STOCKS		COMMODITIES (As of Friday)		ASIAN MARKETS (Friday Closings)			
DSEX	CSCX	Gold ▲	Oil ▲	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.06%	▼ 0.02%	$1,746.20	$41.92	▲ 1.53%	▲ 0.55%	▼ 1.16%	▲ 0.96%
3,962.98	6,816.62	(per ounce)	(per barrel)	34,731.73	22,478.79	2,634.83	2,967.63

CURRENCIES — STANDARD CHARTERED BANK

	USD	EUR	GBP	CNY
BUY TK	83.95	92.60	102.61	11.70
SELL TK	84.95	96.40	106.41	12.30

Star BUSINESS

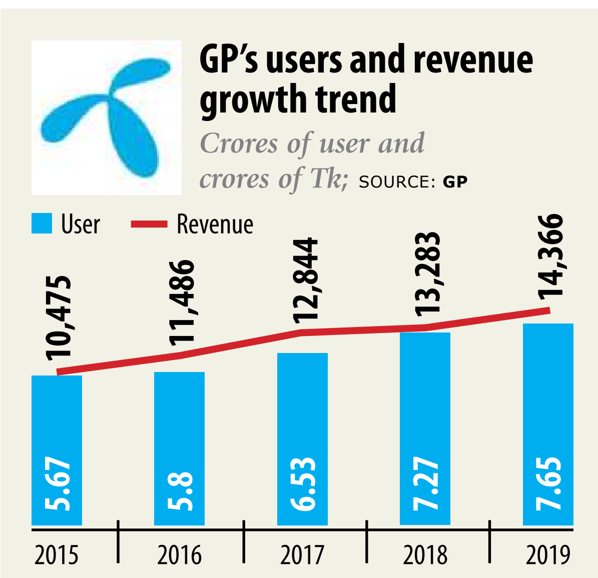
DHAKA MONDAY JUNE 22, 2020, *ASHAR 8, 1427 BS* ● starbusiness@thedailystar.net

BTRC imposes two restrictions on GP

MUHAMMAD ZAHIDUL ISLAM

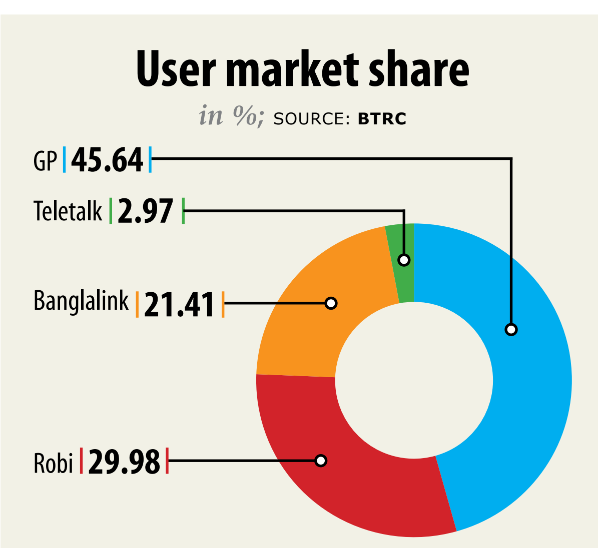
The telecom regulator has imposed two new restrictions on Grameenphone. The move comes 16 months after it declared the country's leading mobile phone operator a significant market power (SMP).

According to the restrictions, Grameenphone will have to secure prior approval from the Bangladesh Telecommunication Regulatory Commission (BTRC) before rolling out any packages or offers.



The operator will also have to have all of its existing packages and offers validated by August 31. However, for new offers and packages, the directive will become effective on July 1.

The carrier would not be able to change or amend any of the conditions of approved packages or offers without consent from the commission.



The regulator has also made it easier for a subscribers to leave Grameenphone under the mobile number portability (MNP) facility.

Currently, if a user wants to switch to another network, they will have to stay with the new carrier for at least 90 days. But subscribers can now abandon Grameenphone after just 60 days.

The operator received the letter from the BTRC yesterday.

In February last year, the commission declared Grameenphone an SMP operator but did not follow through with the associated restrictions.

The telecom watchdog came up with four restrictions twice but Grameenphone challenged the conditions and processes at the High Court.

However, on December 15 last year, the High Court cleared the way for the telecom regulator.

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Source tax a fresh blow to bond market: bankers

EYE ON BUDGET

AKM ZAMIR UDDIN

The country's feeble bond market is going to face a major blow as the government plans to impose a 5 per cent source tax on profits of investments in treasury bills and bonds.

The government may face an impediment to managing its bulging budget deficit during the ongoing economic fallout if it implements the proposed source tax, bankers say.

As per the Finance Bill 2020, the government will impose the source tax from the upcoming fiscal year, in a development that will discourage both individuals and corporate entities to invest in government securities.

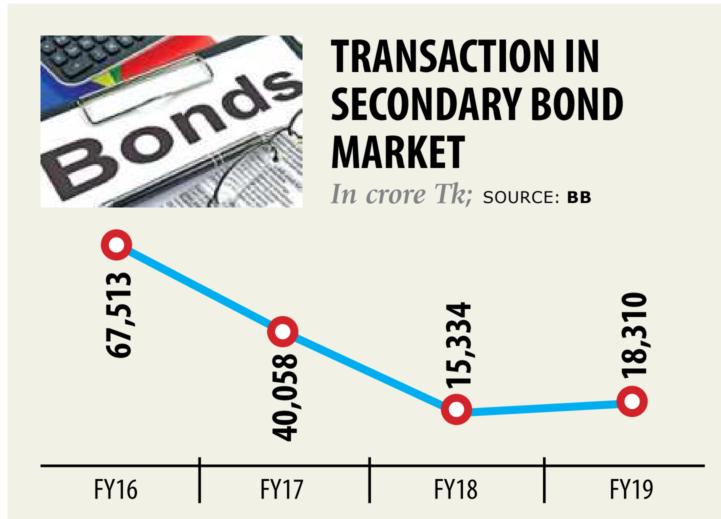
Against the backdrop, the central bank requested the finance ministry on June 18 to withdraw the tax proposal, saying banks would be forced to lend more to the government due to lower investment by individuals and corporate entities.

Bangladesh Bank also sent the same letter to the National Board of Revenue, urging it to take required measures.

The outstanding investment in government securities stood at around Tk 280,000 crore, of which 30 per cent came from individuals and corporate organisations, according to data from the central bank.

The government earlier took a set of initiatives to encourage insurance companies, mutual funds and provident funds of private organisations to invest in government securities.

This had subsequently increased the demand for government securities bringing down the interest rate, according to the central bank letter.



For instance, the interest rate on 20-year T-bond stands at around 9 per cent, down from 15.50 per cent six years ago.

In the past, banks largely participated in the auction of securities but now many other organisations invest funds.

The private sector will be deprived of adequate loans if banks are forced to invest in the instruments in order to help the government manage the deficit financing, the central bank warned.

"This will create a crowding-out effect in the financial sector."

The crowding out effect is an economic theory arguing that rising public sector spending drives down or even eliminates private sector spending.

The proposed plan will raise the interest rate on government securities as individuals and corporate entities will shy away from the instruments.

In addition, individuals will feel the pinch in buying and selling securities in the secondary bond market as they will have to bargain over who would foot the source tax.

The BB letter explained that an individual is allowed to enjoy profit from the tools every six months and they would face trouble in selling the instruments before they mature to provide interest.

If the bond-holder sells the securities halfway to maturity, this will create an ambiguity. There will be a dispute about who will provide the tax or how the amount will be divided.

The Primary Dealers Bangladesh, a forum of 21 banks dedicated to lending to the government by taking the securities, also requested the central bank to take measure to this end.

The government withdrew the 5 per cent source tax in 2012 in order to make the secondary bond market vibrant, the association said in a letter on June 16.

So, the latest decision is quite contradictory to the previous decision, said a central bank official, wishing not to be named.

The secondary bond market faced troubles for a long time due to the higher interest rate of the national savings tools.

The government is paying interest rates ranging from 11.04 per cent to 11.76 per cent to the investors of savings instruments at a time when clients get a maximum of 9.20 per cent by investing funds in government securities.

However, many clients have recently opted for T-bills and bonds as the government capped the investment in the savings tools.

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BB cuts cash reserve ratio for non-banks

Move to free up Tk 305cr for them

AKM ZAMIR UDDIN

The central bank yesterday cut the cash reserve ratio (CRR) for non-bank financial institutions (NBFIs) in order to help the cash-strapped entities tackle the ongoing economic fallout brought on by the coronavirus pandemic.

The regulator of the banking sector reduced NBFIs' CRR by 100 basis points to 1.50 per cent, a move that would free up Tk 305 crore for them, said a central bank official.

The CRR determines the portion of customer deposits that commercial banks must keep as a reserve with Bangladesh Bank.

NBFIs will have to maintain at least 1.5 per cent as CRR on a weekly basis and the ratio will not decline below 1 per cent under any circumstances.

But the banking watchdog has not revised a 5 per cent statutory liquidity ratio (SLR) that NBFIs had earlier maintained. CRR is a part of SLR.

Banks and NBFIs have to invest a

portion of their depositors' fund in the treasury-bills and bonds to maintain SLR. This means NBFIs will have to invest 3.50 per cent of their depositors' fund in the government securities against the previous ceiling of 2.50 per cent.

But, the NBFIs, which do not take any term deposit, will be allowed to maintain the portion of SLR. They will have to keep 2.50 per cent as SLR in the central bank.

There are 35 NBFIs in the country of which 5 do not mobilise term deposit.

The unrevised SLR will not put any adverse impact on NBFIs as majority of them have invested their fund in the government securities surpassing the mandatory limit.

The central bank has already reduced banks' CRR by 150 basis points to 4 per cent, a move that has injected more than Tk 19,000 crore into the economy.

This is a welcome move as it will help NBFIs address the ongoing financial meltdown, said Mominul Islam, chairman of the Bangladesh Leasing and Finance Companies Association (BLFCA), an organisation of managing directors of NBFIs.

"We have frequently requested the central bank to do so," he said, adding that the BLFCA had called for reducing the whole SLR.

The organisation will meet with the central bank officials within this week where it will raise more other issues to tackle the meltdown, said Islam, also managing director of IPDC Finance.

The central bank is working on forming a refinance scheme of Tk 10,000 crore for NBFIs.

"We will also discuss the issue with the governor," Islam said.

Businesses worried about changes in VAT law

SOHEL PARVEZ

Businesses are worried that some proposed changes in the value-added tax (VAT) law will increase their costs and discourage them from seeking justice against inflated revenue claims by field officials of the National Board of Revenue (NBR).

One of the changes is that the deposit needed for appealing against tax claims before VAT commissioners and appellate tribunals has been hiked from 10 per cent of the disputed amount at present to 20 per cent from next fiscal year, beginning in July.

In his budget speech, Finance Minister AHM Mustafa Kamal said the increase aimed at reducing a tendency of lodging "illogical cases" against VAT claimed by field officials of the revenue authority.

Businesses, however, said the measure was detrimental to the right to seek justice to resolve disputes.

"This will be a punishment for business. It should be withdrawn," said NKA Mobin, senior vice president of the Dhaka Chamber of Commerce and Industry.

The current practice is that firms file appeals for revision of VAT claims before commissioners of the respective fields by paying 10 per cent of the disputed amount. Then they can appeal before VAT Appellate Tribunal of the NBR by paying another 10 per cent of the disputed amount.

This means that they have to pay one fifth of the claimed amount to resolve the dispute.

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ADP spending plunges 48pc

REJAUL KARIM BYRON *and* MD FAZLUR RAHMAN

Development spending nosedived 48.22 per cent in April and May in the current fiscal year, highlighting how the pandemic-induced shutdown brought the country's economic and development activities to a screeching halt.

The government managed to spend Tk 24,717 crore in April and May together, down from Tk 36,635 crore during the same period a year ago.

April was the first full month that witnessed the impact of the countrywide lockdown the government was compelled to put in place to stop the spread of the raging coronavirus pandemic. The deceleration in development activities continued into May.

Last month, the expenditure under the Annual Development Programme (ADP) fell 38.79 per cent to Tk 16,581 crore from Tk 23,012 crore in May in FY18-19 as the shutdown continued.

The government implemented development works involving Tk 115,421 crore in the first 11 months of the current fiscal year, which was Tk 120,043 crore during the same time a year ago, or down 3.85 per cent year-on-year.

The ADP implementation rate was 57.37 per cent in the July-May period, against 67.97 per cent during the same period in FY19, said Planning Minister MA Mannan at the meeting of the Executive Committee of the National Economic Council in Dhaka yesterday.

"We all know that the ADP implementation is lower because of the global coronavirus pandemic."

In April, ADP spending was Tk 8,136 crore, which was Tk 13,623 crore in the same month in FY19.

The development spending may end the current fiscal year in a dismal state because of massive fall in activities across the country despite partial reopening of the economy from June.

In fact, the slowing trend of development spending will continue into FY21 as the government diverts funds to meet the immediate needs to prop up the economy caving under the burden of the global pandemic.

It is also uncertain when the pandemic would peter out as the cases of coronavirus infections in Bangladesh are on the rise.

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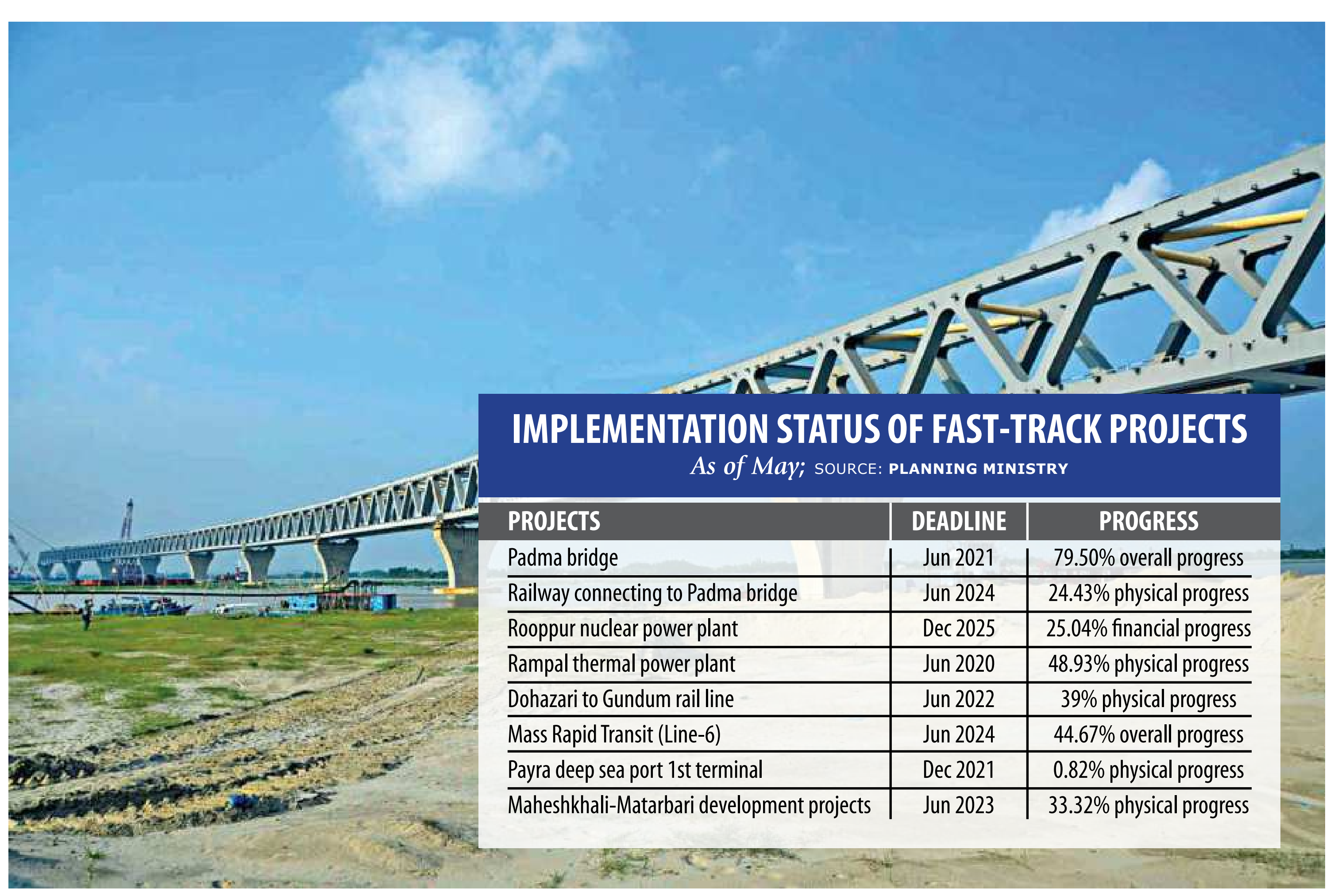

IMPLEMENTATION STATUS OF FAST-TRACK PROJECTS

As of May; SOURCE: PLANNING MINISTRY

PROJECTS	DEADLINE	PROGRESS
Padma bridge	Jun 2021	79.50% overall progress
Railway connecting to Padma bridge	Jun 2024	24.43% physical progress
Rooppur nuclear power plant	Dec 2025	25.04% financial progress
Rampal thermal power plant	Jun 2020	48.93% physical progress
Dohazari to Gundum rail line	Jun 2022	39% physical progress
Mass Rapid Transit (Line-6)	Jun 2024	44.67% overall progress
Payra deep sea port 1st terminal	Dec 2021	0.82% physical progress
Maheshkhali-Matarbari development projects	Jun 2023	33.32% physical progress