and March 31.

Fares to Europe during this promotional period start at just $927 to London, inclusive of taxes, according to a statement. For Economy-class passengers, the offer includes a complimentary two-night stay at a Rove or equivalent hotels. First, Business or mixed-class passengers will be entitled to a complimentary two-night stay at Address Sky Views or Address Fountain Views or equivalent hotels.

Complimentary night stays are on room-only basis and subject to availability. First and Business-class passengers can avail Emirates' chauffeur service for airport transfers.

Emirates operates flights from Dhaka thrice daily with wide-body Boeing 777s. From March 29, 2020, the airline is set to launch its fourth daily service.

Bangladesh eyeing $50b in investment from Saudis

FROM PAGE B4

Monowar Ahmed, secretary to the ERD, will lead the Bangladesh side. The seven companies, already having billions of dollars invested in Bangladesh's power and textile sectors, are interested in expanding their investment, said Mohammad Abul Hasan, economic minister at the Bangladesh embassy in the kingdom.

Bangladesh wants to mobilise $50 billion in investment from the Saudi investors and there is scope to get at least $15 billion for the energy sector, he told The Daily Star.

Saudi Crown Prince Mohammed Bin Salman is heading a $250 billion Public Investment Fund and has undertaken a "Look East" investment policy against the region's recent economic developments, he added. The Saudi government is keen on investing in Bangladesh and the question is over how much the latter could absorb, said Hasan.

Known internationally for world-class port terminal services, the RSGT is one of Saudi Arabia's largest operators, building its newest flagship container terminal at Jeddah Islamic Port. It is keen on making investments under public-private partnership to develop Bangladesh's port infrastructure and maritime sector. Last August it proposed investing in infrastructure and technical developments of the Chattogram, Mongla and Payra ports.

The Saudi company has already signed a letter of intent with the shipping ministry to explore investment opportunities and provide expertise.

Meanwhile, Saudi Aramco is keen on working on an oil refinery, a petrochemical complex and associated storage.

MIDAS

Benoit Préfontaine, high commissioner of Canada in Bangladesh, cuts a ribbon to open a five-day 'MIDAS SME Trade Fair 2020' for women entrepreneurs, at the MIDAS Centre in the capital's Dhanmondi yesterday. ASM Mashi-ur-Rahman, managing director of the Micro Industries Development Assistance and Services, was present.

Ecnec pours cold water on Teletalk's plans

FROM PAGE B1

In the project proposal, the operator, which already has an ongoing project to add about 1,000 new towers, said it needs about 18,160 towers to cater to its existing customers.

The carrier has a plan to increase its data transmission capacity to 100 Gbps as part of its efforts to embrace 5G technology.

It also plans to strength coverage in 50,000 government offices, educational institutions, hospitals and 500 high-rise buildings in divisional cities.

Of the proposed amount, Teletalk has asked the government to give Tk 3,155.50 crore at a 5 per cent interest, while it will provide Tk 123.52 crore from its own fund.

After the meeting at the planning commission chaired by Prime Minister Sheikh Hasina, Planning Secretary Nurul Amin told reporters that the premier herself also stressed on the need for a third-party feasibility study.

The prime minister also asked the operator to improve its services, he said.

Revenue shortfall can't stop stretching

FROM PAGE B1

"It will not be possible to improve from the current situation without a significant reform in the NBR's system."

He blamed corruption and under- and over-invoicing of imported goods as some of the major reasons behind the sluggish revenue flow. Besides, the revenue collection target set by the government is unrealistic.

The government has set a target of Tk 325,600 crore for the NBR this year, up 45 per cent from fiscal 2018-19's actual collections. "Even after that, revenue collection could grow 25-30 per cent year-on-year if the government truly brings in reforms in the NBR. In that case, the tax-to-GDP ratio would have increased," he added.

Bangladesh's tax-to-GDP ratio, which is about 10 per cent, is amongst the lowest in the world.

Fed Chair Powell likely to give Congress positive economic update

REUTERS

Federal Reserve Chair Jerome Powell is likely to sound fairly upbeat about the outlook for US economic growth when he testifies this week in the first of his twice-a-year updates to Congress, even as he nods to the potential threat from the coronavirus in China.

That assessment would echo the formal report the Fed submitted to the US Congress on Friday, which repeated the central bank's view that its current target range for short-term borrowing costs, between 1.5 per cent and 1.75 per cent, is "appropriate" to keep the expansion on track.

Not just the message will be familiar; Powell will also be addressing a familiar crowd. His calendars show he has talked privately with most of the lawmakers set to publicly grill him this week. Please see graphic: Powell no stranger on the Hill - here

Indeed Powell has made lawmaker outreach a signature feature of his tenure. In just two years on the job, he has spent about 96 hours in private meetings, phone calls, group meals or study sessions with senators and members of the House of Representatives. That compares with 77 hours for his predecessor, Janet Yellen, over her four years as Fed chair.

Banglalink's audit has 8 takers

FROM PAGE B4

Therefore, the decision to audit yet another mobile carrier may create further instability and fear within the industry.

Following a court order, Robi paid Tk 27.60 crore in January as their first instalment to the BTRC for Tk 867.23 crore in dues following the audit.

The country's largest mobile network operator, Grameenphone, is also tussling with the BTRC over Tk 12,579.95 crore dues.

The Appellate Division of the Supreme Court in November asked Grameenphone to pay Tk 2,000 crore within three months. However, Grameephone filed a review petition, saying the company can only pay Tk 570 crore for now.

Now there's a portal to monitor resource usage in garment sector

FROM PAGE B4

Launched in 2018, PaCT II works with 132 factories to adopt state-of-the-art efficiency and reduce water, energy and chemical use to meet global standards, the statement added.

Five textile brands -- VF Corp., Puma, Levi Strauss & Co, Tesco and GAP Inc. -- have partnered with the PaCT programme. Jeanologia, Radiant Alliance and EMKAY are the technology providers, while the BGMEA is the implementing partner.

BB braced for tighter grip on private banks

FROM PAGE B1

However, those who reschedule their default loans as per the banking norms will be spared. The number of directors of a bank will be a maximum of 20, of which one-fifth will have to be appointed as independent directors.

The qualifications of independent directors have been mentioned in the draft act as well.

Any individual who previously served as director, officer, advisor, consultant or auditor of the lender cannot be its independent director.

A person will also not be permitted to hold independent directorship of he or she has an ongoing relationship with other banks as director, officer, advisor, consultant or auditor.

An alternative director will be permitted to serve the board of a bank for a maximum of six months and he/she can play the role for once a year. In many cases, the alternative directors of some banks have long been serving the boards as the original directors have never visited the country.

The original directors will be forced to take part in the board meeting if the draft act pass muster in the parliament.

Any borrower who fails to pay back his/her loans despite his/her ability to do so will be termed a habitual defaulter, as per the draft act prepared by the finance ministry for banks.

Banks and financial institutions will have to publish the list of habitual defaulters with their pictures on the respective lenders' website and newspapers.

Mortgaged lands will have to be taken over by banks within one month of the borrower being declared a habitual defaulter. Habitual defaulters will not get any trade licence and they will not be allowed to register their home and vehicles.

They will also be barred by the Registrar of Joint Stock Companies and Firms from opening new companies.

The draft act has also included a fresh provision to restructure, liquidate and merge troubled and weak banks.

Coronavirus puts int'l expos on hold

FROM PAGE B1

However, all five bookings were cancelled due to the spread of coronavirus, costing the venue at least Tk 20 crore in revenue, MM Jashim Uddin, chief operating officer of ICCB, told The Daily Star yesterday. "This is the ICCB's peak season for hosting expos."

A major source of revenue for the ICCB are the various expositions held by different business groups during this time of the year. Even events that were not yet finalised have been cancelled. "We are now staring at a big hole in our revenue," Uddin added. Like the BPGMEA, the Bangladesh Textiles Mills Association (BTMA) put off the 17th Dhaka International Textile and Garments Machinery Exhibition (DTG) 2020, which was originally scheduled to be held between February 20 and 23 at the ICCB.

Coronavirus has now become a serious health hazard worldwide, the BTMA said in its notice. As far as the BTMA is concerned, all countries have taken steps to prevent the spread of coronavirus, keeping their respective nation's best interests in mind, and Bangladesh is no exception.

Although the BTMA and Yorkers Trade and marketing Services Co. decided to postpone the DTG, they have resolved to hold the exhibition in June at the same venue.

Syed Abdul Muakhir, catering director of the Bangbandhu International Conference Centre, said the venue escaped the immediate fallout of the coronavirus as there were no bookings made for international exhibitions but just domestic fairs.

US companies cut back on installing robots in 2019

REUTERS

The robot invasion slowed a bit last year.

US companies installed fewer robots in 2019 than they did the year before, the first cut back since 2015, as a downturn in manufacturing fueled by trade wars and weaker demand dampened appetite for the machines.

Shipments fell to 23,758, a more than 16 per cent drop, according to data seen by Reuters that was set for release on Tuesday by the Association for Advancing Automation, an industry group based in Ann Arbor, Michigan.

Robot shipments also fell in Mexico last year, declining 25 per cent to 3,263, while shipments in Canada roughly held steady at just over 3,000 units.

A major goal of President Donald Trump has been to drive manufacturers to bring work back to the United States, presumably aided by new automation and robotics that would allow domestic plants to compete with cheaper labor in China and other lower-cost countries.

But that trend appears to have been overwhelmed by a larger slowdown in manufacturing.

Alexander Shikany, vice president of the Association for Advancing Automation, said the slowdown is likely to be short lived.

VSONE

Officials of VSONE, a technology solutions provider, and IFS, a multinational software company, pose at an event in Dhaka on Monday. VSONE partnered with IFS to launch its operation in Bangladesh.

BB bailout unlikely to perk up bourse: experts

FROM PAGE B4

Companies having good performance records still do not want to come to the stock market while investors cannot differentiate between good and bad companies as they do not have trust on balance sheets being true, he said.

Moreover, the Bangladesh Securities and Exchange Commission (BSEC) "cannot run as per its wishes", Hossain pointed out.

Only manipulators have confidence in this market and this scenario should be changed, said Hossain.

The economist said there was a cost to managing the fund and apart from this there was an interest to be paid. On the other hand, there was no certainty of making a profit from the stock market.

"So if I was a banker, I might not take the risk."

Responding to a question, he said the banks earlier went through some bad experiences with the stock market, so none but aggressive banks might finally avail the central bank loans.

Faruq Ahmed Siddiqi, a former BSEC chairman, said he personally did not believe in providing any incentive to revive the stock index.

"Because, artificial incentives do not turn out to be sustainable, so the capital market should run on its own market force."

If banks have an appetite to invest in the stock market but suffer from a liquidity crisis, such incentive would have a positive impact on the market.

However, many banks did not invest despite having the money and legal scope, he said.

Investing into the stock market by taking loans is quite a risky move, so it remains to be seen whether the banks will take the risk, said Siddiqi, also a former commerce secretary.

A top official of a listed bank, preferring anonymity, said they have adequate liquidity and scope to invest in the stock market.

"But our main fright is the volatile market scenario and lack of good governance in the market."

The stock market is not a sure destination for profiting off investments as it may turn volatile at any time, so it is a tough decision when it comes to borrowing money to invest here, the banker said.

Another banker said he believes the special BB package would help the stock market only in the short term.

But this might not send out the right kind of message from the overall sense of governance, especially the way the BB has proposed keeping records of the whole package.

According to the central bank's circular, if the price of a Tk 10 stock falls to Tk 4, banks can still show it as a Tk 10 asset. This will help banks refrain from keeping Tk 6 in provisioning.

"It would be risky for the banks because no provisioning would be required, even if the investment gets impaired," the banker added.

In this regard, former BSEC chairman Siddiqi said the government should not distort any existing law on keeping provisioning to provide an incentive.

Such a decision may impact the banking sector negatively, for instance, if the banks do take the loans but then incur losses, he said.

A merchant banker pointed out that the BB package was giving banks a benefit of 1 percentage point, as the banks would be able to borrow money at 5 per cent interest rate whereas the repo rate was 6 per cent.

"Will scheduled banks decide to invest in the risky equity market for attaining just one percent benefit?"

Moreover, once the deposit rate of the banking sector is reduced to 6 per cent as per a government directive of December last year, then the repo rate would fall too.

The government has decided to reduce the bank interest rate to 6 per cent and 9 per cent in deposits and lending respectively from upcoming April.

A stock broker said they were hopeful of a rise in the market due to the central bank's announcement.

But, the main problems of rampant manipulation, a lack of good governance and dearth of stocks having good performance remain. So the government should put emphasis on these, he added.

In Bangladesh Bank we trust

ZAHID HUSSAIN

THIS ought to be, if it already is not, the motto of stock market players in Bangladesh. Bangladesh Bank (BB) has left no stone unturned to show that it stands ready to put lipstick on everything to drive stock markets higher.

In the process, it has seen how hard it is to make lipstick stick. So far there has been no free lunch. As they say, failure is the pillar of success, so keep trying.

The BB has now opened another window to encourage banks to invest in the stock market.

Each bank can create a special fund worth Tk 200 crore for five years to expand their exposure to the stock market subject to several regulations.

The banks can use their own funds or borrow from the BB at 5 per cent, instead of the existing 6 per cent, for 5 years through repo or refinancing mechanism against treasury bills and bonds.

Banks had Tk 1.4 lakh crore in bills and bonds as on June 29, 2020, thanks to the surge in government borrowing from the banking system during the last year and a half.

The banks can invest the fund directly to build their own new portfolio (40 per cent), new portfolio of their subsidiaries (20 per cent), other bank or their subsidiaries (30 per cent) and other merchant bank or brokerage houses (10 per cent).

They also have the option to lend to share market intermediaries at 7 per cent rate of interest without needing to include it in their loan-deposit ratio.

Remember, the ratio is not allowed to exceed 85 per cent for conventional scheduled banks. The BB will closely monitor the use of this fund on a quarterly basis.

The total liquidity in the banking system will be about Tk 11,400 crore higher if all the 57 banks use the repo facility to create the fund. This could potentially increase reserve money (BB's holding of net foreign assets, claims on government and claims on deposit money banks) growth by 4.5 per cent (relative to the stock at end-December 2019) by increasing BB's claims on the banks.

It will therefore be fair to characterise this as a step towards monetary expansion. However, the link between reserve and broad money (net foreign plus domestic assets of the banking system) growth has been rather variable in recent years.

Banks have been very reluctant to invest in the stock market since 2016 as slumping stock prices eroded profit from portfolio investments.

While initiatives like this are designed to help keep liquidity flowing to the bourses, the latest measures could push up banking sector risk if they lead banks to buy higher risk shares than they previously had appetite for.

The banks' overexposure to stock market contributed to creating stock price bubbles in 2010, leading BB to tighten regulations on banks portfolio investments.

Times have changed. BB offered liquidity support to banks in September last year at 6 per cent repo rate to nudge banks to invest in shares. Hardly any bank responded to the Tk 3,000 crore opportunity because the profit prospects were extremely poor.

Even before the advent of the coronavirus, the state of the economy was weak. Many big corporates listed in the two stock exchanges have suffered declines in sales and profit in the first half of the current fiscal year.

Confidence on the governance of the stock exchanges and regulatory institutions does not appear to have improved.

The spread of coronavirus has dampened expectations about a recovery in export, import and credit growth in the second half of the current fiscal year.

Vastly increased government borrowing from the banking system and the consequent rise in the risk-free rates has reduced the incentive for banks to look for alternative income earning opportunities.

Whether the 1 per cent reduction in the repo rate to borrow for investing directly or indirectly in shares will be sufficient to overcome the pre-exiting deterrents is literally a 11,400-crore-taka question.

It will not at all be surprising to see the market rise in the next few days on the expectation of fresh liquidity injection from the banks.

However, such increases could quickly revert back to bearish trends since the bullish outlook is not driven by any change in the market fundamentals. Banks therefore run the risk of losing their investment as expectations of price rise induced by the latest announcement fizzle out. Historically, unlike in developed country markets, returns to stocks have failed even to stay ahead of inflation. In fact, if you invested in the whole basket on which DSE Index is based, you would have suffered a capital loss at a compound annual rate of 5.2 percent since 2010. Thus, holding on to investments in shares does not offer much promise.

There is considerable debate on the appropriate role of stock prices in the determination of monetary policy.

Conventional wisdom says changes in stock prices should affect monetary policy only to the extent that they affect the central banks' assessment of capital accumulation.

Bangladesh's overarching approach across the financial system is aimed at achieving a more inclusive financial system in which banks can support lending to parts of the economy that are beyond their risk appetite; the micro, cottage and small enterprises for instance.

The stock market does not fall in this category because such enterprises are not listed in the bourses.

Exposure to stock market, on the other hand, increases the potential of risks spilling over to banks, exacerbated by the limited capacity of Bangladesh's capital market regulator to provide comfort on improved governance.

The recent stock market bust has created a serious dilemma for BB. Shares are trading at prices that seem well below normal as is the volume of trading. However, it is hard to figure the "normal levels".

We can almost never be sure whether these reflect a demand supply mismatch or simply a re-evaluation of fundamental values by market participants. These two different interpretations have very different implications for the appropriateness of BB actions. aking the problem worse is the fact that the markets are influenced by several other factors.

There are good reasons to worry about attempts by BB to influence stock prices, including the fact that the effects of such attempts on capital market psychology are predictably unpredictable.

Effective market discipline requires credibility. Aggressive banks responding to the new policy initiative must believe that they are at risk of loss and that there is no insurance backing them up.

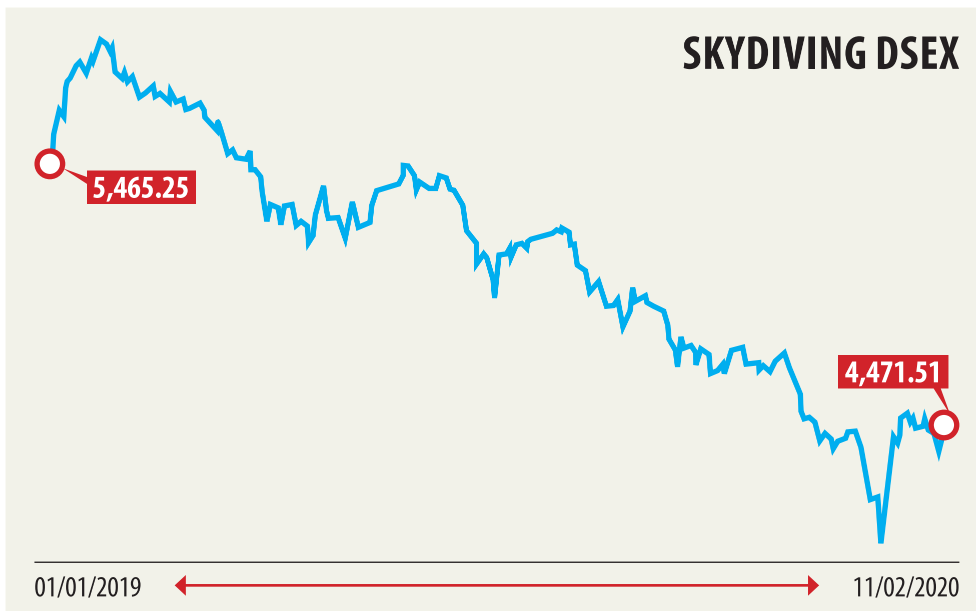
It is neither possible nor necessarily wise to eliminate entirely the potential for support of uninsured banks.

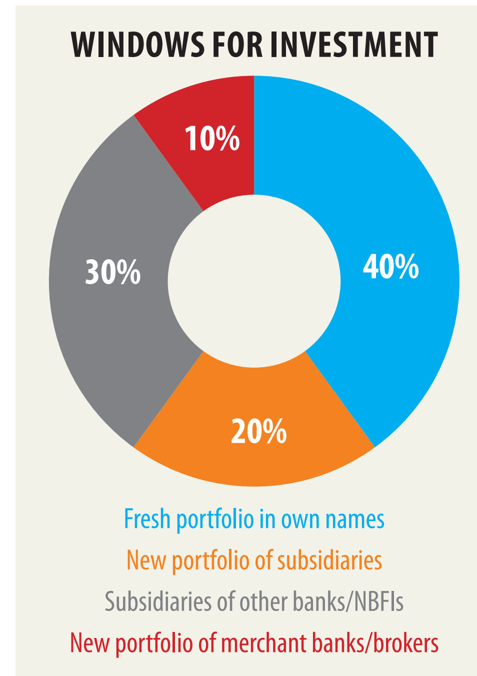
However, it is possible to reduce both the probability of a bailout and the extent of protection banks receive when a bailout occurs. This can partially mitigate the moral hazard associated with the public safety net supporting banking.

Putting responsive banks at risk of loss in a credible manner is no easy task. Experience tells us that such credibility needs to be explicitly established.

We cannot count on banks to spontaneously decide to price risk appropriately. A mechanism to limit spill overs from one bank to another is critical because these spill overs -- the contagion effect -- are a principal rationale for bailing out the aggressive banks when all their stock market bets fail and they each end up owing Tk 200 crore to the BB.

The author is an economist





BB BAILOUT AT A GLANCE

- Each bank can form a fund of Tk 200cr
- Banks will take the fund from BB via repo
- Interest 5%, tenure until Feb 2025
- Investment won't be counted as stock exposure

BB bailout unlikely to perk up bourse: experts

AHSAN HABIB

Boosting stocks by providing an incentive of making loans available is not a sustainable way for reviving investors' confidence, rather, it might lead to the creation of further risks for the banking sector, said experts on the matter.

On Monday, Bangladesh Bank announced a special package, saying each bank will be allowed to form a Tk 200 crore fund by taking financial support from it in order to invest in the stock market.

The lenders will avail the central bank funds for a five-year period at 5 per cent interest through repurchase agreements (repo) against treasury bills and bonds they own.

However, specialists believe that investing into stocks on taking loans was a risky move. Moreover, the way the loan would be recorded in the banks' books was concerning.

Salehuddin Ahmed, a former Bangladesh Bank governor, said the banks were already in a lot of problems and adding the stock market issue on top of it would worsen the situation.

Bangladesh Bank should have kept in mind that banks deal money of ordinary citizens, not their own, and ordinary citizens want safeguarding of their money, he said, adding that investing in the stock market was not a safe move.

Giving incentives on an ad-hoc basis will not help prop up stocks for the long run as the stock market's problems lie elsewhere, he added.

Solutions must be provided for the problems, such as the presence of a low number of stocks having good performance records and the rampant insider trading and gambling, said Ahmed.

The stock market, in terms of sustainability, will not be in a good position until fundamental changes are brought to it, said Zahid Hussain, former lead economist at the World Bank's Dhaka office.

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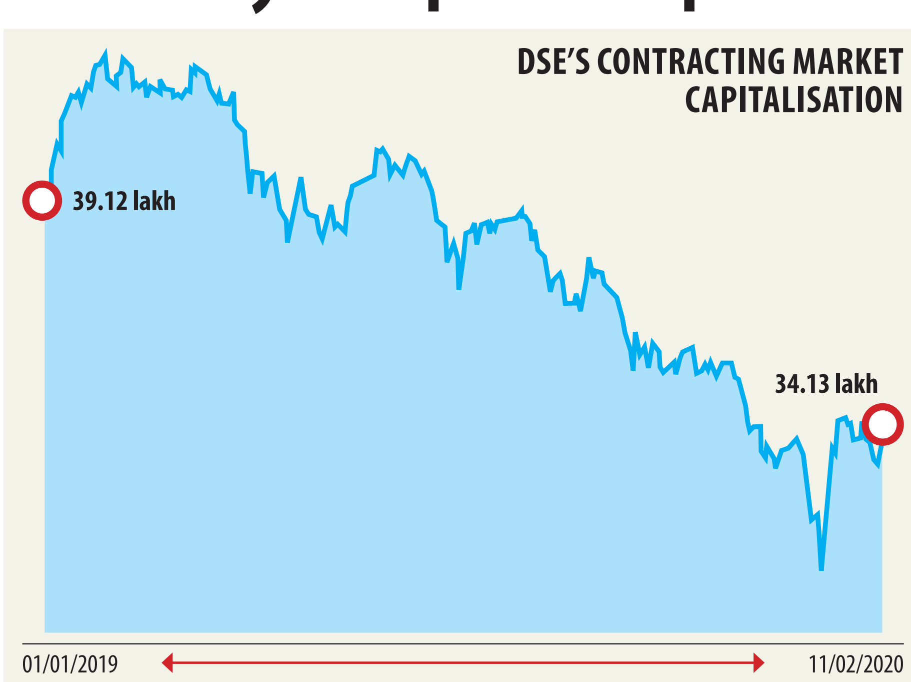

Bangladesh eyeing $50b in investment from Saudis

STAR BUSINESS REPORT

Investment is set to top the priority list as two days of talks between Bangladesh and Saudi Arabia begin at Economic Relations Division (ERD) from today.

The meetings are of a Joint Economic Commission formed by the two countries. It will comprise a 40-member Saudi delegation, led by a deputy minister for labour and social development and including 10 representatives from seven conglomerates.

The entities are Saudi Aramco, ACWA Power, Honey and Health, Engineering Dimension Com, Aljomaih Energy and Water Company, Albwani Water and Power, and Red Sea Gateway Terminal (RSGT).

The company representatives will take part in technical sessions of business-to-government meetings to discuss about investment opportunities and the modalities.

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Banglalink's audit has 8 takers

STAR BUSINESS REPORT

Eight accounting firms are vying to audit Banglalink, an exercise that has thus far turned out to be a challenging mission for the telecom watchdog.

This is the Bangladesh Telecommunication Regularity Commission (BTRC)'s third attempt to pour over the books of the operator, which was founded in 1996 under the name of Sheba.

The telecom regulator's first initiative to inspect Banglalink's accounts and network was in 2011. But a few months into the inspection the auditor quit.

The BTRC then asked another auditor to complete the study, but the firm eventually backed out.

Two year ago, the BTRC attempted to audit Banglalink once again but that too went in vain, leaving industry stakeholders surprised by the outcome.

The applications, which came in response of the telecom regulator's invitation for expression of interest on January 5, will now be sent to the evaluation committee for shortlisting, said a senior BTRC official requesting anonymity as he is not authorised to speak with the media.

"The process would be completed as soon as possible," he added.

The audit firm that will clinch the job must be a member of the Institute of Chartered Accountants of Bangladesh (ICAB) and have prior experience of auditing multinational telecom or IT companies, according to the EOI.

Joint venture audit firms with technical knowledge in the relevant field were particularly encouraged to apply.

Banglalink's audit will be conducted under categories such as regulatory, legal, technical and financial matters and other related issues.

In response to the EOI, Banglalink urged the government to also audit two other mobile network operators, Airtel and Teletalk, to level the playing field.

The decision to conduct a fresh audit on Banglalink was taken during a commission meeting last December, which also elected to audit Airtel that merged with Robi around two-and-a-half years ago.

The BTRC has remained embroiled in a longstanding legal battle with Grameenphone and Robi over the settlement of huge audit discrepancies amounting to Tk 13, 445 crore.

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Now there's a portal to monitor resource usage in garment sector

STAR BUSINESS DESK

IFC, a member of the World Bank Group, has developed a web tool, PaCT Portal, to help calculate resource consumption in the country's readymade garments industry.

The data-driven monitoring software will provide real-time analytics for readymade garment factories, helping them in their efforts to improve use of resources, such as water and energy, according to a statement.

The initiative comes as IFC-led Partnership for Cleaner Textile (PaCT II) enters its third year with eight partners working together to reduce the environmental impact of the export-oriented sector. Bangladesh is the second largest apparel exporter in the world, next only to China, according to the World Trade Organisation. Apparel accounts for more than 80 per cent of the country's exports.

The portal was launched at the PaCT annual meet held in Dhaka yesterday, where panel discussions focused on issues such as low-carbon opportunities in the textile industry.

Panellists also highlighted how emerging consumer behaviour and choice are now shaping the global apparel market.

This monitoring tool will work as an analytical information exchange platform to help with users' decision-making regarding water and energy consumption, said Nishat Chowdhury, programme manager for PaCT.

"It can play a big role in leading the industry towards sustainability and achieve results that are right for the industry, the planet, and our future generation," Chowdhury added.

In a video message, Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association, said: "The industry has saved a huge amount of water and energy through the collaborative partnership with PaCT. We would like to think and shape tomorrow for the better and we can only do that by being the best of partners in the days to come."

Supported by Denmark, Australia, and the Netherlands, PaCT's multi-stakeholder partnership has already helped the industry save 25 billion litres of water and 2.5 million megawatt hours of energy annually.

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COLLECTED

IFC officials and its partners pose during the launch of a web tool, PaCT Portal, in Dhaka yesterday.