STOCKS	
DSEX	CSCX
▼ 1.26%	▼ 1.30%
4,409.62	8,175.12

COMMODITIES	
Gold ▲	Oil ▲
$1,645.30	$52.78
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.55%	▲ 0.08%	▲ 0.18%	▲ 0.63%
38,409.48	21,100.06	3,025.03	3,011.67

CURRENCIES — STANDARD CHARTERED BANK

	USD	EUR	GBP	CNY
BUY TK	83.95	92.84	106.86	11.97
SELL TK	84.95	96.64	110.66	12.58

Star BUSINESS

DHAKA THURSDAY MARCH 5, 2020, *FALGUN 21, 1426 BS* starbusiness@thedailystar.net

Banks' deposit growth contracts in anticipation of interest rate cap

AKM Zamir Uddin

Deposit growth in banks saw a steep decline in January, in a development that can be viewed as the direct impact of the capping of interest rate on savings to 6 per cent.

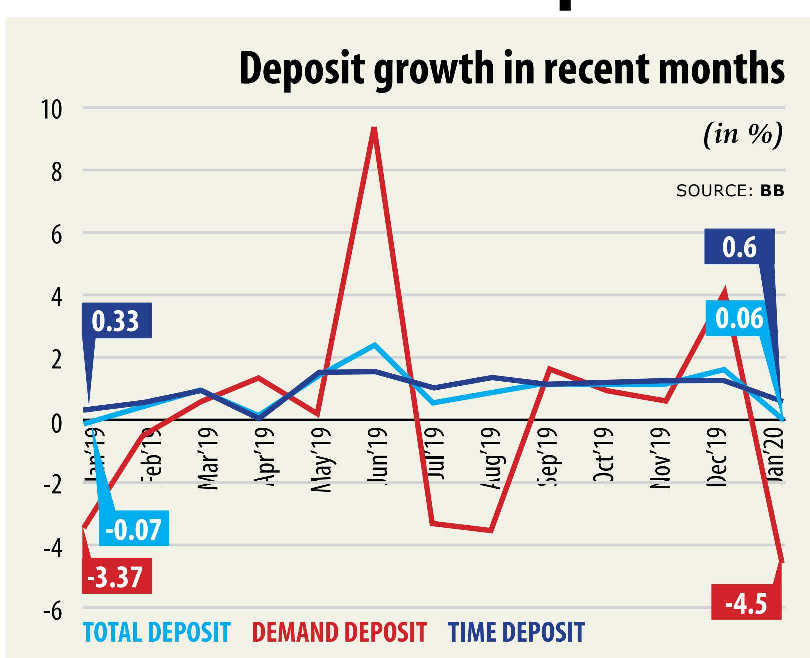
Earlier on December 30 last year, the government announced capping of interest rates on deposits at 6 per cent and on loans at 9 per cent.

Many banks started to implement the 6 per cent interest rate on their fixed deposit schemes from the third week of January as part of their preparation to provide loans at 9 per cent interest from April 1.

The Association of Bankers, Bangladesh (ABB), a forum of managing directors of banks, though took the decision to provide not more than 6 per cent for FDRs from February 1.

In January, banks' deposits stood at Tk 1,138,632 crore, up 0.06 per cent from the previous month, according to data from the central bank. January's deposit growth is the lowest since February last year.

However, in January last year the deposit growth was 0.07 per cent in the negative. Between February and December last year, deposit growth hovered between 0.46 per cent and 2.38 per cent.



The Daily Star spoke with least 10 officials of both the central bank and banks to unearth the reasons behind the downward trend of the deposit growth.

Banks will have to wait another two-three months to gauge the impact of the 6 per cent interest cap on deposits, said a portion of the bankers with a direct link to mobilising funds and analysing the deposit trend as well.

"We should spend more time to understand the impact of the 6 per cent interest cap on deposits," said Syed Mahbubur Rahman, managing director of Mutual Trust Bank.

Lenders usually try to show a strong balance sheet in December given the year end, so they take it easy in the new year.

"Banks expedite their drive for mobilisation of fund during the period, which widens their deposit volume," said Rahman, also a former chairman of the Association of Bankers, Bangladesh, a forum of managing directors of banks.

But Dhaka Bank Managing Director Emranul Huq said that the 6 per cent cap had an adverse impact on his bank's deposit volume.

Between January and February this year, customers withdrew about Tk 600 crore from the bank because of the lower interest rate.

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ISPs await fresh guidelines

Licence fees to rise; users can set parental controls

Muhammad Zahidul Islam

The government will soon revise guidelines for internet service providers and bring down licensing categories in a bid to streamline broadband internet business in the country.

Licence fees and annual charges will be hiked, while users will be able to set parental controls to reduce the risk of children encountering inappropriate contents online.

Currently ISP licences are awarded in six categories, but under the new guidelines, there will be four types of licences.

Both the government and the ISP operators have agreed to increase the licence fees and charges, Telecom Minister Mustafa Jabbar said.

"We were observing that there was a lack of regulations in broadband internet business and that's why we have taken this initiative to frame new guidelines which will be passed within a short time," Jabbar said.

The parental control features will help contain crimes and enable children to use the internet in the most productive ways, he added.

The licensing jurisdiction was not specific in the previous guidelines but it will be specifically mentioned this time, Jabbar said.

"I have already told the telecom regulator that the ISP licences will be awarded and renewed under the new guidelines from now," he added.

The six categories of licences being provided now are: nationwide, central zone, zonal, category A, category B and category C. The licences will be nationwide, divisional, district and local as per the new guidelines.

The ISPs with the nationwide licences now pay Tk 1 lakh per year which will be raised to Tk 2.50 lakh once the proposed guidelines come into effect.

The central zone and zonal licence fees were Tk 50,000 which will rise to Tk 1.50 lakh under the divisional category.

ISPs are now paying Tk 5,000 in annual fees for category A licences for providing internet connections in metropolitan areas. The fee will be Tk 1 lakh in the district level, according to the new guidelines.

The categories B and C that offer connectivity in rural areas will be renamed as local ISPs and their fees will go up to Tk 25,000 from Tk 2,500.

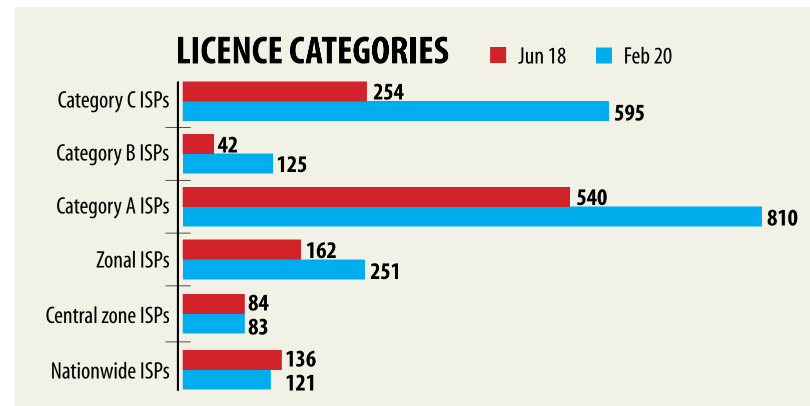
The Internet Service Providers Association of Bangladesh (ISPAB) said they were on the same page with the government over the new guidelines but called for steps to rein in the number of licences as the sector is oversaturated.

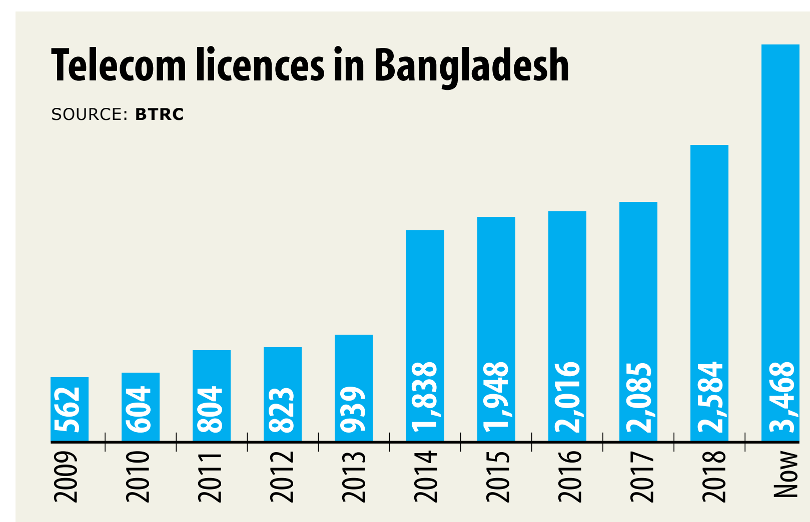
As of January this year, there were 57.43 lakh active fixed internet connections in the country, up from 57.30 lakh at the end of January last year, according to Bangladesh Telecommunication Regulatory Commission.

The number of licences is rising every month but the number of customers remains almost the same which is why there is an unhealthy competition among the ISPs to rope in customers, said Imdadul Haque, general secretary of the ISPAB.

"We are okay with the upcoming guidelines but the government also needs to stop issuing too many licences," Haque said.

As of February, the number of total ISP licences was 1,985, a jump from 1,218 in June 2018.





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Capital flight through trade mis-invoicing staggeringly high

Data reporting to UN Comtrade for Bangladesh has dropped

Star Business Report

Bangladesh lost a staggering $7.53 billion on an average between 2008 and 2017 to trade mis-invoicing during its foreign commerce with its 135 trading partners, said the Global Financial Integrity Report (GFI).

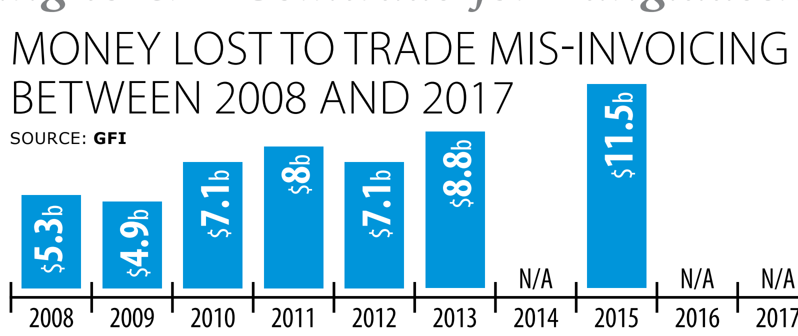
The loss accounted for 17.95 per cent of Bangladesh's international trade with all trading partners during the period, according to the GFI's its annual update, "Trade-Related Illicit Financial Flows in 135 Developing Countries: 2008-2017", which was released on Tuesday.

The country lost $11.51 billion in 2015, the latest year for which data was available for Bangladesh. The report stated no such data for Bangladesh for 2014, 2016 and 2017.

When pointed out the absence of the data, Maureen Heyd, communications coordinator of the GFI, in an email to The Daily Star, said: "Yes, there was a lack of reported trade data for Bangladesh in recent years. This is unfortunate, as it limits our ability to investigate illicit activity in Bangladeshi trade."

"We don't know why reporting to the UN Comtrade for Bangladesh has dropped off in recent years."

Heyd, however, said the report represents new findings for Bangladesh, in that this report has been made with the most up to date available data, and therefore, it is the most current of the GFI's work examining Bangladesh.



This report also examines Bangladesh's trade mis-invoicing with all its global trading partners -- whereas the previous GFI reports examined only Bangladesh's trade with the 36 advanced economies.

Bangladesh's loss to trade mis-invoicing with the 36 advanced economies averaged $3.29 billion during the decade, which is 14.62 per cent of the country's global trade.

When asked about the report yesterday, Finance Minister Mustafa Kamal told reporters yesterday: "I know nothing about the report. They [GFI] didn't inform us anything."

The GFI published the update examining trade-related illicit financial flows across 135 developing countries and 36 advanced economies by trading partners, commodities, regions and per cent of total trade among other indicators.

By analysing individual country government trade statistics supplied to the United Nations Comtrade database, the GFI identifies "value gaps," or mismatches, in the reported data.

The report finds gap of $8.7 trillion in reported trade between developing and advanced economies over 10 years.

It states trade mis-invoicing is a significant obstacle to sustainable development.

In 2017, the most recent year for which data are available, the total value gap in trade between advanced economies and developing countries was $817.6 billion.

The act of trade mis-invoicing is a major type of illicit financial flow and can be used to evade customs duties, VAT taxes, and currency controls among other illicit activities. It also deprives developing country governments of desperately needed tax revenues.

Developing countries are losing a significant percentage of the value of their trade transactions, said Tom Cardamone, president and chief executive officer of the GFI, in a statement.

"Indeed, in 2017, the value gap associated with trade mis-invoicing amounted to 18 per cent of developing country trade. If the integrity of trade transactions cannot be assured, it is unlikely countries will be able to achieve the UN Sustainable Development Goals by the 2030 deadline."

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