

SEC approves asset-backed securitised bonds

Private issue of Tk31cr IPDC zero coupon bonds likely in early Nov

M SHAMSUR RAHMAN

With bank deposits being eroded through a sizeable bad loan portfolio pushing the cost of funds higher, a development financial institution has come up with an innovative idea of fund generation by selling its receivables in advance.

The idea is that a registered trust 'IPDC Security trust 2004-A' will take over the credit receivable of the institution, Industrial Promotion Development Company (IPDC), and issue bonds against those. These bonds will then be sold to financial institutions and the money will again be channelled to IPDC for their future credit programmes.

Commission (SEC) yesterday gave clearance to such a proposal of IPDC allowing it to float country's first asset-backed securitised zero coupon bonds worth Tk 31 crore.

The Investment Corporation of Bangladesh (ICB) has also been given approval to act as trustee of the special purpose vehicle (SPV) in order to issue debt instruments against the quality credit receivables of IPDC.

Sources said, the first phase bonds worth Tk 31 crore, will be floated against the IPDC receivables which will be offered to different financial institutions having different maturity periods.

The move will obviate the dependency of IPDC on costly bank

funds and provide it with funds at low cost.

ICB being the trustee will handle the transaction by receiving the payments and forwarding these to IPDC as per agreements after certain time period.

"These type of debt instruments will be made public through initial public offering once the concept gains popularity," a senior SEC official said.

He said with the income tax rate fixed at 10 percent on these types of schemes, investors as a whole will be benefited with guaranteed return.

The issue of securitised bonds is first of its kind by the private sector in Bangladesh following massive rate

cut on different government savings instruments during the past few years.

The move experts say will pave the way for a secondary bond market.

"Banks, insurance companies, investment firms, government agencies, corporations as well as the general public may become potential investors in these bonds," according to Yawer Sayeed, MD of fund manager AIMS of Bangladesh.

Welcoming the approval, he said it will bring product diversity and depth in the market which will benefit the market.

Why Issue Debt Instruments?	Cost Issues from Bangladesh Viewpoint
The stock market, only three percent of GDP, provides limited scope for mobilising capital for the NBFIs.	Securitizing assets is expected to be less costly than borrowing or issuance of other instruments like debentures.
Withering longterm capital flow from commercial banks due to their asset-liability maturity mismatch.	The registration fee has been drastically reduced as the government fixed Trust Deed registration fee at a flat Tk2,500 rather than a fee of 2.5% on total trust capital.
Issuance of debt is expected to reduce dependency of the NBFIs on external sources and be self-sufficient in funding their growing businesses.	Since securitized instruments will be issued by SPV Trust, which is not subject to Statutory Liquidity Reserve (SLR), cost will be much lower than direct debt issue.
Debt instruments, especially the securities issues, are flexible to structure suiting the needs of the issuers and are cost effective.	Firm commitment underwriting may be replaced with 'Best Effort' underwriting or underwriting may be forgone to reduce cost.

Courtesy: AIMS of Bangladesh

Indices drop heavily on both stock exchanges

Lafarge lock-in withdrawal triggers sale pressure

STAR BUSINESS REPORT

The indices on both the Dhaka and Chittagong bourses shed heavily yesterday triggered by sale pressure of blue-chip Lafarge Surma Cement.

Share transactions of the cement company witnessed nearly four to five times more than usual volume yesterday with the withdrawal of lock-in of the cement company shares worth Tk 70 crore.

Stock market analysts also attributed the fall in indices to profit taking by investors who had seen bank stocks soaring to all time highs.

They said bank scrips are overpriced and it is obvious that profit taking would continue at least for few days-- ahead of the Eid-ul-Fitr in particular.

Trade volume of Lafarge rose to 61,700 at the Dhaka Stock Exchange yesterday from 15,100 on October 28 while on the

Chittagong Stock Exchange rose almost five times to 29,150 yesterday from only 6,150 on October 28.

Lafarge price fell by 4.61 percent on the DSE and closed at Tk294.50 yesterday from Tk 308.75 on October 28 while on the CSE ended at Tk 295 from Tk 308.87.

All share price index of the Dhaka Stock Exchange went up to 1799.55 points and Chittagong Stock Exchange to 3151.38 points on October 24 but DSE lost 103 points and CSE 125.2 points till yesterday after the consecutive fall.

DSE-20 also lost 83.7 points in the last five days that ended at 1919.98 yesterday from 2003.69 points on October 24. CSE-30 also lost 131.9 points in the last five days that ended at 3013.2 yesterday from 3145.1 points on October 24.

"We face sale pressures for the last few days as investors are in profit taking mood after substantial rise in bank shares," said an operator. Bank shares are dominating on

both the bourses in terms of transactions and indices, he said adding that excepting a very few almost all bank shares marked decline on both bourses yesterday.

Of the 12 bank shares traded on the Chittagong Stock Exchange yesterday all except one saw price decline.

Turnover on both the bourses marked substantial decline in the past few days with DSE transaction amounting to Tk 29.22 crore yesterday from Tk 38.04 crore on October 24. CSE transaction amounted to Tk 3.40 crore yesterday from Tk 6.74 crore on October 24.

A total of 168 issues were traded on the Dhaka Stock Exchange yesterday. Of them, only 18 issues gained, 130 declined and 20 remained unchanged.

At the same time, a total of 53 issues were traded on the Chittagong Stock Exchange. Of them, six issues gained, 43 declined and four remained unchanged.

Workshop on stock market for women entrepreneurs

A daylong workshop on stock market investment for women entrepreneurs, organised by Dhaka Chamber of Commerce & Industry (DCCI), was held yesterday in Dhaka.

Omar Faruque, co-ordinating director of Women Entrepreneur Standing Committee of DCCI, and Salauddin Ahmed Khan, CEO of Dhaka Stock Exchange (DSE), among others, spoke at the inaugural function of the workshop.

The DCCI held the workshop in co-operation with the DSE and Centre for International Private Enterprise (CIPE), says a press release.

Some 35 women entrepreneurs took part in the workshop.

Citigroup named best internet bank

Citigroup, the parent company of Citibank NA, has been awarded "World's Best Internet Bank" and "Best Corporate/Institutional Internet Bank" by Global Finance magazine on October 19. Citigroup won a total of 32 awards, including the two global overall awards among 77 individual banks from around the world, says a press release.

Winners have been selected on the basis of strength of strategy for attracting and servicing online customers, success in getting clients to use web offerings, growth of online customer base, breadth of products offered, evidence of tangible benefits gained from Internet initiatives, and web site design and functionality.

About 60 leading banks and corporate houses in Bangladesh have also been using the CitiDirect Online Banking platform of Citigroup to increase efficiency and improve the ability to make critical cash management decisions for their businesses.

Traders import onion, garlic, ginger ahead of Eid

UNB, Lalmonirhat

Traders of northern region are busy importing tonnes of onion, garlic, ginger and chili from India to meet the shortage in the domestic market ahead of Eid.

Officials said L/Cs opened by the importers of the region until Thursday included onion - 4,000 metric tons, garlic - 2,000 metric tons, Ginger - 2,000 metric tons and chili - 1,000 metric tons.

These commodities from India are coming every day through the Burimari, Sona Masjid and Hilli land customs stations.

Sources said traders are in mad competition to import commodities found short in the market due to extensive damages caused by flood and recent excessive rains.

Land customs stations are humming with importers. Traffic police are finding it difficult to manage heavy traffic at the customs stations, which are carrying the commodities to different areas of the country.

With arrival of Indian commodities prices have started falling. Indian onion was yesterday sold at Tk 16-18, green chili Tk 24-25, garlic Tk 32-35, dry chili Tk 65 and ginger Tk 40 per kg.

DSE okays \$2.28m system upgradation plan

MONJUR MAHMUD

The Dhaka Stock Exchange (DSE) has approved a US\$ 2.28 million proposal to upgrade its six-year old automated trading system.

In a board meeting yesterday, the premier bourse of the country approved a letter of intent to be issued to technology vendor SSIT awarding it a US\$ 0.79 million contract to supply necessary hardware and software.

As per the letter of intent, the vendor will also offer a 6-year maintenance for US\$ 1.49 million once the upgradation process is completed.

The DSE's maintenance contract with the previous vendor expires today.

DSE sources said with the upgradation, the DSE will see an enhanced capacity to provide its brokers and members with up to

1500 connections.

"They will be able to log into the system from anywhere simultaneously facilitating internet-based trading," DSE Chief Executive Officer Salahuddin Ahmed Khan told The Daily Star.

He said the new advanced system will also enable the DSE to handle heavy traffic during the trading hours.

The DSE had previously witnessed 'system slow-down' every time the number of transaction went up.

The present upgradation will enhance trade capacity from existing 15,000 deals a day to 50,000 deals per day by increasing the number of workstations.

The present automated trading system facilitates trading through local area network (LAN) and wide area network (WAN). The main server has 140 connecting

nodes for as many brokers linking 600 PCs through LAN. For off-campus brokers, the server has 35 nodes to connect 100 PCs through WAN.

But the upgradation will see online real-time data generation providing the right platform for interfacing Internet trading from remote areas.

It will also come with risk management and surveillance software, enabling the surveillance departments to keep an online vigil during and off-trading hours.

The DSE introduced automated trading system in August 10, 1998 adopting mainframe server TANDEM NonStop platform from Tandem Computers Inc of the US, which is now merged with Hewlett & Packard (HP).

Indian company Indigo Technologies, now SSIT, supplied Tandem Electronic Security

Architecture (TESA) application software for executing daily trade at a total procurement cost of US\$ 1.7 million.

According to the previous agreement signed between DSE and Tandem Computers in January 16, 1997, the US company was to provide free maintenance service for one year and two months from the installation date.

DSE later extended the maintenance deal for another five-year which expires today.

The DSE has formed an upgradation and replacement committee incorporating experts from Bangladesh University of Engineering and Technology (BUET) and Shahjalal University of Science and Technology, Sylhet in its quest for adopting modern technology.



Geetara Safiya Choudhury (L), managing director of Adcomm Limited, an advertising firm, hands over a crest to a winner of Eid Fashion Competition 2004 organised by Ananya, a fortnightly magazine, at a function in Dhaka yesterday. A number of 46 boutique houses were awarded for their designs in different categories.

India's annual IT event draws 290 firms

AFP, Bangalore

India's information technology showcase IT.com opens in the hi-tech hub Bangalore on Monday with some 290 foreign and domestic companies participating.

Britain, China, Germany, and Russia are among 15 countries represented at the five-day event, Shankarling Gowda, Karnataka state government secretary said Friday.

"The objective is to promote and provide a platform for industry to interact. The other aim is also to attract investment into the state," Gowda told reporters.

It will be the seventh edition of IT.com in the state capital Bangalore, home to more than 1,400 technology companies.

Foreign banks may be allowed to buy Indian bank stakes

PALLAB BHATTACHARYA from New Delhi

India will allow calibrated acquisition of stakes in domestic private banks by foreign banks.

Finance Minister P Chidambaram said a foreign bank would be permitted to acquire up to ten percent stake in private banks each year so that they can accumulate controlling stake over a period of three to four years.

"We will encourage a level-playing field for public, private and foreign banks. Reserve Bank of India is working on regulations for this," Chidambaram told reporters on his second visit to India's commercial

capital Mumbai since taking over as finance minister in May.

On the issue of ten percent rights cap, he said a parliamentary standing committee has already suggested removal of the ceiling and the government is planning to introduce a bill in parliament to make necessary changes.

The finance minister said the government would prefer public sector banks to go to the market to raise resources instead of approaching the government.

"Size is important...consolidation should lead to stronger players in the banking," he said, adding that the government favours consolidation in the banking sector through merger and acquisition.

ANN/INQUIRER

About one of every two poor households gets through the day with nothing in the stomach. This is the latest shocker from the recent survey by the Social Weather Stations poll group, prompting the Philippine government to suddenly float short-term remedies such as handing out food coupons. And many people wonder whether this is the wisest option at this time.

But whatever path the Arroyo administration takes to respond to the problem, we always go back to the basic question: Can these make families get out of this miserable state?

I can still remember my Lolo's words when all of us were trying to convince him to vote for our candidate in the election before the last one. He said that whomever he would vote for would not really matter because he had been poor all his life. An election would not change his plight.

Not only is poverty felt by the body, it can also snatch away one's hope and the desire to dream.

Now we ask, is there something we can look forward to? Amid the economic woes, corruption and moral despair in our society, we cannot simply give up and stop aspiring for good things to come. Like the promise of the Millennium Development Goals, or MDGs. These are a set of commitments forged by member countries of the United Nations, including the Philippines, to improve the lives of the poorest.

The MDGs are: eradicate extreme poverty and hunger; achieve universal primary education; promote gender equality and empower women; reduce child mortality; improve maternal health; combat HIV/AIDS, malaria and other infectious diseases; ensure environmental sustainability; and develop a global partnership for development.

The first goal sets the following targets to be achieved between 1990 and 2015: halving the proportion of people living in extreme poverty; reducing the proportion of people with no access to safe drinking water or those who cannot afford

it; halving the proportion of population below the minimum level of dietary energy consumption; and reducing by half the proportion of underweight children under 5 years old.

More than a decade has gone by. How is the country faring as far as meeting these targets is concerned?

The national surveys conducted by the government give us an idea about the subsistence incidence, or the percentage of "food poor" families in the country. A family is said to be "food poor" if its income falls below the subsistence threshold or the amount needed to satisfy food requirements. In short, the subsistence incidence measures the proportion of families among the poor who experience hunger.

The Philippine Progress Report on the MDGs released by the National Economic and Development Authority and the United Nations tells us that there has been a marked improvement in pulling families out of the subsistence threshold (subsistence incidence has declined from 20.4

percent to 16.7 percent) from 1991 to 2000. But what is happening across regions reveals quite a different story. Some regions, such as the Autonomous Region in Muslim Mindanao (Maguindanao, Lanao del Sur, Sulu, Tawi-tawi and Basilan provinces) and Region 5 (Albay, Camarines Norte, Camarines Sur, Catanduanes, Masbate and Sorsogon provinces) have a comparatively large and an increasing number of "food poor" families.

In terms of access to safe drinking water, the target is for 87 percent of Filipino households to have access by year 2015. So far, this is one area of success. In 1991, 73.7 percent of households had access to safe drinking water. By 2000, this rose to 78.5 percent of all households. If this upward trend is sustained, the target could very well be achieved.

Malnutrition, however, continues to be a serious problem. In 1990, underweight children under five years old made up 34 percent of the under-five population. By 2003, this figure declined to 31 percent.

World oil prices subdued

AFP, New York

World oil prices Friday hit the brakes on a two-day slump, clawing back some losses in nervous pre-election trade. A new Osama bin Laden videotaped threat loomed over the week ahead.

New York's main contract, light sweet crude for delivery in December, advanced 86 cents top 51.78 dollars a barrel, just shy of the day's high of 51.80 dollars.

Brent North Sea crude oil for December rose 61 cents to 48.98 dollars. The day's high was 49.00 dollars.

In the previous two days, the New York contract had plummeted 7.7 percent and the Brent contract had plunged 6.4 percent after a weekly snapshot showed a surge in US commercial crude oil inventories.

"We had such a sharp drop, there was a rebound," said PFC Energy analyst Jamal Qureshi.

Markets were hanging on for the election result, he said. If re-elected, US President

George W. Bush would likely carry on filling the emergency Strategic Petroleum Reserve, Qureshi said. But his rival John Kerry would be more likely to use them "as an economic tool."

After the close of the New York market, Al-Jazeera television aired a video of Bin Laden threatening new attacks against the United States similar to the September 11, 2001, strikes on the United States.

Americans' security was not in the hands of either President George W. Bush or his Democratic challenger John Kerry, but depended on US policy, bin Laden said.

Asked how the oil market may react on re-opening Monday, Oppenheimer market analyst Fadel Gheit said: "Very nervously. I think that oil prices will continue to reflect sentiment and psychology, not supply and demand fundamentals."

Perceptions, not fundamentals, were keeping prices high, Gheit said.

"It is fears of potential supply interruptions."

News that China, a voracious oil consumer, had raised interest rates for the first time in nearly a decade to brake activity had helped to push prices down the day before.

But London-based Barclays Capital analyst Kevin Norrish said the impact of China's rate increase on oil demand had been "overestimated".

"China's oil demand is, to an extent, sheltered from a slowdown in general economic growth. Widespread power cuts in many regions means that demand for energy is already being rationed and that the economy has room to slow down considerably to bring it into line with energy availability," he said.

World oil prices have surged by about two-thirds since the start of this year, driven by strong demand, notably from China, and global production strains.

Adjusted for inflation, however, prices remain well below the levels reached in the wake of the 1979 Iranian revolution when prices surged beyond the equivalent of 80 dollars a barrel in today's money.

Firms lap up commercial space in India's high-tech hub

AFP, Bangalore, India

Companies in India's high-tech city of Bangalore are lapping up commercial space with the country's only joint venture IT park almost fully occupied, an official said Saturday.

Chong Siak Ching, president and chief executive of Acentas Pte and director of International Tech Park, Bangalore, said a new facility called Inventor, which was completed this month, already had 70 percent of space signed up by IT firms. Four other facilities are already fully occupied.

"This facility has taken the park's total built-up area close to two million square feet (185,800 square meters)," she told delegates at the launch of the facility.