

# Star BUSINESS

E-mail: [business@thedailystar.net](mailto:business@thedailystar.net)

## Allow investment of 'undisclosed' money in stocks without fine Dhaka bourse requests govt

### STAR BUSINESS REPORT

Dhaka Stock Exchange (DSE) yesterday requested the government to allow whitening of legally earned but undisclosed money by investing in the capital market without fine.

Such opportunity will help the country's capital market to become more vibrant, officials of the bourse told a post-budget press conference in the capital.

On June 4, the government offered whitening of legally earned but undisclosed money until July 31. A government circular issued said the provision will not impose any punishment but fine. The circular stated a taxpayer would have to pay in penalty five percent of the total amount to be whitened in addition to the tax at regular rates.

Welcoming the proposed budget, the DSE said from the budget speech it is clear that Mongla Port will become a vibrant port again.

"We request the government to consider the proposal of making Mongla Port and Chittagong Port into public limited companies and raise a part of their funds to reconstruct/develop these ports through capital market to ensure public participation for greater degree of transparency and accountability," said DSE Chief Executive Officer (CEO) Dr Salahuddin Ahmed Khan.

Referring to the government proposals of taking liability of Bangladesh Petroleum Corporation's loss of Tk 7,523 crore and allocating Tk 300 crore to meet the deficit of Power Development Board, he said the state-owned enterprises could be turned into holding companies.

Khan also said the government can set up a venture capital company with Tk 100 crore endowment fund, which is allocated for small and medium enterprises (SMEs), through which the government can raise more money from the capital market.

He said the proposal for offloading shares of a number of government companies in telecommunication, power and energy sector and offering tax incentives to the private sector telecommunication companies to offload their shares will strengthen the capital market.

He appreciated the government for offering 35 percent corporate tax on mobile phone operator companies if the companies are converted into public limited companies and traded on the stock exchanges. Otherwise, the corporate tax would be 45 percent.

The DSE CEO also thanked the government to keep the income from zero coupon bond out of tax saying that the measure will play a

vital role in developing the bond market.

Among others, DSE President Abdullah Bokhari and Senior Vice-president Ahmed Rashid Laili spoke at the press conference.

**CSE** Hailing the government for presenting a balanced and growth-oriented budget, the Chittagong Stock Exchange (CSE) urged the government to frame a policy to channel funds such as pension, provident and gratuity into stock market, according to a CSE statement.

The CSE also said deduction of tax at source from dividend payable by the registered company should be completely waived and deduction of tax at source from the trade value of the stock brokers should be reduced to 0.01 percent from 0.15 percent.

The bourse welcomed the government for its clear direction about offloading shares of a number of state-owned companies through share market and tax reduction facilities to encourage the private sector telecommunication companies to go public.

The CSE also lauded the government for abolishing advance tax on government bonds and exemption of income generated from zero-coupon bond from income tax.

## Forex reserve hits \$ 4.76b

### STAR BUSINESS REPORT

Foreign exchange reserve hit a new record yesterday when the figure reached \$ 4.76 billion, thanks to the increased flow of remittances, good export earning and deposit of World Bank's development support credit.

Bangladesh Bank (BB) officials said they are expecting more than five billion dollars in foreign exchange reserve by the end of the next month. The reserve was \$ 3.48 billion on June 30 last year.

The fourth installment of the World Bank's development support credit of \$ 200 million was deposited in the central bank yesterday. Meanwhile, export earnings and remittances have been increasing for the last few months.

Export growth during the July-April period of the current fiscal was 18.5 percent while the total export volume of the 10 months stood at \$

9.91 billion against \$ 8.36 billion in the corresponding period of last year.

On the other hand, remittance growth was 25.02 percent in 11 months of the current fiscal year reaching \$ 5.47 billion. The last fiscal year's total remittance was \$ 4.37 billion.

The central bank sources said it is expecting another \$ 100 million as education sector support credit from the World Bank and more than \$ 100 million from the International Monetary Fund (IMF) as the last installment of Poverty Reduction Growth Facilities loan by the end of this month.

"Besides, we are getting more than \$ 500 million in remittance every month from the expatriate Bangladeshis," said a high official of BB.

## Chief adviser calls for expanding insurance coverage for the poor

### UNB, Dhaka

Chief Adviser Dr Fakhruddin Ahmed yesterday called on the leaders of the country's insurance sector to expand insurance coverage especially for the poor and vulnerable groups.

He also called for introducing innovative insurance products and responding to challenges and opportunities emerging from the new scenario.

The chief adviser made the call when a delegation of Bangladesh Insurance Association led by its President M Shamsul Alam met him at his office.

"Expansion of insurance coverage at the grassroots level, especially during natural disaster, is both a challenge and an opportunity. Insurance coverage can be extended up to rural areas side by side with micro-credit programmes conducted by various micro-finance

institutions," he observed, according to an official of the Chief Adviser's Office.

Dr Ahmed, a former governor of Bangladesh Bank, urged the entrepreneurs operating in insurance sector to work in such a way that both the country's financial sector and society are benefited from the growth of the insurance sector.

The delegation apprised the chief adviser of various problems the insurance sector is facing, including the need for updating insurance laws.

The CA assured the delegation that work is in progress for legal and institutional reforms in the insurance sector.

Executive members of the insurance association, including its Secretary General MM Nurul Islam, and Secretary to the Chief Adviser's Office Kazi Md Aminul Islam, among others, were present at the meeting.

## Thai show kicks off

### STAR BUSINESS REPORT

In a bid to promote Thai products in the country and explore business opportunities for both Bangladesh and the Southeast Asian country, a three-day Thai fair began at Dhaka Sheraton Hotel yesterday.

Finance Adviser AB Mirza Azizul Islam and Thai Ambassador in Dhaka Suphat Chitranukroh inaugurated the show styled 'Thailand Exhibition 2007', jointly organised by Thai Trade Centre, Dhaka, and Thai embassy in Dhaka.

The finance adviser said the Thai government has given assurance to allow a good number of Bangladeshi products duty-free market access to that country.

He also called on Thai businesspeople to import more from Bangladesh to help reduce trade deficit between the two countries.

Some 40 Thai companies are showcasing a line of products of 12 categories, including children items, construction materials, hardware and machinery, food and beverages, gems

and jewellery, health and beauty products, household and kitchenware products, leather and footwear, and packaging and stationeries at the exhibition.

The show is open for general people from 10am to 3pm and for traders from 3pm to 8pm.

Thai embassy's Business Counselor Kanyarat Vongsul said hotel and tourism, construction, leather, agro-based industries, fisheries, power generation, and infrastructure are the key potential sectors where both the countries can increase trade.

Over the last three years trade between Bangladesh and Thailand has been ranging between around US\$300 million and \$500 million.

The products that Bangladesh imports from Thailand include cement clinkers, plastic raw materials, fabrics, yarn, sugar, machinery and chemicals, while Thailand imports fertilizer, pesticides, iron, yarn, filaments and sea foods.

## PROPOSED DUTY ON RAW MATERIALS

## Electronic goods makers fear ruination of Tk400cr industry

### STAR BUSINESS REPORT

For the last several years, import of finished electronic items has been favoured, but not the local production of those, as duty on the finished items is much lower than that on the raw materials that are used in producing those items domestically, according to industry insiders.

They feared that the Tk 400 crore electronic goods industry would face a severe setback, if an enhanced duty on the industry raw materials that has been proposed in the new national budget comes into effect.

The locally made electronic products include transistor, IC, resistor, capacitor, transformer, PCB, cabinet and sealed rechargeable battery for UPS.

The present number of electronics manufacturing units in the country reduced to 300 from around 3000 units that sprang up during 1985-2000 because of lack of government policy support, observed the Bangladesh Electronic Innovative Manufacturers Association

(BEIMA).

Most of these 300 units are now engaged in merely trading business, the BEIMA admits.

"The higher duty on raw materials is not only affecting the local industry very negatively, but also forcing the local manufacturers to shut down their businesses," said Dr K Siddique-e-Rabbani, the BEIMA chief adviser, told The Daily Star yesterday.

In the budget for the 2007-08 fiscal, the government proposed only 3 percent advance income tax (AIT) on battery charge controller for solar PV system and inverter for solar PV system each.

The total duty on UPS for computer will be 31 percent, comprising 10 percent customs duty, 15 percent VAT, 3 percent AIT and 1.5 percent advance trade VAT (ATV).

On the other hand, total duty on raw materials for battery charge controller for solar PV system, and inverter for solar PV system is 58 percent each, comprising 15 percent CD, 15 percent VAT, 3 percent

AIT, 1.5 percent ATV and 15 percent.

The total duty on raw materials for electronic components for UPS is around 52 percent and for sealed battery for UPS is around 105 percent.

The local electronic manufacturers have long been demanding reconsideration of the import duty structure in such a way that the duty on raw materials should be lowered than it is on finished items.

They also demanded fixation of the factory VAT at 1.5 percent instead of 15 percent.

With the government's appropriate support, the size of the potential industry would reach Tk 1,000 crore by the year 2015, hoped Rabbani, also a professor of physics at the University of Dhaka.

He claimed that the local electronics industry has potentials to export its products to the African, Middle Eastern and CIS (Commonwealth of Independent States) countries.

## Trust Bank opens Sylhet corporate branch

Trust Bank inaugurated Sylhet corporate branch recently, says a press release.

Chief of Army Staff and Chairman of Trust Bank Limited General Moeen U Ahmed has inaugurated the new corporate branch in Sylhet. Managing Director of the Bank Iqbal U Ahmed presided over the function.

Istiaque Ahmed Chowdhury, DMD of Trust Bank, Major General Abdul Hafiz, GOC Comilla, Shahud Ahmed, SVP & Head of Human Resources, Farhad Uddin, SAVP and company secretary, Aftab Mahmud Khurshid, head of Corporate Brand and Market Communications, and Ali Ahmed Abidur Rahman, Sylhet Corporate branch manager and AVP, were also present.

Trust Bank now offers wide range financial services including foreign remittance, deposit and loan products under retail banking scheme. It has already launched phone and SMS banking services.

## Govt hailed for widening social safety net

### STAR BUSINESS REPORT

Sramik Nirapatta Forum, a platform of seventeen human rights organisations, on Tuesday hailed caretaker government as it expanded the social safety net, made provision for salary for the female workers enjoying maternity leave and earmarked a fund for the garment workers' welfare in the proposed budget for the 2007-2008 fiscal.

The forum, however, expressed concern over increased tariff on industrial equipment and said it would have an adverse impact on foreign and domestic investment, also resulting in the economy's being loser in competitiveness. Consequently, industrial development of the country would be hampered and unemployment raised, said the forum leaders in their statement.

They lamented that the proposed budget does not reflect the apparent commitment on reinvigorating the jute industry the caretaker government made on many occasions.

Implementation of the budget is necessary in order to reach out the

fruits to the target group, the forum leaders said, but the allocated money should properly be used.

The fund for the welfare of garment workers was not well spent in the 2006-07 fiscal, they pointed out, suggesting a coordinated effort of government, employers, employees and concerned agencies and departments to yield positive results.

## Gold drops to 3-month low

### AFP, London

The price of gold fell on Wednesday to the lowest level since March as a strengthening dollar made the precious metal more expensive for buyers holding weaker currencies.

On the London Bullion Market, gold prices fell to 643.38 dollars per ounce -- the lowest point since March 14.

The dollar hit the highest level against the yen since 2002 and a near three-month high against the euro in Wednesday trade.



PHOTO: STAR

Finance Adviser AB Mirza Azizul Islam and Thai Ambassador to Bangladesh Suphat Chitranukroh visit a stall at the three-day 'Thailand Exhibition 2007' that began at Dhaka Sheraton Hotel yesterday.

## Honda to make green diesel cars

### AFP, Tokyo

Honda Motor Co. plans to become the first Japanese carmaker to produce passenger vehicles with low-pollution, fuel-efficient diesel engines, a report said Wednesday.

These vehicles emit 20 percent less carbon dioxide than petrol-powered ones while substantially reducing emissions of particulate matter and nitrogen oxides compared with conventional diesel cars, the Nihon Keizai Shimbun said without

citing sources.

Other Japanese carmakers are also bolstering efforts in this area, signalling that diesel may become the new environmentally-friendly alternative in the automobile industry, the business newspaper said.

Although conventional diesel vehicles consume less fuel and emit less carbon dioxide than gasoline-powered cars, they do release harmful substances such as particulate matter and nitrogen oxides.

But Honda has developed a highly advanced catalyst that can

cut nitrogen oxides and other emissions to levels on par with petrol vehicles.

The carmaker plans to release new diesel vehicles simultaneously in Japan and the United States in 2009, or even sooner, the paper said.

Although hybrids consume less fuel, the new cars are expected to be comparable because diesel is about 15 percent cheaper than petrol, it said.

## Delisting of Telenor from Nasdaq: Any lesson for Grameenphone?

### M IMTIAZ MAZUMDER

The Norway-based telecommunications operator Telenor (parent company of local mobile phone giant Grameenphone) announced withdrawal and delisting of its American Depository Shares (ADS) from the National Association of Securities Dealers Automated Quotations (Nasdaq).

Telenor believes that the regulation and reporting obligations under the Securities and Exchange Commission (SEC) Act of 1934 were too expensive, onerous and outweigh the benefits of listing. However, Telenor reiterates that it will not reduce focus on its international markets or shareholders; instead it intends to continue strong focus on corporate governance, transparency and internal controls etc. Whatever the focus of Telenor be after the delisting, the big question remains unanswered: Did Telenor fail to comply with the SEC rules and regulations?

Nasdaq is considered as the third largest security markets (after New York and Tokyo Stock Exchanges) in terms of listed firms,

dollar volume, market capitalisation etc. Introduced in 1971, Nasdaq is also the world's largest electronic communication network (ECN) in terms of shares traded. One of the important features of Nasdaq is Small Order Execution System (also known as SuperSoes or SOES introduced after the market crash of 1987) that mitigates any liquidity problem. Big technology stocks like Microsoft, Intel, Dell, and Cisco among others are typically listed and traded on Nasdaq.

Under the reporting obligations of SEC's electronic data gathering, analysis, and retrieval (EDGAR) system, companies listed on Nasdaq are required to file reports on registration; corporate restructuring and changes; transaction and transition; statement of beneficial ownership of securities; sale of securities; and quarterly and annual reports indicating risks, employee stock purchase, savings, security holders and financial statements among others.

According to rules 12(g) and 12h-6(a) of the Securities Exchange Act of 1934, a foreign firm may deregister and terminate

the registration of a class of securities from Nasdaq. Telenor will have to file form 15F (notice of termination of registration) as required under section 13(a) and 15(d) of the Exchange Act indicating when it ceases reporting obligations of its ADS to the SEC. Telenor's delisting from Nasdaq was supposed to be effective from June 11, 2007.

However, Telenor will continue its listing on the Oslo Stock Exchange. Telenor will also maintain its American Depository Receipts (ADR) facilities with the JPMorgan Chase Bank and its ADS will be traded on over-the-counter (OTC) markets after June 11, 2007. It is to be noted here that an organised exchange is an auction market whereas an OTC market is a broker-dealer network for non-listed securities and derivatives where brokers and dealers negotiate through wire networks such as computer, facsimile, phone etc. An OTC market is neither scrutinised nor regulated like an organised exchange. As such, small and risky companies mostly with poor credit records and unable to meet the reporting obligations and other

listing requirements with the SEC are traded on OTC markets. Thus, OTC stocks suffer from non-synchronous trading and higher bid-ask spreads.

The introduction of Sarbanes-Oxley Act especially after the collapse of Enron and WorldCom made the corporate governance laws extremely tight in the USA. The Sarbanes-Oxley law outlines the functions of auditors, independence of board members, disclosures and internal audit procedures, disclosures of off-balance sheet transactions, corporate responsibilities and executive accountabilities, strong code of ethics, high monitoring and scrutiny by outside bodies such as the SEC etc. Delisting of US public companies tripled in 2003 after the introduction of the law in July 2002 because small and mid-cap companies found it costlier to comply with the reporting requirement under the law.

Both the academics and practitioners investigated the effects of Sarbanes-Oxley law on non-US companies (like Telenor) cross-listed in the US markets. Some

argued that the law eventually displaced many foreign companies from Nasdaq. In a recent article published in the Journal of Corporate Finance Kate Litvak (2007) reported that stock prices of non-US companies under Sarbanes-Oxley law declined significantly as opposed to those of the non-US companies that are not regulated under the law. In particular, Litvak (2007) concludes that "investors expected the Sarbanes-Oxley Act to have a net negative effect on cross-listed foreign companies, with high-disclosing companies and low-growth suffering larger net costs, and faster-growing companies from poorly-governed countries suffering smaller costs."

It is well documented that both the domestic and foreign firms voluntarily delisted from Nasdaq especially after the introduction of Sarbanes-Oxley law had poor corporate governance systems. Arguably, it is hard to believe that Telenor should be an exception. It has been alleged that Telenor was also involved with the corruption, corporate fraud and poor governance system of VimpleCom (a

joint-venture of Telenor in Russia) during 2004-05.

Telenor provides high quality data, tele and media communications services such as fixed and mobile telephone, internet, internet protocol based services, VoIP, satellite services, cable television networks, etc. In Austria, Bangladesh, Bulgaria, Denmark, Finland, Hungary, Malaysia, Montenegro, Norway, Pakistan, Poland, Russia, Serbia, Sweden, Thailand, Ukraine etc. with an equity capital that varies from more than 50% to 100%.

Grameenphone contributes to approximately 15% (12 out of 83 million) of Telenor's worldwide mobile phone subscribers. Currently, Telenor holds 62% of Grameenphone's equity capital even though it had 51% shares in 1996 when the Grameenphone was inception. It has been alleged recently that Telenor violated its 1996 agreement with the Grameenphone. Telenor was supposed to relinquish its ownership over Grameenphone to 35% by 2002 but refused to do so even in 2007 on the ground that the agree-

ment was a declaration of intent but not an obligation at all.

It is a million dollar question whether Grameenphone has any intention to float Initial Public Offerings (IPOs) in Bangladesh. The introduction of Grameenphones' IPOs will bring more local ownership and add double digit market capitalisation to the stock exchanges of Bangladesh. But it seems implausible especially after its recent debacle in Nasdaq and continuous domination over Grameenphone in terms of ownership.

Telenor argues that Grameenphone is one of its numerous projects, which should be considered as Socially Responsible Investment (SRI) because it invests in a developing country like Bangladesh and contributes to her economy. Ethical investment or SRI is also becoming popular in the Wall Street with combined assets of more than 2 trillion dollars. The Wall Street accommodates firms that invest in SRI in compliance with the SEC rules and regulations that may be appropriate for their typical shareholders and ethical operations. Unfortunately Telenor is neither

listed on any of the two bourses nor has any physical shareholders in Bangladesh. Thus, the broader definition of SRI should not be applicable to Telenor.

Like other foreign-based mobile companies in Bangladesh, Telenor is believed to expatriate majority of profit that it generates through Grameenphone. However, Telenor claims that it couldn't recoup \$87 million that it initially invested in Bangladesh. Instead, it reinvests a significant portion of \$1.08 billion profit that it earned over the last decade. It is obvious that the delisting of Telenor from Nasdaq transmits a strong negative message that Telenor lacks an appropriate corporate governance system, which is indispensable for a transparent reporting responsibility to the SEC. It would undeniably be very interesting to see whether Grameenphone can initiate the so-called 'social businesses' of its proponent and founder Professor Yunus especially under its current legal set-up with Telenor.

The author is a financial economist and currently teaches at Weber State University, USA.



PHOTO: TRUST BANK

Chief of Army Staff and Chairman of Trust Bank Limited General Moeen U Ahmed inaugurates the new corporate branch in Sylhet recently. Managing Director of the bank Iqbal U Ahmed is also seen.