

# Star BUSINESS

E-mail: business@thedadlystar.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.

Khans 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 Abdulla Bokhari and Senior Vice-President Ahmed Rashid Lali 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.

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

## Forex reserve hits \$ 4.76b

### STAR BUSINESS REPORT

Foreign exchange reserves 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.

"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 Chitrakroh 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 Vongskul 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

(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.

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

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.

## Govt hailed for widening social safety net

### STAR BUSINESS REPORT

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.



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.



Finance Adviser AB Mirza Azizul Islam and Thai Ambassador to Bangladesh Suphat Chitrakroh 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.

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 Vongskul 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.

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 agreement 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 Grameenphone's 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 be 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.

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

M INTIAZ MAZUMDER

The Norway-based telecommunications operator Telenor 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 (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