

BB issues guideline on merger of banks, financial insttts

STAR BUSINESS REPORT

Bangladesh Bank in a bid to strengthen the banking sector issued a guideline yesterday by which merger of small and problem banks and financial institutions with strong ones are now allowed.

It says a financial institution (leasing and investment company) must be merged either with a company alike or a bank, but in the case of banks merely a bank-to-bank merger is allowed.

Before activating any merger, the intending institution should obtain approvals from both the central bank and High Court, according to the guideline.

BB Governor Salehuddin Ahmed told reporters that besides reinvigorating the banking sector,

they are looking forward to raising the capital of banks and financial institutions.

"Merger of companies is an usual practice all over the world, but we didn't have any guideline before to serve this purpose," he said.

The central bank chief said as per the suggestions put forward by the stakeholders like banks and financial institutions, the guideline has been formulated taking future of the sector into consideration.

The guideline will also be applied in acquisition of certain branches, swapping of branches between two similar institutions, transfer of certain business to another bank or financial institution under a compromise or arrangement reached with another bank or financial institution.

In order to enable the

Bangladesh Bank to consider effectiveness of any merger of banking companies or financial institutions, the transferee company will have to seek prior clearance or approval in relation to commencement of the financial and legal due-diligence of itself and also of that part of the business of the transferor banking company or financial institution which is sought to be taken over or of the whole transferor company, if merger is intended.

The transferee company will be required to submit an application to the central bank with a draft of the proposed scheme for any reconstruction, merger or amalgamation. The transferor and the transferee companies will have to mutually agree to valuation of the assets, the guideline said, adding that the

transaction cost will be mutually agreed between the transferor and transferee on the basis of fair valuation of assets and liabilities proposed to be transferred.

The Bangladesh Bank shall, however, have the right to be satisfied that the price mutually agreed upon is fair and reasonable and for this purpose may ask for a pricing rationale to examine the same and accept or suggest modification.

After the BB clearance, the transferor and transferee companies will move the scheme to the High Court for finally activating the merger.

The BB sources said the central bank predicts weak financial conditions of a number of private banks in near future, like that of the Oriental Bank.

"To avoid any disaster, the

guideline will provide the opportunity for merger of such problem banks with banks and financial institutions which have strong business," a BB official said.

He said the central bank is going to introduce and implement international standard of banking business in Bangladesh.

"The central bank has already taken an initiative to raise individual bank capital to Tk 200 crore from Tk 100 crore," he said. "Small and problem banks will get the opportunity to be merged with other banking companies under the new guideline that will eventually increase the bank's capital," he added.

21 Bangladesh missions miss export targets

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A total of 21 out of 44 Bangladesh missions abroad failed to achieve their respective export targets for the July-December period this fiscal (2006-07).

Export Promotion Bureau (EPB) says these 21 missions fetched only \$1394.61 against the target of \$1576.31 million.

However, the missions in Cairo, Riyadh, Colombo, Manila, Amman, Katmandu, Berlin and New Delhi marked a rise in exports over the volume during the same period of the previous financial year.

But the rest 13 missions recorded a slow growth in exports compared to such growth in the first half of the 2005-06 fiscal. These missions are Hong Kong, Singapore, Islamabad, Dubai, Bangkok, Rabat, Kuwait, Doha, Manama, Tashkent, Muscat, Thimphu and Brunei.

Meanwhile, 13 out of the 16 commercial wings in the foreign missions also achieved their export targets set for the same period.

The commercial wings that

lagged behind the export target are Geneva, Kolkata and Los Angeles.

The 23 missions in Washington, London, Brussels, The Hague, Ottawa, Stockholm, Madrid, Tehran, Beijing, Hanoi, Ankara, Moscow, Jakarta, Pretoria, Yangon, Tripoli, Seoul, Paris, Canberra, Kuala Lumpur, Nairobi, Tokyo, and Rome posted a growth higher than that in the corresponding period of the previous fiscal. These are among the 44 Bangladesh missions abroad.

"Mission wise export performance is slightly improving during the first six months of the current fiscal," said an EPB high official.

He said businesspeople have a supplementary role to play in exploring new markets, as the Bangladeshi missions are on efforts to promote exports.

The actual export earning in the first six months of FY 2006-07 reached \$6220.61 million against the target of \$6006.25 million, a 3.57 percent higher than the target and 25.80 percent more than that in the corresponding period of the previous year, EPB statistics shows.

India ready to take more steps to curb inflation

Finance minister says

PTI, New Delhi

Finance Minister P Chidambaram expects interest rates to moderate once the current inflation level declines and made it clear Saturday that the government was ready to take further fiscal, monetary and supply side steps to curb inflation.

"Interest rate is a function of the monetary policy adopted by the Reserve Bank of India (RBI). When there is tightening of the monetary policy interest rates will also go up," he told PTI in an interview.

In the last one year the Cash Reserve Ratio (CRR) and Repo rate have been revised four times in order to tighten the monetary policy, Chidambaram said.

"Once inflation moderates and the RBI adopts a more accommodative policy, the interest rates will also decline. Interest rate is directly linked to inflation."

Asked if inflation was a matter of concern, he said, "It is. If inflation is a matter of concern. If inflation moderates, high interest rates will also moderate."

Asked what steps were being taken to carry out an assault on the price rise situation, the Minister said the government has taken a number of steps on fiscal, monetary and supply side to manage it.

"We will always be ready to take further fiscal, monetary and supply side steps as and when they become necessary," he said.

Proton-VW talks hit bumpy road

AFP, Kuala Lumpur

Talks between troubled Malaysian carmaker Proton and German giant Volkswagen AG that began last year have hit a bumpy patch, a report said Sunday.

The Edge business weekly newspaper said that officials from Proton and Volkswagen had met several times but have yet to formalise a basic agreement.

It said talks have "not been going well" and the mood of the German automaker appeared "less keen" of late.

"This delay could reveal some doubts," an industry source said.

The government is under intense pressure to announce details of a partnership for loss-making Proton, which has lost its status as Malaysia's biggest-selling carmaker to rival Perodua.

Proton last week announced its third consecutive quarter of losses, blaming sluggish sales and increased competition.

The loss of 281.45 million ringgit (80.54 million dollars) in the third quarter to December compared with a net profit of 86.51 million ringgit a year earlier.

Second finance minister Nor Mohamad Yakcop recently said that the government would make an announcement on Proton's strategic partner this month.

"If this schedule is adhered to strictly, sources say General Motors, the world's largest automaker, could well become the partner of choice for Proton," the Edge said.

The deal with a foreign auto giant is aimed at providing Proton with the expertise to arrest a sharp decline in market share as competition heats up.

Navana launches Toyota Avanza

Navana Ltd yesterday formally launched Toyota's Avanza, a

7-seat multi purpose vehicle, in local market, says a press release.

Available in 1300cc (manual) and 1500cc (automatic) transmission, Avanza promises comfortable ride with ample luggage space, the release added.

The launching ceremony was held in the capital. Navana Group Chairman Shafiu Islam Kamal attended as the chief guest.

Russia's federal budget revenue may fall in '07

XINHUA, Moscow

Russia's federal budget incomes this year will go down by 170 billion rubles (6.5 bln US dollars) due to falling crude oil prices and a reduction in the GDP, Finance Minister Alexei Kudrin told the Cabinet.

This year's price of Russian crude oil will average 55 dollars per barrel, while the price assumption is 61 dollars per barrel according to the budget. Kudrin was quoted by the Itar-Tass news agency as saying that the GDP had been overestimated and that was a reason for certain alarm.

In January and February the price of Russian crude oil averaged 51.6 dollars per barrel.

"This means that the budget revenues are already down by an expected 170 billion rubles," Kudrin said.

A decline in the share of the fuel and energy complex in the GDP from 20 percent to 12 percent in also foreseeable.

Falling oil prices are not the sole reason. Mineral resources production has been growing far more slowly than the economy in general.

Industry being revitalised in Iraq

AFP, Baghdad

Industry is being revitalised in Iraq, despite the raging violence, and creating lucrative openings for entrepreneurs brave enough to do do business here, a top US official insists.

Paul Brinkley, the Pentagon's deputy under secretary for business, has been touring Iraq for the past week with some 45 US business executives.

He told AFP in Baghdad that many dormant state-owned factories would start firing up again "within months."

Already a plant producing vehicles has reopened in Iskandiriyah, about 40 kilometres (25 miles) south of Baghdad, providing valuable job opportunities for locals. "Others will soon follow," he promised.

Brinkley told journalists, who donned helmets and bullet-proof vests to make the trip out of Baghdad to the US military's Camp Victory on Saturday, that economic growth could help quell the city's chronic sectarian violence.

"There is a recognition that security and economic prosperity go hand in hand, and that unemployment in Iraq is contributing to the frustrations of people and creating sympathy for insurgents," Brinkley said.



PHOTO: STAR

Officials pose for photographs at the launch of Avanza, Toyota's 7-seat multi purpose vehicle, in Dhaka yesterday.

World markets focus on imbalances

AFP, Paris

Fear was back on global stock markets last week as investors worried about the financial and trade imbalances that have built up during years of strong growth for the world economy.

Last week worldwide markets fell by between four to eight percent, while the Shanghai stock exchange had its biggest fall in a decade on Tuesday and Wall Street had its worst day since the aftermath of the September 11, 2001 attacks.

Investors appeared to refocus on some of the weak spots of the global economy while worrying about the end of a stock market bubble in China and slowing economic growth in the United States.

The fundamental concerns are imbalances in global capital and trade flows and the risk of a sharp fall in the US dollar.

In 2006 the United States for the fifth consecutive year posted a record trade deficit of 764 billion dollars (580 billion euros), which was fueled by an appetite for foreign-made goods, especially from China (31 percent of the deficit) and Japan (12 percent).

The trade deficit means that two billion dollars leave the United States per day.

The dollar should fall as a result, particularly against the yen, but the low level of the Japanese interest rates has meant the opposite -- currency is leaving Japan.

IMF director-general Rodrigo Rato said last week that the yen was at its lower level in 20 years in real terms and warned against the "yen carry trade."

Carry trade happens when investors borrow in the yen, which is cheap because of low interest rates, and invest in assets in high-yielding countries such as the United States, Britain or Australia.

Although this creates windfall gains for investors it also causes a risk of a sudden reversal in financial flows, Rato warned.

The Japanese central bank could risk raising its interest rates, which have been kept artificially low in an attempt to resolve the housing crisis and deflation that have gripped the country for 16 years.

But higher rates would risk killing off a nascent economic recovery in the country.

The Chinese central bank wants

to prevent the dollar falling against the yuan and regularly buys US treasury bonds.

The spending by China on US treasury bonds has kept long-term interest rates in the United States at a low level, keeping mortgage rates down and boosting the US consumer.

But the American housing market is also seeing a slowdown and the large number of high-risk borrowers, those of low creditworthiness, pose a financial risk for financial markets, according to a report published by an American association of business economists.

The Chinese government appears to want to burst the speculative bubbles that have built up during years of strong growth and decided last week to raise bank interest rates by half a percentage point to ten percent.

"The monetary policy normalisation in China looks safe and well thought out," according to analysts at French investment group Française des Placements.

Thai economy slows on sagging exports

AFP, Bangkok

Thailand's economic growth could slow to its worst rate in five years as investor confidence sags and exports are hit by a strong baht, analysts say.

The Bank of Thailand did not release key economic indicators as expected last week, saying the figures were delayed due to a new accounting system, but analysts don't need the bank to tell them the signs are not good.

The sudden resignation of finance minister Pridiyathorn Devakula on Wednesday and the government's apparent struggle to find a successor only deepened uncertainties about the direction of Thailand's economy five months after a bloodless coup in September.

Pridiyathorn has not been mourned by investors, who were alarmed by a series of sharp policy changes including tough capital controls and an overhaul of a law governing foreign investments.

The capital controls have largely been removed, but not before they battered the stock market and dealt a blow to investor confidence -- neither of which has fully recovered.

Sentiment sank further after Bangkok was rocked by deadly bombs on New Year's Eve, followed by warnings from the government that more attacks were possible.

Kasikorn Research Centre said those factors contributed to its estimates that economic growth this year could slip below 4.0 percent, compared to last year's 5.0 percent growth in gross domestic product (GDP).

That compared with expected growth of 7.7 percent this year in Vietnam, 5.4 percent in Malaysia and 5.9 percent in Indonesia, said Pimonwan Mahachariyavong, the centre's head of macro-economic research, citing the latest forecasts by the International Monetary Fund (IMF).

\$3b US investment in Philippines planned

AFP, Manila

US investors are planning to invest up to three billion dollars in the Philippines this year as the economy continues to strengthen, media reports said Sunday.

The American Chamber of Commerce of the Philippines (AmCham) said that investors from the United States would be putting up to three billion dollars of investments in the country's infrastructure, manufacturing and information technology sectors, the Philippines Daily Inquirer said.

Robert Sears, the AmCham executive director, made this announcement at a roundtable discussion with President Gloria Arroyo on Friday, citing the improved fiscal situation and business optimism in the country the paper said.

"Sears said the optimistic assessment of AmCham members was that the figure could potentially go up to nine billion dollars if the government would take care of some red tape issues," the report said.

Sears said US businessmen and other foreign investors in the country were not too concerned about the results of the midterm elections in May.



PHOTO: STANCHART

Standard Chartered Bank recently launched Premium Service Banking (PSB) in Chittagong. Nizem Uddin, managing director of Meghna Petroleum, inaugurated it while Mahfuzur Rahman, director & head of Commodity Corporates of the bank, and Mirza Aminur Rahman, head of Transaction Banking of the bank, were also present.



PHOTO: FEDEX

AZM Azizur Rahman, general manager (Investment Promotion) of Bepza (Bangladesh Export Processing Zones Authority), and ASM Azad Khan, deputy managing director of Bangladesh Express Co Ltd, hands over documents after signing a lease agreement in Dhaka recently. Under the deal, FedEx will open a new service centre in Adamjee EPZ. Bepza Executive Chairman Md Ashraf Abdullah Yussuf was also present.