

Laws to supervise banks needed

Star Economic Report

A few banks listed with the Stock Exchange have their shares quoted substantially above par (Face Value) but with negligible turnover. There are few buyers or sellers interested in shares of any banks.

Two companies have their shares quoted below the par value. Four have insignificant premiums but none is willing to trade in these shares.

These views were expressed by Imtiyaz Hussain, Vice Chairman, Dhaka Stock Exchange DSE, in a statement on Thursday.

The DSE Vice-Chairman repeated the views expressed by the President of Dhaka Chamber of Commerce and Industries over the provisions of the proposed Banking Company Bill 1991.

He observed that the money and the financial market would continue to remain "a hostage" in the hands of a vested group "without fresh outlook and legislation". That there is need to ardently supervise these banking companies is necessary from the facts of the corporate structure of many banking companies.

"Most banks do not have a true corporate shape because

their promoters have pruned and subverted regulations and legislature to make these institutions a family enterprise by perpetuating a feudal lineage in banking business. How this is acceptable to the central bank or the government is a matter of conjecture", he observed.

The DSE Vice Chairman strongly supported the need for a new legislation to protect the bank officials, small shareholders and depositors from "the whims and personal greed of the Board of Directors" if these organisations "are to be allowed to operate as corporate entities."

Referring to the DCCI President's comments on the provision of the Bill relating to the equity of the promoters, the DSE Vice Chairman said that one "must not forget the

capital of the small shareholders and the deposits of the public".

"One shall have to wait long time to see health restored in the private sector banks, many of them have already squandered away public money and not much of equity is left when one takes into account the correct financial affairs and position after having provided for the bad and doubtful debts", he noted. Such debts, he felt, were given or taken as "largesse" through influence-peddling, no doubt by influential Directors in the Board.

Imtiyaz Hussain said, the people do not know what benefits the Directors of the private sector banks get. "As per law, nothing beyond their fees for attending board meetings" is to be given. But the small

shareholders who are responsible for propping up these banks and support them through deposits and good will, have not got much, he said.

He noted in this context, "a look into the fiscal performance of the banking companies listed in the stock exchange shall clearly illustrate this fact".

The DSE Vice Chairman observed, the shares of the banking companies "are an illusion because the return of these shares are far less than one would get by a normal short term deposit". During the past few years, several banks have attempted to cover up their performance and defects by making the so-called paper issues in the form of bonus shares", he said.

With the implementation of the financial sector reforms for classification of loans, such banks "were finally trapped by the need for accountability through provision of reality rather than the illusions of paper profit which never existed", he added.

He strongly supported the need for effective accountability of banks to the people. "Since financial and money market institutions do have factors of intervention which can make or unmake economic behaviour, there must be standards for fair and equitable behaviour for the Directors, chief executives and employees of banks, insurance companies and financial organisations", he added. This, he added, can only come out of a free and democratic corporate process.

The DSE Vice Chairman said, "The new banking Bill must indeed be reviewed to take into account how such filial interest in self propagation has cropped into the banking institutions and to redress these issues. Otherwise the banking in the private sector shall continue to remain a puppet in the hands of the few,

US recession to ease soon

WASHINGTON, May 2: The US government's main forecasting gauge for the future of the economy rose in March for a second consecutive month, the Commerce Department said Wednesday, giving a possible sign that the recession's grip may soon begin to ease, reports Reuter.

The index of leading indicators rose by 0.5 per cent after a revised gain of 1.2 per cent in February that originally was reported as a 1.1 per cent rise. The February increase was the first time the index had risen in seven months.

The Department said four of indicators that make up the index rose in March, led by improved consumer expectations, a bigger money supply, higher stock prices and more building permits.

Seven indicators were negative, including lower consumer goods orders, higher jobless insurance claims, a

shorter work week, fewer plant and equipment orders, lower commodities prices, fewer unfilled orders and faster vendor deliveries.

The index of coincident indicators, which shows current economic trends, fell 0.5 per cent in both March and February.

AFP adds: Several major US banks, including Citibank, First Chicago and Morgan Guaranty Trust, announced Wednesday they were reducing their Prime Rate by a half point to 8.5 per cent.

The action came a day after the Federal Reserve reduced its discount rate by half a point to 5.5 per cent, its lowest in 15 years.

The Prime Rate, the minimum rate banks charge their best customers which is used to set the cost of most credit, has settled at 8.5 per cent the lowest since February 1988.

Snippets

US, Peru to sign anti-drug accord

LIMA, May 2: An agreement between the United States and Peru to end this South American country's thriving drug trade is ready for signing and could be finalised by this week, a presidential spokesman said, reports Reuter.

The final document is ready. It could be signed at any time, maybe in the course of this week," Spokesman Carlos Orellana said.

US Ambassador Anthony Quainton said last week the pact, which would lay the groundwork for fighting Peru's one-billion-dollar a year drug trade, could be signed by early May.

UK satellite TV firm gets \$340m

LONDON, May 2: British Sky Broadcasting (BSKYB), the troubled British satellite TV consortium, on Wednesday announced that it had obtained fresh funds totalling 200 million Pounds (340 million dollars) — enough to ensure operations during the coming 18 months — from its shareholders, reports AFP.

The cash injection comes just in time for BSKYB, which was formed last year from the merger of Rupert Murdoch's Sky TV and the more up-market British Satellite Broadcasting Group.

Steep price hikes in Y'slavia

BELOGRADE, May 2: May Day was marked by a series of steep price increases in Yugoslavia, with domestic air fares boosted by 38 per cent and electricity prices up 45 per cent, reports AFP.

Rents rose by 35 per cent — but this was only half the originally planned rise of 70 per cent.

Price rises have become so frequent since the Dinar was devalued by more than 40 per cent on April 19 that many shop staff now spend their entire time changing price tickets.

Japanese offshore bank assets rise

TOKYO, May 2: The combined assets of Japan's offshore banking facilities rose 1.7 per cent to 578.5 billion dollars at the end of March from 568.9 billion at the end of February, the Finance Ministry said, reports Reuter.

Of the total, assets denominated in foreign currencies rose 1.7 per cent from a month earlier to 303.4 billion dollars at end — March, while those denominated in Yen rose 1.6 per cent to 275.1 billion, it said.

Egypt prepares for price hikes

CAIRO, May 2: President Hosni Mubarak prepared Egypt for the sharp price hikes which an International Monetary Fund (IMF) accord on economic reform — expected to be signed this month — is likely to bring, reports Reuter.

"Economic reform has burdens we all must bear," Mubarak said in a May Day speech. "We must bear it now for our children in the future."

After more than three years of negotiation, Egypt reached tentative agreement with the IMF this month on an accord.

Iraqi reparations fund set up

UNITED NATIONS, May 2: The United Nations this week sets in motion the labyrinthine process of determining how much Iraq should pay in reparations for damage caused by its invasion of Kuwait and the Gulf war, reports Reuter.

This first step is not expected to include either the rate at which Baghdad's oil revenues will be tapped nor an overall estimate of Iraq's total liabilities, which some put as high as 100 billion dollars for Kuwait alone.

Pakistan to seek \$238m aid

ISLAMABAD, May 2: Pakistan, needing support for economic reforms, will seek 2.38 billion dollars from an aid Consortium meeting in Paris later this week, government officials said on Tuesday, reports Reuter.

The amount will be part of the 2.76 billion dollar in foreign aid that Pakistan hopes to receive in the 1991/92 fiscal year beginning in July, they said.

A memorandum sent to the World Bank Consortium and made available here said the request to the May 2 meeting would be for 1.55 billion dollar in commodity and programme-type assistance and two million dollar in food aid.

Dhaka likely to import oil from Australia

Bangladesh is actively considering oil port from Australia as an alternative to the present arrangement, reports UNB.

This was stated by State Minister for Energy and Mineral Resources Dr. Khandakar Mosharrar Hossain when the Australian High Commissioner R. K. Gate called on him in Dhaka Wednesday.

The country currently imports oil from the Middle East.

The State Minister told the envoy about the progress the country has achieved and the prospect it has in energy and mineral resources sectors.

He also briefed Gate about the latest situation caused by the devastating cyclone and the steps taken by the government in this respect.

Kuwait banks restart cheque clearing system this month

LONDON, May 2: Kuwait banks could have a cheque clearing system back in operation in the second half of this month to help restore some normality as the country recovers from Iraqi occupation, a senior Kuwaiti banker in London said, reports Reuter.

"Once cheques start flowing through the system, the wheels probably will start to turn, my information is hopefully towards second half of May. We will probably have something," said an executive at National Bank of Kuwait, who declined to be identified. Meanwhile, an executive at London-based United Bank of Kuwait PLC said the authorities were working towards lifting the Emirate's temporary exchange controls late June.

Kuwait imposed temporary exchange controls to help ensure stability when the Kuwait Dinar was re-introduced in March at its rate before Iraq invaded the Emirate last August.

The Authorities want people to use cheques again rather than relying on cash, but so far banks are not ready to start clearing operations, the United Bank of Kuwait executive said.

Staff are needed to run

computer systems for a cheque clearing system and the volume of paper transmission has to be sufficient, he added. A lack of personnel is hindering an early return to normal banking, which is currently restricted to issuing cash. There is no interbank activity.

The National Bank of Kuwait executive said Palestinian bank staff already in Kuwait are so far being allowed back to work.

Treaty to protect US investment in Morocco

WASHINGTON, May 2: The future development of economic ties between the United States and Morocco received a boost April 29 with the formal signing and exchange of instruments of ratification of the US-Moroccan bilateral treaty of investments, reports UNB.

"The treaty will encourage and protect American investment in Morocco. It will also bolster Morocco's impressive efforts to promote economic growth and a free market," US Deputy Assistant Secretary of State Frederick Vreeland said during the signing ceremony in the Treaty Room at the State Department.

"But those outside the country are not being issued with the vital permits for re-entering the country."

Palestinians, Jordanians, Yemens, Sudanese, and naturally Iraqis are not welcomed by the authorities because of their governments' pro-Iraq stance. Some of these work in banks.

The Kuwait Central Bank in March allowed bank customers to withdraw up to 4,000 Kuwaiti Dinars from their accounts for at least three months, and to exchange a like amount for foreign currency.

An earlier AFP report from Abu Dhabi says: Kuwait's Central Bank has bought back 10 million old Kuwaiti Dinars from the Indian government, the Gulf News Daily adds.

The sale was made a few weeks ago by the Reserve Bank of India through the Dubai-based branch of a Kuwaiti Bank," the Dubai-based newspaper said, quoting local financial sources.

It said the 10 million Dinars sold by the Indian Bank included old notes brought by returning Indian workers after the August 2 Iraqi invasion of Kuwait as well stocks of old Kuwaiti currency held in reserve by Indian banks dealing in foreign exchange.



Duty-free cloths are on open sale at a market in front of Kotwali Thana in the city. —Star photo

MCCI's plea to allow talks on Banking Companies Bill

Star Economic Report

Metropolitan Chamber of Commerce and Industry (MCCI) on Thursday urged the government to allow extensive public discussions on Banking Companies Bill 1991 before its consideration and approval by the Parliament.

In a statement issued to the press, Samson H Chowdhury, Vice President, MCCI said, "Banking Companies Bill, 1991 introduced in the Parliament is a legislation which vitally affects the country's economy in general and the banking sector in particular. It contains some basic and fundamental provisions which are contrary to the existing Companies Act and Banking Companies Ordinance, 1962," he observed.

The Chamber strongly feels that such an important legislation, should be put up for public opinion before it is discussed and approved by the Parliament. It is only through discussion that the need for changes in the existing banking legislation can be correctly identified," the MCCI Vice President said.

On behalf of business community, he requested the Finance Minister to solicit public opinion.

Share trading declines 50 pc

Star Economic Report

The week closed Thursday at Dhaka Stock Exchange (DSE) with transactions declining by 50 per cent from the level witnessed on Tuesday.

In all, 6,769 shares changed hands compared with the previous trading day's 13,839. Trading was closed on Wednesday on account of May Day.

Most traded issues fell in prices. With decliners dominating transactions, the All Share Price Index of DSE lost 0.4740 points to 353.4218. It was 353.8958 on Tuesday. The index in the broad indicator of price movements of all the listed stocks.

Traded stocks valued Taka 1,72,991.00 as against Taka 4,03,765.00 on Tuesday.

Transactions involved sixteen issues. Of them nine lost, one gained and six remained unchanged at their previous quoted prices.

Bengal Food and Dhaka Vegetable lost Taka 4.00 and Taka 3.35 to Taka 200.00 and Taka 152.65 respectively.

Modern Dying and Eastern Cables declined Taka 2.00 and Taka 1.64 to Taka 35.00 and Taka 95.00.

Atlas Bangladesh, Zeal Bangla Sugar, Ashraf Textile, Talu Spinning and Beximco lost within the range between Taka 0.04 and Taka 1.00.

Apex Tannery advanced Taka 1.50 to Taka 150.00

Fund to help poor Arabs set up

ABU DHABI, May 2: A multi-billion-dollar fund set up by wealthy Gulf states to help poor Arab countries in the post-war era will have no impact without economic reforms, regional bankers and economists said, reports AFP.

"I don't think this fund will achieve development in the Arab region if there are no reforms," said Jassim al-Saadoun, a prominent Kuwaiti economic expert.

"How do you expect such aid to serve growth when most Arab nations are suffering from debts, unemployment, deficits in their trade and balance of payments in addition to the absence of incentives and investment atmosphere?"

The six oil-rich Gulf Cooperation Council states approved the fund two weeks ago with a capital of 10 billion dollars to help development in the Arab world over a period of 10 years, according to GCC Secretary General Abdullah Bishara.

But unlike previous aid disbursement, the GCC set tough terms for its allocation of funds, including a focus on privatisation.

The private sector will play a very important role as a recipient of aid from the fund, Bishara told reporters in Riyadh after the fund was approved by GCC Finance Ministers.

"I think there is a global trend for liberalisation and no one can be excluded from this trend," he added.

Government domination of the economy has been blamed

for the slow growth and economic woes in most Arab countries.

Some countries have announced privatisation plans but in such states as Sudan, Yemen, Syria and Iraq, the private sector still does not exceed 10 per cent of economic production.

Lack of reforms has led to severe economic problems in the Arab world despite huge aid and remittances from the Gulf, according to experts.

The GCC states of Saudi Arabia, Kuwait, Bahrain, Qatar, Oman and the United Arab Emirates (UAE) have extended nearly 80 billion dollars in development aid since 1975.

Remittances and investments stood at 8.7 billion and 10 billion dollars respectively in 1988 and 1989, according to the Arab League's annual economic report.

About two billion dollars have also been provided by the Abu Dhabi-based Arab Monetary Fund (AMF).

\$110m IDB aid for 8 Muslim, African states

NICOSIA, May 2: The Islamic Development Bank (IDB) said on Wednesday it would finance agricultural projects and foreign trade worth 110 million dollars in eight Muslim and African states, reports Reuter.

Islamic Finance Ministers are expected to meet in Cairo on May 28, the statement said without giving details about their agenda.

In its statement, the bank said a loan of 60 million dollars would go to Kuwait's private sector to help in reconstruction efforts after Iraq's seven-month occupation of the Emirate and allied Gulf war operations.

The agreement was reached after a three-day meeting of IDB's Executive Council at its headquarters in Jeddah, Saudi Arabia, which ended on April 30.

The statement said other Islamic banks were expected to take part in financing the loan to Kuwait.

Saudi move to boost cash resources

DUBAI, May 2: Saudi monetary authorities appear to have taken another important step in a strategy to keep money inside the Kingdom and build up domestic cash resources for large Gulf war costs, bankers said, reports Reuter.

The Saudi Arabian Monetary Agency (SAMA) has started setting yields on the 2.7 billion Riyals of short-term money market instruments it offers to banks each week within a hair's breadth of the interbank rate on like-dated deposits, they said.

The effect is to make SAMA's Bankers Security Deposit Accounts (BSDAs) much more attractive to Saudi Banks, which are currently floating on a sea of liquidity, they said.

"There could be several reasons but I think the main reason is to help cover Gulf war costs," one Saudi Bank senior dealer said.

The Gulf crisis is thus acting as a catalyst to make the

Saudi money markets more sophisticated.

SAMA issues one, three and six-month BSDAs each week. Historically, yields have been set around 1/8 of a percentage point below the market. This has now gone down to 1/16 or less.

"They (yields) are very close to the base of the market," a dealer said.

On Monday, the three-month BSDAs were priced to yield 6.0563 per cent against a market bid of 6.0650 per cent on the three months interbank market. On historical expectations, the BSDAs yield might have been much lower around 5.9500, dealers said. On Tuesday, the six-month yield was set at 6.2520 per cent about 1/16 point below the market quote, which then drifted down further.

Bankers said recent SAMA actions should make it easier for domestic borrowers to find funds and also bolster SAMA's own ability to manage liquidity as the lender of last resort.

Al Baraka Bank donation to PM's fund

Star Economic Report

The two-day 8th meeting of the Board of Directors of Al Baraka Bank Bangladesh Limited concluded in Dhaka on Wednesday. Mahmoud Jameel Hassoubah, Chairman, Board of Directors, presided over the meeting.

The four other foreign directors from different countries of the world came to attend the meeting. During their stay at Dhaka they paid a visit to Bangladesh Bank and met its Governor S. B. Chaudhuri and Deputy Governor Mahabubur Rahman Khan. Various matters of mutual interests were discussed in the meeting. In the Board meeting, different issues about the affairs of the Bank were discussed and decisions taken.

Barrister Sultan Ahmed Chowdhury was elected Vice-Chairman of the Board of Directors.

BSRS officers

The officers and the employees of the Bangladesh Shipra Rin Sangstha (BSRS) have decided to donate their one day's salary to the Prime Minister's Relief Fund for the people affected by the worst ever cyclone storm and tidal surge.

Quoted Prices of Traded Stocks

May-2

Stock	Qty	Price	Change
Bank	1000/1	1160.00	unchanged
Green Delta	100/10	115.00	unchanged
United	100/10	120.00	unchanged
Bengal Food	10/50	43.00	(-1.00)
Eastern Cables	100/5	95.00	(-1.64)
Food & Allied	100/5	200.00	(-4.00)
Dhaka Vegetable	100/5	152.65	(-3.35)
Zeal Bangla Sugar	10/50	9.50	(-0.50)
Pharma & Chem	100/5	82.00	unchanged
Pharma Ada	100/5	195.00	unchanged
Tattu	10/50	32.00	(-0.75)
Ashraf Textile	100/5	35.00	(-2.00)
Modern Dying	100/10	116.00	(-1.00)
Talu Spinning	100/10	116.00	(-1.00)
Apex Tannery	100/5	150.00	(+1.50)
Beximco	10/100	10.00	(+0.04)
G. B. Q. Bank	10/80	60.00	unchanged

** FV=Face Value, ML=Market Lot
** Changes: Plus signs mean gain and (-) signs losses.

Dhaka Stock Exchange Market Profile

May - 2

134 Listed stocks

1 Gains, 9 Losers, 124 Unchanged

124 Unchanged stocks include six traded on the day at their previous quoted prices.

DSE All Share Price Index = 353.4218

Issued Capital-Taka 10,146,289,601.00

Market Capitalisation = 10,192,892,176.00

Turnover = Taka 1,72,991.00 (Value) 6,769 (Volume).

US blocks IFC plan to double capital

WASHINGTON, May 2: The Spring meetings of the World Bank and International Monetary Fund ended with no agreement to increase the capital of the International Finance Corp (IFC), the private sector arm of the World Bank, reports Reuter.

Officials said the United States had blocked a plan to double the 1.3 billion dollar capital of the IFC, despite the urging of World Bank President Barber Conable.

A communique issued by the Development Committee, joint panel of the Bank and the IMF, said negotiations on the capital increase should continue with a view to an early accord so the IFC could step up its activities significantly.

The communique said the IFC had a special role to play in promoting the private sector, although the prime responsibility for attracting foreign direct investment lay with the developing countries themselves.

It said a special effort was needed to lure private funds to

poor countries, especially in Sub-Saharan Africa, that currently do not attract much direct investment.

Because investment inflows are low to these countries, concessional aid flows to them will remain of critical importance, the Development Committee said.

AFP adds: While Eastern European countries were showered with attention, accolades and economic analyses at seasonal Finance meetings which ended here Tuesday, the Soviet Union won remarkably scant notice.

Just hours before talks between Finance Ministers representing 155 countries opened here, a senior International Monetary Fund (IMF) official speaking on condition of anonymity suggested the Soviet Union would be the focus of debate about what he termed the "disintegration" of that country's economy.

But instead the ministers and central bank governors attending the Spring meetings of the IMF and World Bank vir-

US blocks IFC plan to double capital

tually ignored the Soviet situation, the result, delegates said, of a general agreement that economic assistance could not be granted to Moscow until it implemented wide-ranging economic reforms.

Only six months ago, at the last series of finance meetings, delegates were discussing the prospect that the Soviet Union might join the IMF, and both formal and informal Soviet delegations attended.

The lack of a clear Soviet initiative on making the transition to a market economy and doubts about the process of Soviet economic reform, however, have put the Soviet application for membership in the IMF and World Bank on hold.

Reuter says: International Monetary Fund Managing Director Michel Camdessus said he hopes to put together economic reform programmes for Argentina, India and Peru.

"We are now starting new negotiations with Argentina for a programme," Camdessus told a news conference on

Wednesday. "And I hope we will have an agreement soon."

During the semi-annual meeting of the IMF and World Bank over the past week, Argentina has been pressing the Fund for a one billion dollar stand-by loan by mid-year. But Camdessus refused to say when and agreement could be expected.

"Don't ask us to try to tell you at the beginning of the journey how long it will be," Camdessus said. "But I am quite positive about the possibilities of having an agreement."

The IMF chief praised an earlier decision by the US and Japan to lead a group of friendly nations to raise 1.2 billion dollar to help Peru cover its fiscal deficit. The funds are part of a wider emergency assistance plan to help Peru cover its arrears with multilateral lending agencies like the IMF.

Camdessus said he expects other donor countries to join the US and Japan in another meeting.

Exchange Rates

May-2

SELLING AND BUYING RATES, offered by Commercial Banks, for Bank Cheques (B/C) and Overseas Drafts (O/D)

One Unit of Foreign Currencies (FC) for Taka

FC	Selling	Buying
US Dollar	35.5226	35.1432
UK Pound Sterling	60.9569	60.2222
German Deutsche	20.5190	20.2336
Mark		
French Franc	6.0834	5.9932
Saudi Riyal	8.8101	9.4819
Dutch Guilder	18.2309	17.3857
Pakistan Rupee	1.5297	1.5153
(AMU*)		
Singapore Dollar	20.2278	19.9959
US Dollar	8.8101	9.4819
Kuwait Dinar	Not available	
Indian Rupee	1.7680	1.7513
AMU	5.7725	5.6909
*AMU: Asian Monetary Unit		
SECONDARY EXCHANGE MARKET		
Wage Earners Fund/Export		
Performance Benefit (XPB) Fund		
Buying	36.46	36.53
Selling	62.78	62.85
US Dollar		
UK Pound		
Sterling		

* The rates of Pound Sterling are decided every day, based on the cross-rates of New York market. Source: Sonali Bank