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TAMING CORONAVIRUS RAMPAGE

BB finally orders banks to suspend dividends to prime the pump

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In an undaunted move, the central bank yesterday instructed banks to not give any cash dividend to both sponsors and investors until September to boost their capacity to absorb the strain on their capital base from the ongoing economic dire straits.

The move, which follows the lead of the central banks around the world, would help banks to fight against the ongoing recession as it will inject about Tk 3,000 crore in capital into banks' balance sheet, bankers said.

Banks, which are unable to keep the required provisioning against their loans, will not be allowed to declare last year's dividend, according to the Bangladesh Bank notice.

Beyond September, the BB has set four criteria for banks to offer dividends.

As per the central bank instruction, banks whose capital adequacy ratio (CAR) against their risk-weighted assets (RWA) is 12.50 and above will be permitted to give 30 per cent dividend.

They will have to provide 15 per cent stock dividend of the total volume.

The lenders, whose CAR is between 11.25 per cent and less than 12.50 per cent, can provide a 15 per cent dividend, including 7.50 per cent stock dividend.

If any bank facing provision shortfall intends to declare a dividend, it will have to ensure the required provisioning to do so.

managed Lenders that have their provisioning shortfall and are maintaining CAR of 11.25 per cent and above will be allowed to declare a maximum of 10 per cent dividend, including 5 per cent stock one.

Banks whose CAR is between 10 per cent and less than 11.25 per cent can offer 5 per cent stock dividend. And they also will have to maintain the required provisioning after the existing shortfall.

If any lender's CAR is less than 10 per cent, it cannot be offered any dividend.

Besides, all banks will have to maintain the required capital conservation buffer (CCB) along with the existing CAR as per the Basel III guidelines to declare the

Lenders will have to keep 2.5 per cent CCB including 12.50 CAR.

Banks that have already declared their dividends have been asked to follow the instruction.

Foreign banks will not be permitted to transfer their divided to their parent companies as well, said a central bank

"Banks usually do not offer only stock dividend without declaring cash. They can do so after September," he added.

Lenders and non-bank financial institutions will be able to set aside nearly Tk 3,000 crore as they are now

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BANKS' DIVIDEND EXPENDITURE IN 2018 (In crore Tk) First Security Jamuna Exim 141.2 Bank Asia 55.5 NCC Dhaka Prime Al-Arafah 156.6 147.6 Eastern Uttara Pubali Islami City

beyond doubt.

Banks that fell short of BASEL III standards

ICB Islamic

First Security

"The economy is going through a

It is a good step to strengthen the

tough time. The instruction will improve

managing director of IDLC Investments.

(in % of CAR)

allowed not to provide a dividend to their same, saying this is a good decision directors and shareholders.

Some 30 banks and 23 NBFIs listed with the capital market provided cash dividend amounting to Tk 1,670 crore in the financial health of banks," he added.

There are 59 banks in Bangladesh. instruction for NBFIs as well.

Several central banks around the world including the European Central Bank, the Bank of England and the Reserve Bank of India have instructed their banks not to offer last year's dividend such that they can prime the pump.

Depositors are withdrawing money from banks since the last week of March when the government declared the shutdown to contain the spread of coronavirus, leaving the lenders fending off an acute liquidity crunch.

This compelled the central bank to cut the cash reserve ratio and policy rate in two phases.

But the latest decision will help banks to a great extent to improve their liquidity base, the central banker said.

"This decision will help banks to tackle the ongoing economic fallout," said Md Arfan Ali, managing director of Bank Asia, adding that the lenders' capital base will be strengthened as a result.

Pubali Bank Managing Director MA Halim Chowdhury echoed the

September might have a negative impact on the share prices.'

"But postponing dividend until

Since the BB is allowing only the healthy banks to pay a dividend, those banks most likely already have enough cash in hand to give out the dividends, Moniruzzaman added.

"Given the condition of the economy, the central bank step is a good measure for all, be it banks, the stock market or the investors," said Mohammed Rahmat Pasha, chief executive officer of UCB Capital Management.

If the banks' health becomes precarious for giving out the dividend, it will make the situation much worse for both the investors and the stock market in the days

'So, this is a logical decision."

Investors will get higher benefits in the long-run if they hold on to the stocks of the well-performing banks.

"You [the investors] have to give up something in the short-run to reap benefits in the long-run," Pasha added.

Abdul Mannan, a stock investor, however, is angry with the BB decision as he was bracing for some handsome

"If the listed banks don't disburse cash dividend, how we will get returns from the capital market at a time when stock prices are falling?" he asked.

Another central bank acknowledged that the stock market investors will be losers for the time being, but they will get back their returns eventually as the decision will strengthen

"This was a polemic, tough decision for us. We faced obstacles in taking this stance as some bank directors strictly opposed it."

More than 50 per cent of the total dividend is usually enjoyed by the bank directors, he said.

'We hope that people's confidence in both the central bank and the commercial banks will fortify due to the latest banks' capital base and to ensure decision. We have taken this decision The central bank will declare the same accountability, said Md Moniruzzaman, in the interest of the economy," the BB

Bangladesh's bourse is the only one in the world in recess

All stock exchanges around the globe trading amid pandemic

Bangladesh is the only country in the world where stock trading has remained closed because of the coronavirus

Until this week, Bangladesh, Sri Lanka and Jordan were the three countries where stock markets had been shut. Sri Lanka started the trading yesterday and witnessed a

huge sale pressure. The Colombo stock market's index of the most liquid shares, S&P SL 20, plunged more than 10 per cent on the first day of the trading since March 20.

Jordan, where trading had been suspended since March 16, also experienced the same when it reopened on Sunday. The Amman Stock Exchange's ASE Index dropped

more than 15 per cent. The Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE) have been closed since March 26 in line with the government's general holiday aimed at stopping the spread of the virus. zThe longest closure of the stock market since the Liberation War would hurt the

image of the markets, according to analysts. The impact of the shutdown would be clear in the long-run," said Mohammed Rahmat Pasha, chief executive officer of UCB Capital Management.

"The setting of the floor price turned the markets into illiquid ones and it would be costlier to regain the image Before the shutdown, the stock market regulator fixed

the floor price of all stocks by calculating the previous five days' average prices in order to prevent fall. But after the floor price was fixed, most of the stocks did not find buyers. The shutdown further means that none

can sell shares even if they need to. "Many foreign investors are preparing to sell shares in large volume once the market reopens," said a top official of a stock brokerage house that deals foreign portfolios.

The stock market has been suffering because of the COVID-19 all over the world, but they would bounce back strongly when the economy makes a turnaround. However, there is no such hope in Bangladesh and it will suffer more due to the wrong policy, he said.

The main blow would come if the country's capital market is kicked out of the MSCI Index.

The index captures mid- and large caps across more than two dozen emerging markets. It is a float-adjusted market capitalisation index. The MSCI Bangladesh Index was launcĥed on Dec 1, 2009.

If the shutdown continues, it may be kicked out of the index in the next rearrangement, said a broker.

If Bangladesh is removed from the index, a huge sell pressure would occur naturally, as many foreign index fund managers invest by looking at the index, said an institutional investor.

The ongoing market closure is the longest since the last shutdown in 1969 when the mass upsurge took place. The market resumed in 1976.

Trading was closed for four days at a stretch in 2004 due to massive floods. Apart from these, the market was largely closed because of technical glitches.

"When all the stock markets are open all over the world, the closure of our market would give a negative signal to investors," said a merchant banker.

"The market should resume operations as early as possible," Pasha said.

A share trading has two parts: one is share transfer and another is transferring money. Central Depository Bangladesh Ltd (CDBL) carries out share transfer and a department of the DSE transfers the money. We carry out the share transfer through online and it

is possible to continue trading with our limited presence in the office," said Shuvra Kanti Choudhury, managing

The money transfer system of the bourse is still manual, so DSE officials need to go office and brokers also need to reopen, said an official of the bourse.

Recently, the Dhaka bourse sought permission from the regulator to open the market.

However, there is little possibility for getting the consent as two commissioners left the Bangladesh Securities and Exchange Commission recently and the tenure of the chairman is also going to expire this month, said an official

Robi lets rip at the ongoing price war

Muhammad Zahidul Islam

In an unprecedented move, the country's second largest mobile operator yesterday blew off its pentup resentment against the market leader over its offer of free voice call minutes and bonus data packs on humanitarian grounds during the

Without mentioning the name of Grameenphone, Robi officials said such a price war waged by the leading operator will push smaller carriers to the brink of collapse.

In an online press conference, Robi's Chief Executive Officer Mahtab Uddin Ahmed also expressed dismay over the regulator's approval to the Grameenphone package with a series of initiatives, one of them being 10 crore free minutes to 1 crore customers (10 minutes per user).

Grameenphone also offered monthly 30GB data to the 25,000 General of Health Services with a we won't be able to sustain our business

token Tk 1 per month for the next six months.

The top player is out to grab the market in the pretext of COVID-19 crisis and this is a clear example of price war declared by the market leader, said Ahmed, also the president of the Association of Mobile Telecom Operators of Bangladesh.

We expect that the market leader will be sensible regarding their offers and will keep their belief in coexistence," he said while calling upon the government and the regulator to look into what he terms an unhealthy competition.

Ahmed also warned that if the regulator does not step in to discipline the market leader, it will continue to cash in on the pandemic to further its business interests.

"Unless the regulator and the government believe that the country's interest is best served by having only one operator in the market, they ought registered doctors of the Directorate to make their move right now, because



if the market leader is not made to adhere to significant market power (SMP) regulations now," he added.

MTB

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The rift between Grameenphone and the rest began to widen when Banglalink and Teletalk demanded some free spectrum for the time being to handle the surge in data use amid the shutdown.

Grameenphone had also later sought additional spectrum for the same purpose but maintained a stance against the idea of free allocation of spectrum.

Ahmed yesterday said different countries including the US awarded free spectrum to their carriers to help ensure better service and promote social distancing.

Robi has no other option but to make retaliatory offers to secure their market share and some packages were already underway, like 10-minute talktime and 50MB free data for customers who used to recharge regularly but now cannot do so because of the public health crisis.

The operator will pursue aggressive data bundle offers and already chalked out a plan to support stakeholders in the company's sales and distribution channels with food supply, credit facilities and health insurance. As Grameenphone is an SMP

operator, the regulator should keep this in mind while approving its packages; otherwise, the market will have to brace for dire consequences, said Shahed Alam, Robi's chief corporate and regulatory officer. In the Indian market, there were

12 carriers even a few years ago, but only four now exist due to an unfair competition brought about by an operator with huge financial muscle. About the complaints of Robi,

Grameenphone said now is the time to stand beside the country with collective efforts and act responsibly. "It is regrettable that such remarks

are made. We appreciate that others are inspired and coming forward, said Md Hasan, head of its external communications.