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HYUNDAI

CARS THAT MAKE SENSE

BEXIMCO SAGA

The story of 21 cheques, Mallik and false addresses

Complicated and carefully woven. But this time Bangladesh Bank officials proved smarter than the scamsters by detecting what may be the biggest financial scandal involving real big names in Bangladesh

Star Business Report

Look at the chart and the cheques.

Mallik Export Ltd spent only Tk 10,000 to open a current account (2200881) with the Cox's Bazar branch of the Arab Bangladesh Bank Ltd. It was March 30, 1996.

Then, in the next four months, as many as 21 cheques were written in favour of Beximco Investment Company Ltd (BICL).

The two directors of Mallik Exports — chairman Kafiluddin Mallik and director Khairuddin Mia who could not be traced by pressmen so far — authorised M Ali Newaz and Md Sohel to operate the account. The registered office of the Mallik Exports Ltd should have been located at "61 Dhanmondi R/A Road No 2 Dhaka 1205".

There is no such address in Dhaka.

It appears that the entire drama of creating the Mallik account — reports have it that many such accounts do exist elsewhere, both at home and abroad, one of them with IFIC's Dhanmondi branch — was designed to help the Beximco Group.

Baghkhali business

The whole process began on November 5 1996 with a Tk 1.75 crore cheque, drawn on a current account of Beximco Investment Company Ltd (BICL) with IFIC's Dhanmondi Branch, payable to Baghkhali Fisheries, a company reported to have been linked to Beximco.

Baghkhali needed the money to service an overdue loan of Tk 9.93 crore, originally an export cash credit but later turned into a term-loan in violation of banking rules by IFIC's Motijheel branch. The loan was rescheduled, with Baghkhali getting an extremely favourable terms, which again violated banking norms.

IFIC gave Baghkhali Fisheries eight years to repay, from October 1 1997 to October 1 2004, with a low nine per cent rate of interest. The usual is 15 per cent.

The bank also violated a key clause of the Banking Company Act, by ignoring the Bangladesh Bank, whose approval was mandatory when the loan amount exceeded 15 per cent of a bank's capital and reserves. In this case, the loan amount was 20.57 per cent of the total capital of the bank.

The same day, on November 5 1996, a similar amount was allegedly transferred from an STD account of BICL with the Dhanmondi branch to its current account at the same branch. At the time of the transfer, the balance was only Tk 27.01 lakh in the current account.

The same day, again, Tk 1.75 crore was allegedly credited to the STD account — then with a balance of only Tk 7.98 lakh — through an Inland Bill Purchase (IBP) against a cheque drawn on the Cox's Bazar branch of Arab Bangladesh Bank. The Cox's Bazar cheque in favour of BICL came from an account of Mallik Exports Ltd. The cheque bore the same date, November 5, 1996.

The same day, IFIC's Dhanmondi branch sent the cheque for collection to the AB Bank branch. Six days later, it bounced back to Dhanmondi; there was not enough money in the Mallik Exports account in Cox's Bazar.

Later, on the day the cheque bounced, scamsters debited Tk 1.75 crore from the STD account of BICL. This required purchase of two more cheques worth Tk 25 lakh and Tk 3.8 crore from other sources through IBP provisions.

None of these events, as a Bangladesh Bank inquiry found, the issue had ever been sent to the IFIC Board for approval, which clearly violated the Bank Company Act 1991. The Bangladesh Bank was not also informed.

The inquiry also said there were many such cases of cheque purchase and money transfer from the IFIC's Dhanmondi branch to help the Beximco Group.

In this case, the Bangladesh Bank inspectors found, the IFIC executives at the Motijheel branch acted against the advice of their legal adviser, and had not done an on-the-spot inquiry.

The Bureau of Anti-corruption (BAC) is probing the fraud after the Bangladesh Bank had detected the alleged irregularities and fraud in banking practices.

The central bank wants BAC to see whether legal action can be taken against those responsible.

The prime minister was informed of the malpractices.

Meanwhile, the Bank is using its own machine to bring them to book. It served show-cause notices, returnable in 15 days from September 2, on the IFIC chairman Sohel Rahman, vice chairman Salman Rahman, managing director Abbas Uddin Ahmed.

The managing director received another notice in which he was asked to take action against the bank executives involved in the irregularities. The MD was also asked to say why he would not lose his job.

Another notice, addressed to the chairman, was served on the IFIC Board of Directors.

The Bank's Board sought another 15 days to reply to the notices according to a decision taken September 10.

A Bangladesh Bank audit

team on 14 September had a scrutiny of the affairs of IFIC's legal department. Barrister Rafiqul Haq is no longer with the bank as its legal adviser. The bank ensured an "honourable exit" for him.

The replies to notices should have reached the central bank. But officials would not say anything about it.

Mysterious Mallik

Mallik Exports, the organisation which the Beximco's financial fraud had revolved round, does not exist in reality. Mallik Exports had once been in the business of fish exports. But its current status is unknown.

According to documents, Mallik Exports had a fish processing factory in Cox's Bazar in the late eighties. But this factory has ceased to exist since 1991. Its owners, Kafiluddin Mallik and Khairuddin Mia, are unknown to those in the fish business in Cox's Bazar.

Mallik once claimed to have a paid-up capital of Tk 10 lakh. But recent documents, as submitted to different banks, now show that its paid-up capital was only Tk 15,000.

They are Beximco men

All Newaz and Md Sohel, the persons authorised to operate both these accounts jointly are in fact Beximco executives. However, the account opening forms of both the banks were filled out by one person.

Khairuddin Mia's signature on the IFIC Bank form also differs from that on AB Bank's.

The statements of the board of directors of Mallik Exports which were submitted to both the banks for opening accounts had similar language.

According to the statement submitted to IFIC: "A Board meeting of Mallik Exports Limited was held at its conference room on March 28, 1996. The two directors of the company Kafiluddin Mallik and Khairuddin Mia were present at the meeting. The board felt the necessity of opening a bank account at the IFIC Dhanmondi branch. Md Ali Newaz and Md Sohel have been given the power to jointly operate the account. The bank concerned is being requested to honour all the cheques and documents signed by these two persons."

Two days after this meeting, the account was opened with the IFIC Bank. The statement of the Board used for opening account with the AB Bank was also similar in content. The date was however different — September 25, 1996. Seven days after this meeting, an account was opened with AB Bank Cox's Bazar branch. Both the branches issued cheque books containing 25 pages in favour of Mallik Exports.

Two days after opening the account with AB Bank, Ali Newaz and Md Sohel issued the first cheque for Tk 1.5 crore in favour of Beximco Investment Co Limited (BICL). The last of the 21 cheques was issued on February 2, 1997, for an amount of Tk 1.30 cr. All these 21 cheques were issued in favour of BICL, which deposited them with IFIC's Dhanmondi branch.

At least thrice, Ali Newaz and Md Sohel issued two cheques a day — on October 15, 1996, January 2, 1997 and then January 7, 1997.

The first cheque issued on October 5, 1996, was submitted to AB Bank's Cox's Bazar branch for encashment. But it bounced due to inadequate balance in the account. Five days later, it was submitted again.

Mallik Exports was learnt to have requested for a second book from AB Bank after the 25 pages of the cheque book were exhausted. The request was turned down.

Cox's Bazar-based Beximco officials said Ali Newaz was a regular visitor to the town and was a known face to the fish exporters there.

Reportedly employed as a manager in the Beximco's food division, Newaz did not deny

the allegations that he issued the false cheques when he spoke to a correspondent of a vernacular daily.

He however refused to go further, saying that he would need permission from his superiors at Beximco.

2-2-4

The person who introduced Mallik Exports for the account opening at the AB Bank Cox's Bazar branch was an employee of Beximco Fisheries.

Mallik Export had once applied for a Tk 4.25 crore loan from a private bank for modernisation of its factory in 1991. According to its loan application, Mallik Export was in the business of salted and dried fish, 100 per cent export-oriented.

The factory was claimed to have been set up in 1988 in Cox's Bazar and had been in operation since then.

The shady 61

Documents submitted to open the accounts with IFIC and AB Bank gave different stories. According to the IFIC application form, Mallik's registered office was located at 61 Dhanmondi Residential Area, Road no 2. On the AB form: 61 Jigatola, Dhaka.

The article of memorandum submitted to the AB Bank said its chairman was Kafiluddin Mallik and Khairuddin Mia its director.

But its statement on paid-up capital does not conform to the previous one. According to its articles of memorandum submitted to the AB Bank, its paid-up capital was Tk 15,000, divided into 300 shares of Tk 50 each. Two hundred eighty shares were owned by Kafiluddin. The rest 20 shares worth Tk 1000 were owned by Khairuddin.

Asked by a Bhorer Kagoj correspondent, a few veterans in the trade could vaguely remember one organisation called Mallik Exports that had existed before 1991. But none of them could recall anyone named Kafiluddin or Khairuddin.

Some of them claimed that one Hamid used to look after Mallik's business, who died a few years ago. Officials of Beximco in Cox's Bazar said that Hamid had also been involved in the Beximco business.

Those who could identify Mallik Exports only identified with the Beximco Group. Some former senior officials of Beximco Fisheries and Baghkhali Fisheries also said that Mallik was associated with the Beximco house.

They said Baghkhali Fisheries, Sathkhira Fisheries and Mallik Exports were all involved with fish exports of the Beximco Group.

On many occasions, Beximco Investment Company Ltd (BICL) gave guarantees against these three organisations for loans from IFIC and AB Bank.

In official documents, the residential address of Mallik Export director Khairuddin was: 169 Akbar Hazi Road, Paikpara, Dhaka.

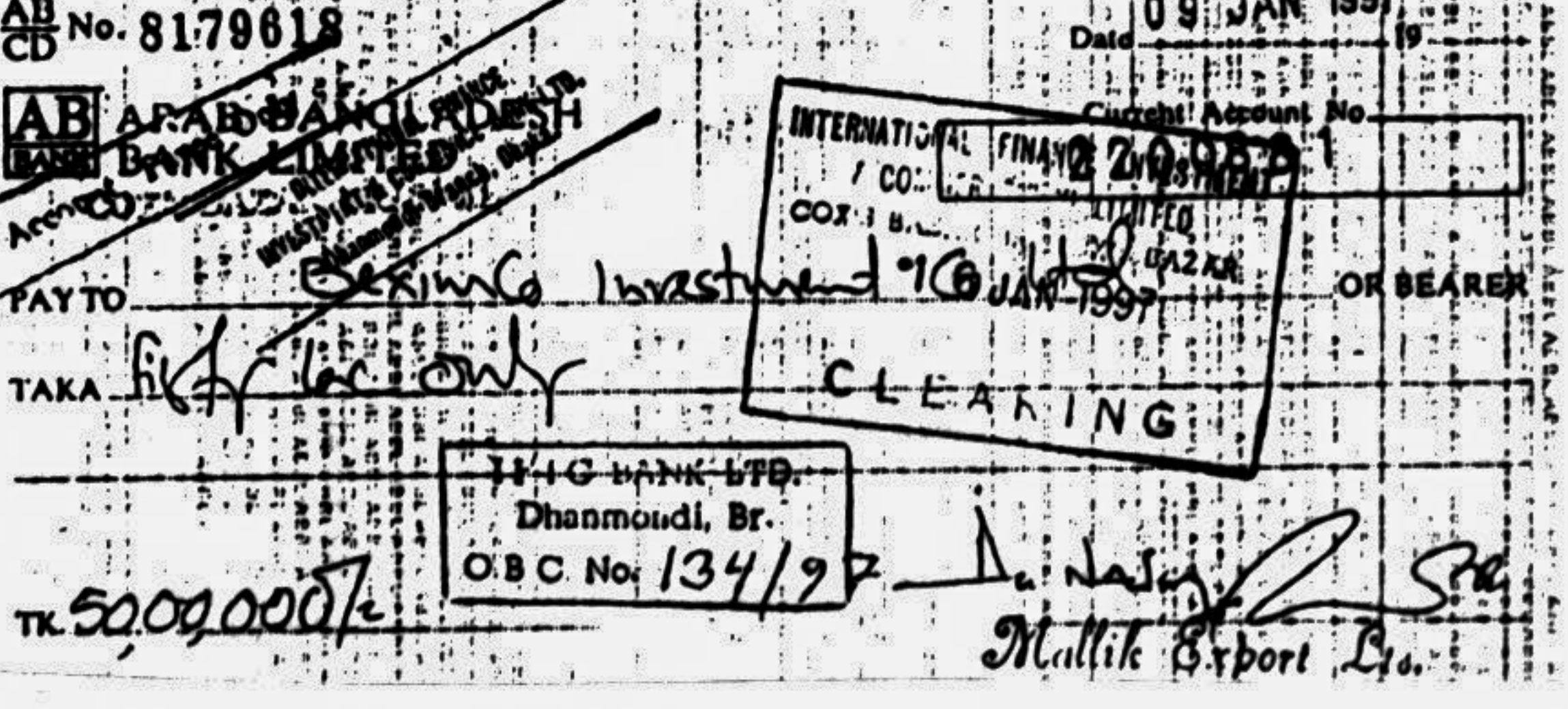
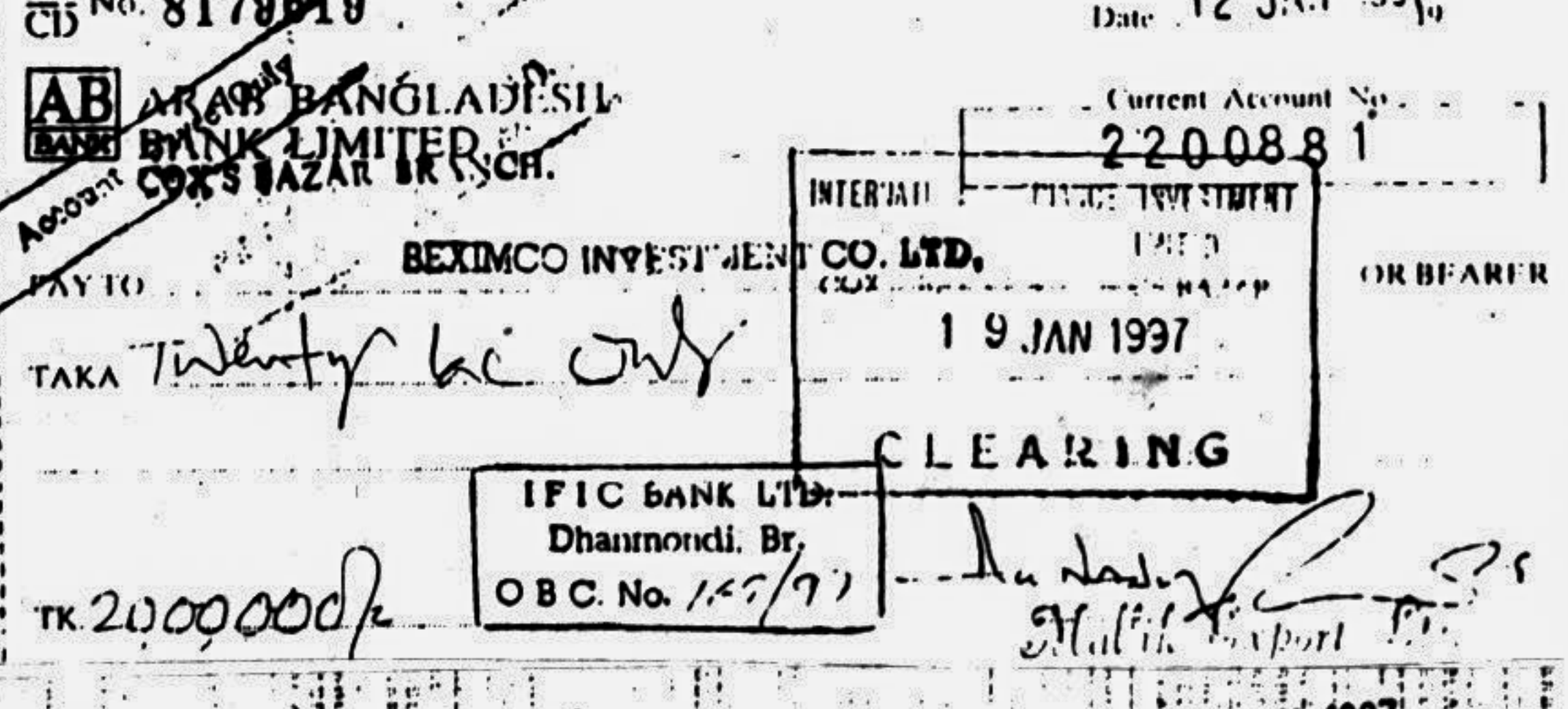
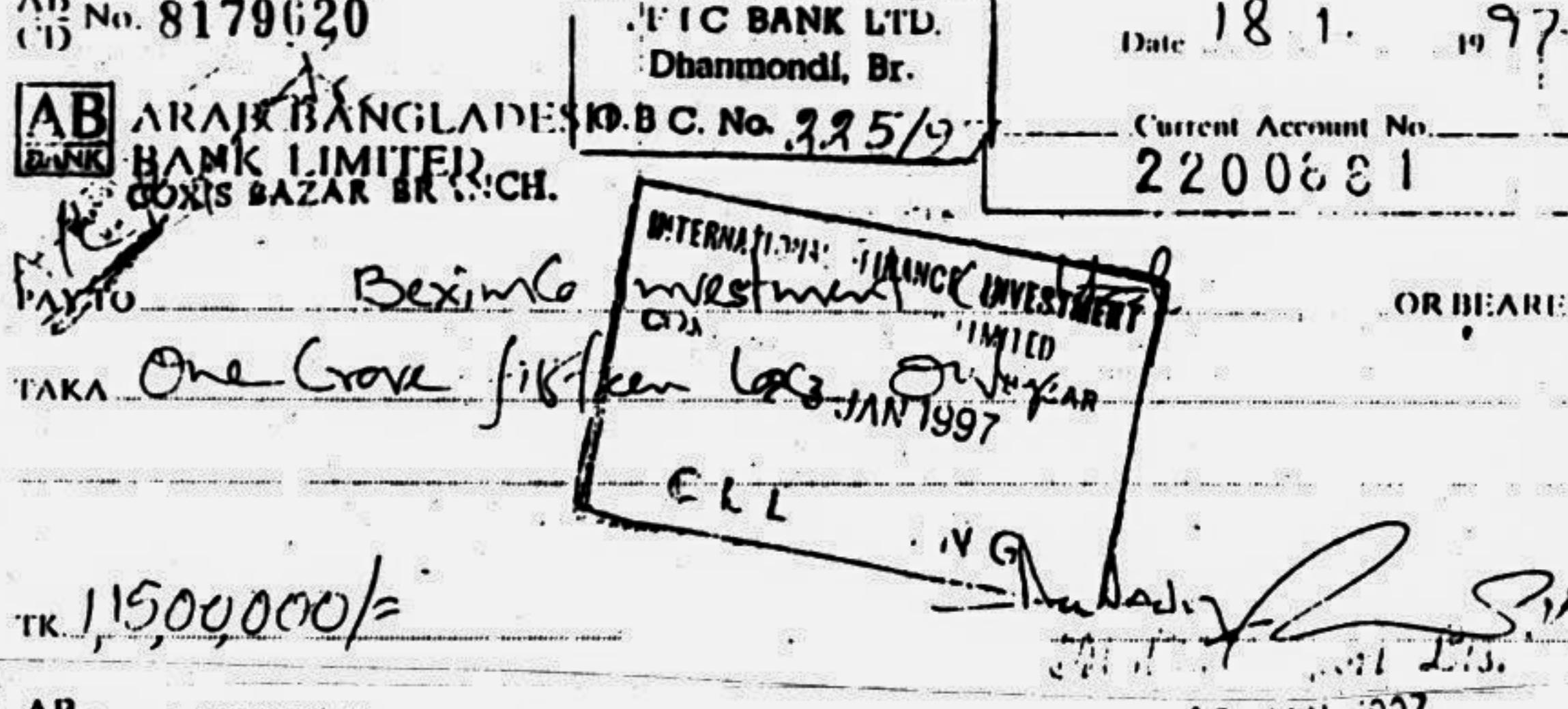
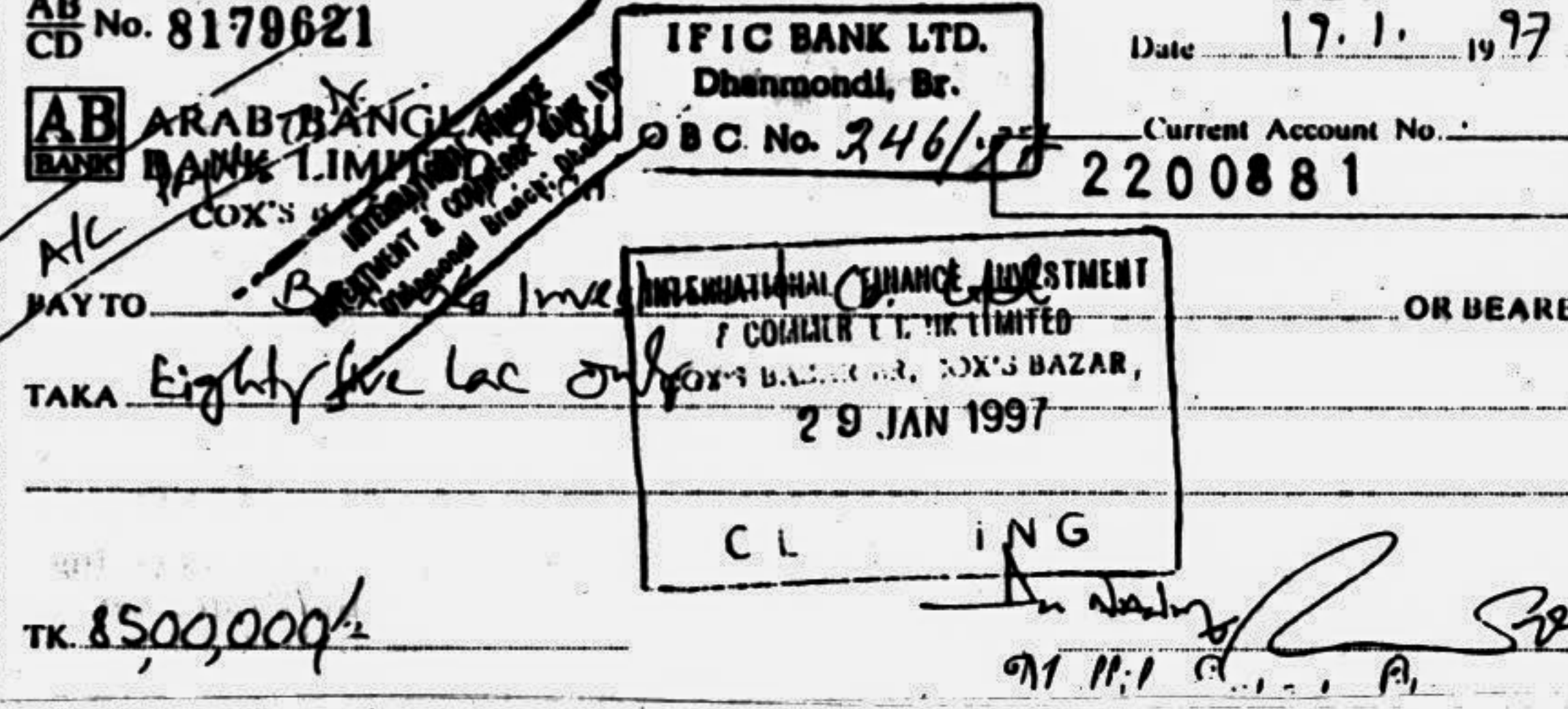
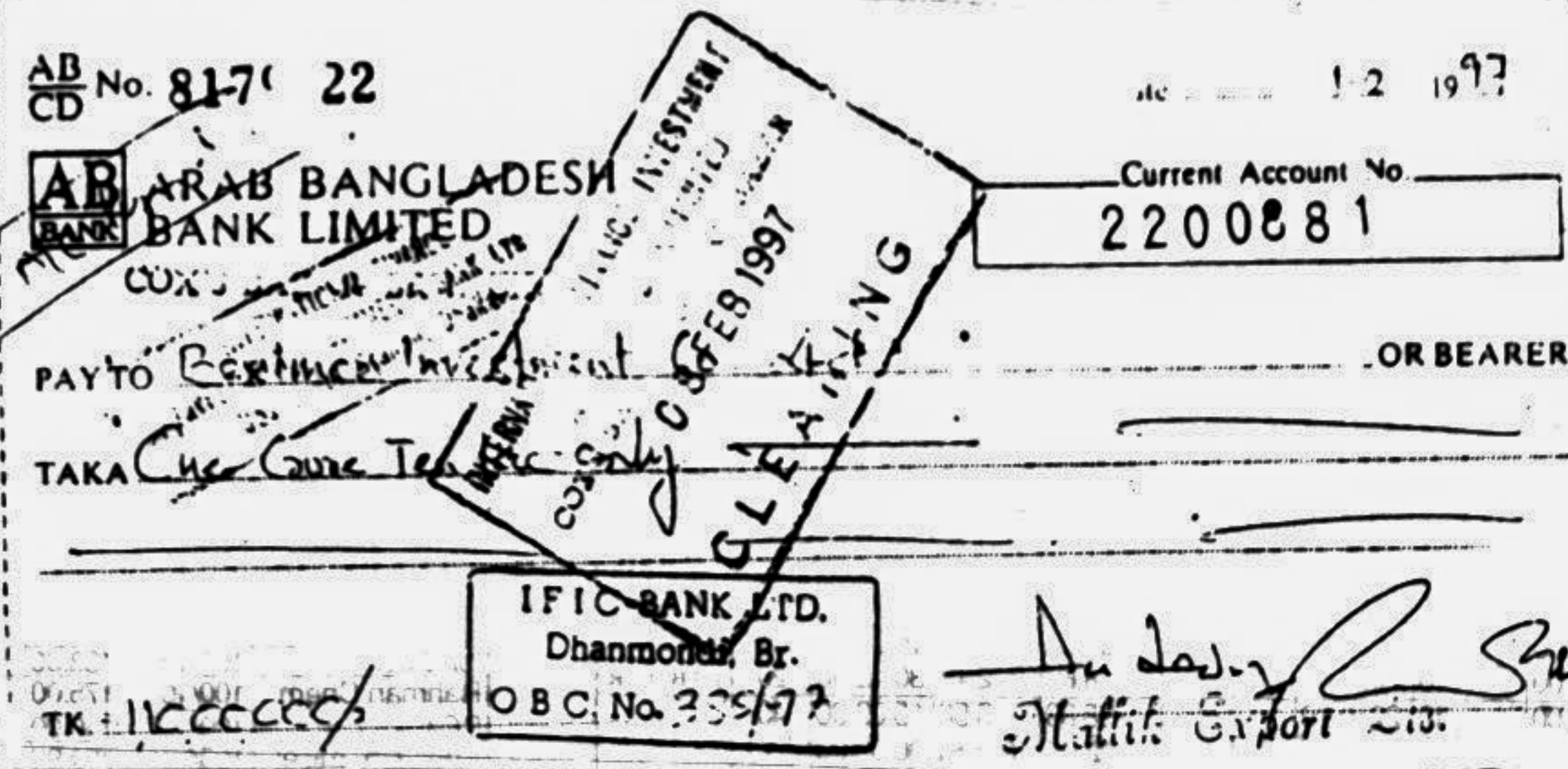
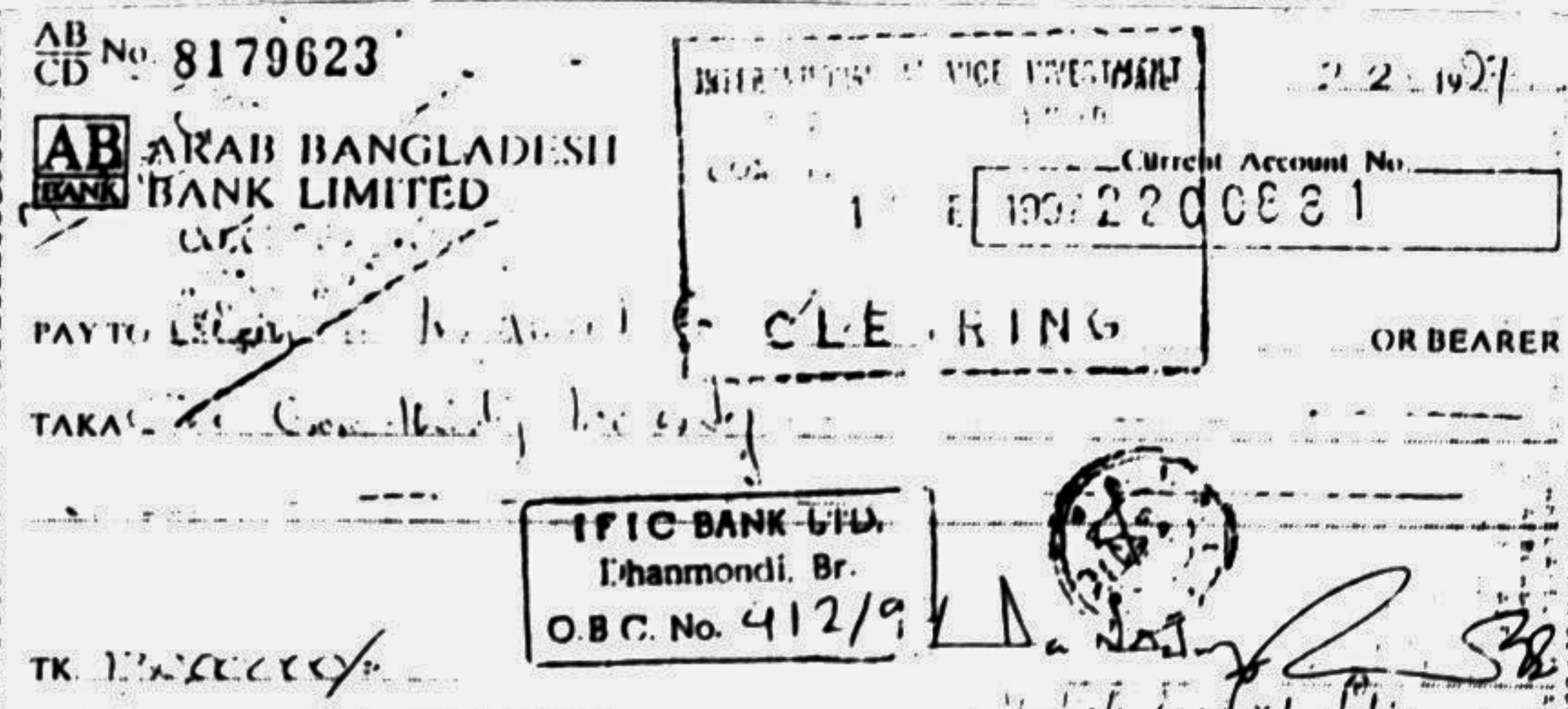
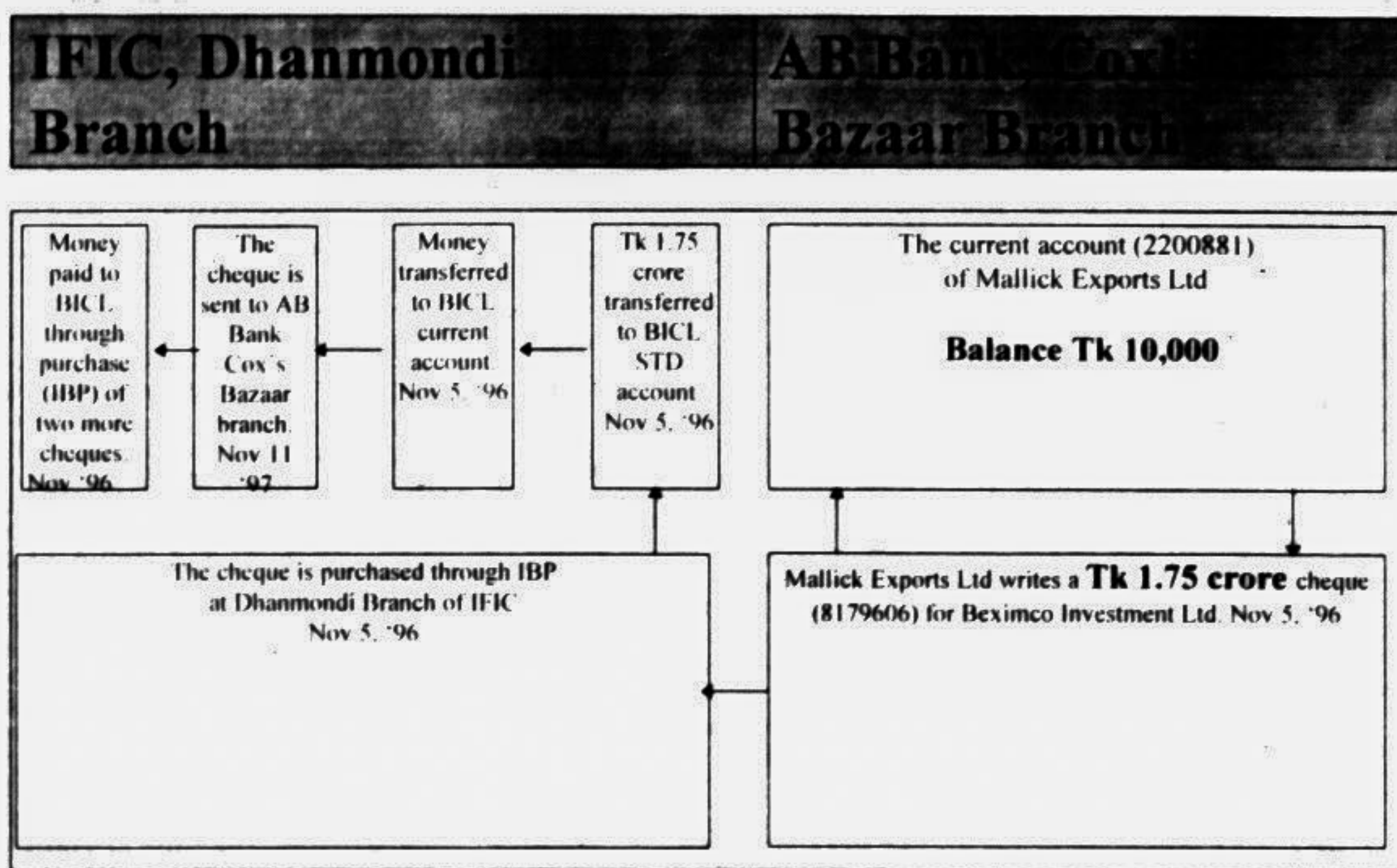
None of the two resides in these addresses. And in Paikpara, there is nothing called Akbar Hazi Road now.

Some old residents of the area however could remember one Akbar Hazi Road at Ahmednagar, Paikpara. But still, none called Khairuddin lives there.

As the Mallik Exports cheques in favour of BICL bounced one after another, AB Bank's Cox's Bazar branch sent three notices to the Mallik's Dhaka address.

The first two letters were sent by regular mail and the third one by a courier service. AB Bank did not receive any reply to its first two letters. The courier returned the third letter to AB Bank saying that the receiver could not be found in the addresses.

This story is based on documents obtained by The Daily Star, information from other sources, and recent reporting by Bhorer Kagoj



Business leader blasts govt plan to boost SOEs

A chamber leader yesterday strongly criticised the government's fresh approach towards rejuvenating the public sector units against its commitment to speed up the privatisation programme, says UNB.

"These are giving conflicting signals," said Mahbubur Rahman, President of International Chamber of Commerce Bangladesh, at a seminar while pointing out the contradictions quoting comments of a minister.

Commerce and Industries Minister Tofael Ahmed recently said that the SOEs would be rejuvenated by enhancing their efficiency and more industries, fertilizer in particular, would be set up in the public sector.

Rahman also quoted another report of the World Bank that strongly advocated for quick divestment of the state-owned enterprises (SOEs), which are incurring loss amounting to Tk 2500 crore a year.

"... to our disappointment we are still talking and debating on the process, procedures and implications (of privatisation) while our economy is bleeding," the ICC chief said calling privatisation a vital issue.

"If the stalemate continues like this, sooner than we can even imagine, the nation will be bleeding white," said Rahman appearing dejected by the latest government stand on the SOEs.

The Bangladesh chapter of ICC, the world business organisation, arranged the daylong seminar on "Privatisation in the Context of Economic Globalisation" at the DCCI auditorium.

Speaking as a special guest, Chairman of the Privatisation Board Kazi Zafarullah, however, assured that the privatisation would continue as it is "at the political agenda" of the government.

"In the present day context of free market economy, privatisation is a compelling necessity

for a country like Bangladesh because government exchequer could hardly bear any further losses by the SOEs," he said.

Citing reasons for the slow pace of privatisation, Rahman said unless the bottlenecks are removed — with right earnest within a given timeframe, privatisation will continue to remain a "pious wish" for many more years to come. The reasons are lack of serious political commitment, proper intermediation process, proper evaluation of assets or attractive terms and conditions for the buyers, indecision about setting aside accumulated liabilities and workers' militancy with political backing.

Privatisation does not mean only transferring of liability of the state to the private shoulders; it means privatisation of overall economic activities having impact on the growth and development," Rahman said.

He said vigorously pursuance of well-charted economic liberalisation and comprehensive privatisation programme "with firm commitment and on a war-footing" will help Bangladesh economy march several steps forward.

Chairman (State Minister) of Privatisation Board Kazi Zafarullah said organised labour, the bureaucracy with vested interest and the politicians both in power and opposition are the main impediments towards privatisation.

He said the left leaning intellectuals were acting as the negative catalyst in the ongoing process of privatisation and the Board is going to initiate a mass awareness programme to overcome the difficulties.

Zafarullah said the rationale for privatisation in Bangladesh is based primarily on three reasons — to ease the burden on the government's fiscal situation, improvement in the efficiency of the enterprises and promote greater investment and sustainable growth in the economy.

Matia tells seminar

Food security needs to be sustained

Agriculture and Food Minister Matia Chowdhury has urged all concerned to boost food production and strengthen its management to attain a sustainable food security in the country, reports UNB.

The present government in last 15 months had launched food procurement drives across the country for five times with an aim to ensure the availability of food for the vulnerable groups who have no purchasing capacity," she said.

The Food Minister was addressing a seminar on "Interventions Towards Attaining Food Security in Bangladesh," marking the World Food Day at the BARC auditorium yesterday.

Jointly organised by Agriculture and Food Ministry and Agriculture Organisation (FAO), the seminar was addressed, among others, by State Minister for Fisheries and Livestock Satish Chandra Roy and FAO representative Hiroyuki Konuma.

Dr MA Kashem presented the keynote paper while Agriculture Secretary Dr AMM Shawkat Ali presided the seminar. Prof HKM Yusuf and Dr Farida Akter took part in the discussion.

Matia Chowdhury told the seminar that the country's foodgrain output in 1996-97 was satisfactory which had helped save Tk 720 crore in foreign currency.

She directed the concerned departments to scale down system loss and complete the ongoing projects of her ministry within the stipulated time to attain autarky in food.

"Without sincerity and

bring down the system loss in production it is not possible to attain success in the food security programme," the Minister said.

About crop diversification, the food minister said the country has earned 24 million US dollars by exporting vegetables in 1996-97 fiscal while it was 14 million dollars in 1994-95.

Steps have been taken to boost the pulse and oil seed production. Matia said adding that it takes minimum 5-6 years to bring about a visible change in the agriculture production.

She said the present government during its 15 months rule has brought a positive balance in food production from that of the negative one in 1993 to 1995.

Fisheries Minister Satish Chandra Roy said without check in population it is tough to attain food autarky as the rate of food production is much slower than that of population rise.

Hiroyuki Konuma said despite a very encouraging foodgrain output this year, over 90 per cent of children were still suffering from malnutrition in varying degrees. Some 600 children die every day due to direct and indirect impact of malnutrition.

The FAO representative said Bangladesh is committed to reduce current undernourished population by 50 per cent by the year 2015.

Bangladesh will have to increase its national food grain availability by 60 per cent by the year 2010 to meet the demand of the growing population, he added.

Eliminating non-tariff barriers

ASEAN to seek private-sector help

KUALA LUMPUR, Oct 16: Southeast Asian economic ministers agreed yesterday to seek private-sector help to eliminate non-tariff barriers as a proposed free-trade area takes shape over the next five years and beyond, says AFP.

Meeting in a forum known as the ASEAN Free Trade Area (AFTA) council, the ministers also recognised the importance of mutual recognition arrangements in eliminating technical barriers to trade, a statement said.

Ministers agreed to develop a "roadmap" for such arrangements and an umbrella agreement as a basis for specific arrangements between ASEAN members.

The council also agreed that barriers to trade, including bureaucratic and administrative barriers, delays in decisions etc, should be eliminated to support the AFTA process, a statement said.

The council agreed to ask the private sector, including

ASEAN Chambers of Commerce, to identify such barriers and report back to its next meeting in Manila later this year "with a view to possible elimination," it said.

Under an agreement reached in 1993, the six most developed members of the Association of Southeast Asian Nations — Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand — agreed to create a free-trade area with common effective preferential tariffs of five per cent or less by 2003.

Vietnam, which joined ASEAN in 1995, has until 2006 while the deadline for newcomers Myanmar and Laos in 2008.

During their annual meeting in July, ASEAN foreign ministers made a similar call for eliminating non-tariff barriers but noted recent developments such as the removal of customs surcharges last year, the harmonisation of standards for 20 product groups and the introduction of phytosanitary measures.