

Banks in bonus balancing act as economies shrink but markets boom

REUTERS, London

Major international banks may still pay out big bonuses to high flyers this year even as the pandemic saps the global economy, as fears of losing talent to rivals during a trading boom trump worries of a big compensation bill.

While the likes of HSBC and Deutsche Bank are making redundancies to trim costs, other banks are taking a more relaxed approach to job, salary and bonus cuts across their workforces, remuneration consultants say.

A poll in June of 75 financial firms by Pearl Meyer, a global remuneration consultant, showed 63% have neither made nor contemplated changes to bonus structures in the face of the pandemic, even though 70% expect COVID-19 to have a moderately or slightly negative impact on their businesses.

Bonus plans also come despite a regulatory frown in Britain and elsewhere on bumper cash payouts in the early days of the pandemic, as banks were urged to conserve capital.

"These banks move broadly in lockstep, no one wants to cut anything first," said Simon Patterson, managing director at Pearl Meyer, which advises more than 1,000 companies on employee compensation structures annually.

Sources at two global banks said it was too early to speculate on bonus outcomes for specific units, though many traders will expect big payouts after a surge in revenue at market divisions propped up investment bank profits in the first half of the year.

Research from compensation consultant Johnson Associates this month suggested 2020 bonuses for fixed-income traders for instance could rise by more than 30% from last year.

But that will need to be balanced against performances in other units, with low interest rates and an expected rise in defaults set to hit earnings in retail and corporate banking.

"Financial markets are cyclical but what we face is so unprecedented, no one truly knows whether next year is a feast or famine," Patterson said.

Britain's Prudential Regulation Authority (PRA) banned bonus payments to top management and material risk takers at the UK's biggest deposit-taking banks when Europe's COVID-19 crisis escalated in March, meaning some top

The PRA said it will reassess firms' distribution plans beyond 2020 in the fourth quarter.

Its assessment will be based on the current and projected capital positions of the banks and will take into account the level of economic uncertainty and market conditions at that time.

The European Central Bank said last month that EU-regulated firms must "adopt extreme moderation with regard to variable remuneration payments until 1 January 2021", though this restriction ends before most EU lenders set bonuses for 2020.

Longer-term, it encouraged

keep costs in check and avoid a backlash over huge payouts during a recession.

Some are reducing the amount paid to new hires. Data from recruitment consultant Morgan McKinley showed the average salary rise for those moving from one UK finance job to another dropped to 15% in the first half of 2020 compared with 19.8% a year before.

In the United States, some banks including Popular Inc and Associated Banc Corp have already said they will pay front-line employees more money in the form of "hazard bonuses" during the pandemic.

Other banks are offering non-financial rewards like extra holiday leave and other benefits to make staff feel both valued and wealthier, at little or no impact to their bottom lines, the remuneration consultants said.

Justine Woolf, director of consulting at UK-based Innetto Reward Consulting, said banks were also looking to increase bonuses to staff who helped them hit certain environmental, social and governance goals, so that payouts were more aligned with good corporate behaviour.

"Banks want to be seen to be doing the right thing," Woolf said. "That includes increasing diversity and creating a better gender profile, and bonus plans are being tweaked to incentivise managers to achieve this".

But top risk-takers and executives were less willing to surrender the chance to take home big bonuses, she said, leading some employers to consider awarding restricted stock to appease those who could yet miss out because of regulation.

"Bankers know the score," said Pearl Meyer's Patterson. "Some years they are overpaid, some years they are underpaid. It's never like Goldilock's porridge."



traders could miss out.

Some senior managers at Barclays, Lloyds Banking Group and NatWest Group waived scheduled pay rises and took voluntary salary cuts.

But the PRA has not made clear how long the ban will stay in place and some banks are already planning for future payouts, the Financial Conduct Authority (FCA) noted last month, though it urged them to align payouts with long-term business plans.

banks to consider whether a larger part of variable pay could be deferred for longer or paid in other instruments rather than cash.

A source at a major global bank said firms were reluctant to dismantle bonus structures, because doing so could deter bright graduates from applying for entry-level roles and demotivate existing staff needed to power the business through tough times.

There may however be pressure to adapt their models, in a bid to

No funds available: Depositors at India's PMC Bank survive on loans, charity

REUTERS, Mumbai

In February, 82-year-old Kishan Lal appealed to India's finance minister for help, saying in a Twitter message he was ready to donate his kidney and eyes if someone could help arrange funds to treat his daughter, who had a brain tumour.

The Lals had enough savings to tide over the medical crisis - more than 2.5 million rupees (\$33,450) in Punjab & Maharashtra Co-operative (PMC) Bank. But withdrawals were capped at 50,000 rupees from each account at the time because authorities were investigating fraud at PMC.

The withdrawal cap is now at 100,000 rupees per depositor.

"I just borrowed money from wherever I could, I had to save my daughter," said Lal. "If I had access to my own money, I'd not have been ashamed." The Reserve Bank of India (RBI) took control of PMC last September after it was accused of fraud and concealing non-performing loans. PMC's top officials and the owners of a realty company that received the bulk of the loans were arrested.

The withdrawal cap has left many of PMC's over 900,000 depositors in deep difficulty. Some say they are struggling to clear loans or pay their children's school fees, while others say they depend on friends for their groceries.

The situation at PMC has also amplified concerns about the health of India's tens of thousands of co-operative banks, which often serve communities in the rural interior and have assets worth around \$220 billion, about 11% of India's total banking sector assets.

These banks, many of which are tiny, are subject to less stringent regulation than commercial banks and currently, more than two dozen of them are facing lending or withdrawal restrictions by the RBI because of financial irregularities.

The coronavirus has hit the broader banking sector hard, raising concerns about soaring bad loans as household and corporate debt rise. Liquidity risks have increased for non-bank financial companies and the state banking system needs to be recapitalised.

But some analysts are concerned that the pandemic is likely to have a more pronounced effect on the fragile co-operative banks.

"They lend to riskier borrowers who have higher chances of defaulting due to the pandemic," said Jignesh Shial, a banking analyst at brokerage Emkay Global.

Asked about the delay in resolving PMC's problems, Jai Bhagwan Bhoria, an administrator appointed by the RBI to revive the bank, told Reuters: "The recovery is an ongoing process and it takes time in actual realisations due to legal steps and hurdles faced."

The PMC crisis has also sparked courtroom battles. In one of them, Sandeep Bhalla, whose parents have nearly 10 million rupees blocked in PMC, has told the Delhi High Court that depositors of PMC

were "discriminated against" compared to those from commercial lender Yes Bank.

In March, the RBI imposed a cap of 50,000 rupees on withdrawals from Yes Bank, then India's fifth-largest bank in terms of assets, after its finances deteriorated.

But less than 24 hours later, the finance minister announced that India's top state-run bank, SBI, would infuse funds into Yes Bank and the withdrawal curbs were subsequently lifted.

The finance ministry told the court the government had not infused any funds in Yes Bank but it was investors and the SBI who came to its rescue, according to court documents. SBI is 57% government owned.

The judge wasn't convinced.

Noting PMC depositors were in a "dire state", the court said the RBI and the finance ministry played a crucial role in rescuing Yes Bank and asked them both to "delve



COLLECTED
PMC Bank depositors are seen protesting in Mumbai.

into the aspect" of why PMC depositors were differently treated.

The RBI told the court the two lenders were "fundamentally different," including the different regulations governing them. It also said with PMC's "really precarious financials", no investors were willing to bail it out.

The finance ministry submitted that the RBI had rescued Yes Bank as it found it necessary in the public and depositors' interest, but the central bank had not proposed any such rescue for PMC.

The court is next set to hear the case in mid-September, just ahead of the first anniversary of PMC's collapse.

Asked for further comment, the finance ministry referred Reuters questions to the RBI, which did not respond.

Set up in 1984, PMC is a regional lender with 137 branches across six states and by last year it had deposits of \$1.5 billion. Yes Bank is far bigger with more than 1,000 branches across India.

Many depositors said they were unaware of the differing regulatory structures for banks, and believed PMC was like any other commercial lender.

"If it was not safe, why did you name it a bank?" asked Pooja Chaudhary, 26, who said she had to struggle for hours last month to get custody of her father's body after a hospital refused to release it until she cleared medical bills.

"My father died, and I couldn't even cry," said Chaudhary, whose said her savings of 1.5 million rupees were blocked in PMC.

Yet another round of low-cost funds on the cards for garment exporters

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"As a result, it would not be possible for most garment factory owners to pay wages to workers for July, August and September," the letter said, adding that the initial stimulus package had helped the garment sector withstand the crisis brought on by the global coronavirus pandemic.

Garment factories in Bangladesh faced order cancellations or suspensions worth more than \$3 billion since the pandemic took form.

Subsequently, earnings from apparel shipments in the immediate past fiscal year fell to its lowest in a decade of \$27.8 billion. The amount is 18.5 per cent lower than in fiscal 2018-19.

It may take up to eight months to get the payment for the shipments already made. But

the workers have to be paid to keep factories up and running to execute the current shipments and make the delivery for the orders coming in, the two trade bodies said.

In response, the government in July gave yet another stimulus package worth Tk 3,000 crore for the export-oriented industries to help them provide wages and salaries to their workers for the month.

Borrowers will have to pay 4.5 per cent interest rate to avail the fund while banks will get 9 per cent interest as the government will give the rest as subsidy.

Banks will be permitted to take up 50 per cent fund from the central bank's refinance scheme to provide the credit to the export-oriented industries smoothly.

Borrowers will have to pay the loans within

two years including a grace period of six months.

Now, the exporters are seeking another round of low-cost funds to pay the wages of August, although shipments are on the rise.

Garment shipments raked in \$3.2 billion in July, which is 14.1 per cent more than the target set by the commerce ministry for July. In July last year, apparel exports stood at \$3.3 billion.

"We have asked for soft loans like before to pay the wages of August," said Md Shehab Udduza Chowdhury, a director of BGMEA.

The garment exporters need the loans as many of them are struggling to hold out against the economic onslaught of the pandemic, he said.

"We also sent a letter to the finance minister seeking loans at a 2 per cent service charge," said Mohammad Hatem, vice-president of BKMEA.

Like banks, NBFIs can now maintain loan status until Sep

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The clients who could not repay instalments because of the pandemic are not wilful defaulters. Rather, their businesses have come to a standstill because of one of the worst crises in a century.

"If we label their loans classified, they would not be able to borrow from the financial sector."

Khan said it was wise to give additional time to borrowers so that they can keep businesses up and running and pay wages and salaries to employees.

"All of us would have to give time to our clients this year. Otherwise, clients would not survive," Khan added.

Mominul Islam, chief executive officer of IPDC Finance, another top NBFIs, echoed the same.

"Customers need concessions at this critical time. This deferral would particularly be helpful for small and medium enterprises."

If customers are classified, they would not be able to secure funds from the government's stimulus packages, Islam said.

Some customers may still not be able to make a comeback despite the concessions, particularly those who had been weak even before the pandemic.

"So, financial institutions should take the necessary precautions and set aside additional money in provisioning instead of showing profits."

IPDC Finance has set aside about Tk 30 crore, which is about half of the profits it made in the first half of 2020, for expected loan losses.

"We have done it keeping in mind the relaxation in loan classification because there would not be relaxation in the future and some customers may default on their instalment payments," Islam added.

BSEC slaps fines, approves 2 bonds, an IPO

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The face value of each bond is Tk 1 crore.

With the proceeds, the lender will improve its additional Tier-1 capital base.

The other approval was for the fully redeemable, non-convertible, unsecured, non-listed and zero-coupon bond of Standard Bank to raise Tk 850 crore.

The discount rate of the bond is 4 to 5 per cent. The face value of each bond is Tk 10 lakh which would be issued to institutional and eligible investors. With the proceeds, the bank will meet ongoing financing requirements.

Dominage Steel Building Systems got the nod to issue 3 crore shares at face value.

It would construct a building and purchase machinery with the IPO proceeds of Tk 30 crore.

As per its financial report of the year ending on 30 June 2019, the company's earnings per share was Tk 1.5.

Runner brings Bangladesh's first 165cc motorcycles

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However, the motorcycle makers' association continues to demand an 81 per cent cut in bike registration fees in next fiscal year's budget as the purchasing power of the general mass has seen a sharp fall due to the pandemic.

The registration cost of a motorcycle, including registration fees, road tax, supplementary duties and other charges, is about Tk 22,000 on an average, which is about 25 per cent of the price of a 100cc motorcycle, the best-selling engine capacity.

The association wants the fee to be fixed at Tk 4,000.

Moreover, motorcycle makers have urged the government to continue exempting VAT on sales of locally-made parts until 2027 to keep prices low as the purchasing power of people has seen a sharp fall due to Covid-19 pandemic.

The exemption provided by the Motorcycle Industry Development Policy 2018 is set to expire in the outgoing fiscal year. At least 30 per cent of the components used in building motorcycles are manufactured locally.


Kedar Lele elected chairman of Unilever Bangladesh

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He succeeds Kamran Bakar, who served as chairman of Unilever Bangladesh since 2012.

Lele joined Unilever Bangladesh as its chief operating officer on 1 June 2017 and subsequently was appointed as its MD on 1 January 2018.

He will continue to be both the chairman and MD of the company.



ইস্টার্ন রিফাইনারী লিমিটেড

Eastern Refinery Limited

(A Subsidiary of Bangladesh Petroleum Corporation, North Patenga, Chattogram-4000)

Invitation for Tender

Government of the People's Republic of Bangladesh	
1 Ministry/Division	Energy and Mineral Resource Division.
2 Agency	Eastern Refinery Limited on behalf of Bangladesh Petroleum Corporation.
3 Purchaser name	Eastern Refinery Limited.
4 Purchaser code	Not used at present.
5 Purchaser district	<Chattogram>
6 Invitation for	<CTFM> V <select>
7 Invitation Ref. No.	<ER/CTFM-01/2020>
8 Date	<26-08-2020>
KEY INFORMATION	
9 Procurement method	<OTM single stage 2 envelop>
FUNDING INFORMATION	
10 Budget and source of funds	<BPC own fund>
11 Development partners (if applicable)	<Not applicable>
PARTICULAR INFORMATION	
12 Project/programme code (if applicable)	<Not applicable>
13 Project/programme name (if applicable)	<Custody Transfer Flow Meter with Supervisory Control at ERL Tank Farm>
14 Tender package No.	<ER/CTFM-01/2020>
15 Tender package name	<Single lot turnkey basis>
16 Tender publication date	<27-08-2020>
17 Tender last selling date	<30-09-2020>
18 Tender closing date and time	<09-10-2020>
19 Tender opening date and time	<09-10-2020>
20 Name & address of the office(s)	Address
-Selling tender document (principal)	<Manager Accounts, Eastern Refinery Limited>
-Selling tender document (others)	<AGM(DLO) 2nd Floor, Dhaka Liaison Office, YMCA Building, Paltan, Dhaka>
No conditions apply for sale, purchase or distribution of tender documents	
-Receiving tender document	<DGM (SCP), Room No. 217, Training Center, 1st Floor>
-Opening tender document	<BPC Board Room; Bangladesh Petroleum Corporation; BSC Bhaban; Saltgola Road, Chattogram.>
21 Pre-tender meeting place/date/time	<26-09-2020>/10.00am.
INFORMATION FOR TENDERER	
22 Eligibility of tenderer	<Relevant experience>
23 Brief description of plant & equipment	<Design, Supply, Installation, Testing and Commissioning of Custody Transfer Flow Meter With Supervisory Control at ERL Tank Farm>
24 Brief description of services	<Fiscal Metering and ERL Tank Inventory Management>
25 Price of tender document (Tk)	<5,000.00>
26 Lot No.	Identification of lot
1	<Custody Transfer Flow Meter & Tank Terminal Automation>
	Location
	<Chattogram>
	Tender security amount (Tk)
	<75,00,000>
	Completion time in weeks/months
	<17 months>
PURCHASER DETAILS	
30 Name of official inviting tender	<Muhammad Jamil Al Mamun>
31 Designation of official inviting tender	<DGM SCP>
32 Address of official inviting tender	<North Patenga, Chattogram, Eastern Refinery Limited>
33 Contact details of official inviting tender	<Tel. No.>
	031-2501261 Ext:160
	<Fax No.>
	031-2501269
	<e-mail>
	md-office@erl.com.bd
34 The purchaser reserves the right to reject all tenders or annul the tender proceedings.	

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