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VIOLATION OF SECURITIES RULES

AB Bank merchant banking wing fined Tk10cr

SARWAR A CHOWDHURY

AB Bank's merchant banking wing was fined Tk 10 crore yesterday for violating securities rules.

The penalty is the highest the regulator has imposed on a listed company since 2001.

The Securities and Exchange Commission (SEC) also asked the merchant banking wing to submit the fine to the commission within the next 15 days.

Managing director of AB Bank could not be contacted over his cell phone for comments despite repeated attempts.

After an investigation the SEC found AB Bank's merchant banking wing disbursed around Tk 528

crore loans against its paid up capital of only Tk 57 crore during mid 2007 when stock market experienced an abnormal bullish trend due to liquidity glut stemming from excess margin loans.

The wing mainly disbursed the loans among its employees and their relatives.

"According to the securities rules, a merchant bank cannot provide margin loan more than five times of its paid up capital whereas AB Bank's merchant banking wing provided loans by around ten times of its paid up capital," said Farhad Ahmed, executive director of SEC.

The loans merchant banks offer to investors to buy shares is commonly known as margin loans.

The merchant-banking wing of

the bank swindled more than Tk 66 crore during the period last year, according to the SEC investigation report. The investigation found that the bank by disbursing excess loans created a liquidity glut, leading to abnormal price hike of shares in some companies.

In some cases, the share prices jumped by around 300 percent, the investigation revealed.

The SEC investigation also revealed that AB Bank's merchant banking wing through its stockbrokers -- AB Bank Foundation, Ahmed Brothers Securities, Popular Equity, ARC Securities and Country Stock (Bangladesh) - used the netting facilities illegally in selling and buying shares on the spot market.

The SEC formed a probe body on July 30 last year to investigate allegations against the merchant banking wing of AB Bank and the inquiry team submitted its report to the commission on September 12 last year.

Based on the report, the SEC issued a show-cause-cum hearing notice on the AB Bank's merchant banking wing on January 3 this year and the hearing held on January 21.

The AB Bank's merchant banking wing submitted a written explanation to the commission on February 10 this year.

After scrutinizing the merchant bank's position, the SEC finally found that the merchant bank violated the securities rules, hampering the investors' interests.

Ctg int'l trade fair kicks off tomorrow

STAFF CORRESPONDENT, Ctg

The 16th Chittagong International Trade Fair (CITF) 2008 kicks off in the port city tomorrow, organisers announced yesterday.

Companies from ten countries including Bangladesh will participate in the month long fair at Polo Ground, organised by Chittagong Chamber of Commerce and Industry (CCCI).

Thailand will be the partner country of fair. Participating companies from other countries are US, India, Pakistan, Malaysia, South Korea, Singapore, Myanmar and Iran.

Some 36 pavilions and 262 booths will be set up in the fair, which will remain open 10:00am to 10:00pm. Entry fee has been fixed at Tk 10 a person.

CCCI President Saifuzzaman Chowdhury, CCCI Senior Vice President MA Latif and Vice President Mahbub Alam, directors Mahfuzul Haq Shah Chowdhury,

MD Amirul Haq and Nasir Uddin Chowdhury were also present at the press conference.

Businesspeople decry PLCs' mandatory listing

STAR BUSINESS REPORT

Top businesspeople yesterday came down heavily on the Securities and Exchange Commission (SEC) saying that there should not be any obligatory gauge to list a company on stock exchanges.

Entrepreneurs or owners should have options whether they will list their companies on bourses or not, they told a workshop on 'Book Building Procedure for IPO' organised by the Dhaka Stock Exchange (DSE) on its premises.

The SEC on February 12 decided that public limited companies (PLCs) with a paid up capital of Tk50 crore or more, and in commercial operations for three years, will have to go for initial public offering (IPO) in one year after entering into operation.

However, if these are not in commercial operations, they will get 3 years time to float shares.

The SEC also decided that if the private companies' paid up capital reaches or exceeds Tk 40 crore in case of raising their paid up capital, they will have to become public limited company in a span of six months.

The private limited companies whose paid up capital is already Tk 40 crore or more will have to become public limited companies within a year.

"I do not support the compulsory listing. It is up to me. If I am interested, then I will go for listing," said Mahbubur Rahman, president of International Chamber of Commerce-Bangladesh.

There are many billion dollar companies in the world that are not listed with bourses, he said.

Latifur Rahman, president of

Metropolitan Chamber of Commerce and Industry, said an entrepreneur sets up a company after a 10-15 year effort. Why this listing has been made mandatory, he questioned.

"An entrepreneur might not get proper value of shares with the existing pricing methods," he said, adding that there should be several pricing options as well as benefits for listing so that an entrepreneur can choose an option.

However, ultimately it will depend on the owners whether they list their companies, he said.

Samir Asaf, chief executive officer of Rahimafrooz, also said the IPO offer should be a voluntarily option for a company.

SEC Chairman Faruq Ahmad Siddiqui said although there are some benefits for a company who is listed on bourses, no company has so far taken such benefits by listing.

Supreme Jute introduces food rationing for employees

Supreme Jute & Knitex Ltd, an export-oriented jute yarn manufacturing factory at Savar in Dhaka, has introduced food rationing system for its workers and employees in the face of skyrocketing prices of essentials.

The rationing system was inaugurated on Saturday on the factory premises where senior officials of the factory, among others, were present, says a press release.

The rationing scheme has initially been introduced for three items -- rice, lentil and soybean oil -- with the provision of increasing the number of items such as potato, onion and salt if desired by the consumers.

Iran opens first oil products bourse

AFP, Tehran

Iran, Opec's number two crude oil producer, on Sunday inaugurated its first bourse for oil products and petrochemicals, in a bid to become a major player in the global downstream industry.

Iran hopes that its oil goods bourse can lead the way for a domestic downstream industry to match its upstream crude oil production, the country's main foreign currency revenue winner.

"We have been a good seller (of crude oil) and now we have a higher objective to have a share in the oil trade," Oil Minister Gholam Hossein Nozari told reporters.

Infrastructure needed to attract global IT giants

Says Danish expert

MD HASAN

Bangladesh should go for a massive global marketing to introduce itself as an 'IT innovative nation,' observed a Danish information technology expert.

"The country also needs to develop a physical infrastructure like hi-tech park as early as possible to attract globally giant IT companies for opening up their outsourcing offices here," said Steffen Thomsen, head of projects of the Danish Federation of Small and Medium Sized Enterprises.

In an interview with The Daily Star Thomsen pointed out that Bangladesh needs a better image building campaign, as the outside world does not know the country well.

"One of the major challenge for Bangladesh's software industry in the global market is its reputation," he said, citing an example that most of the Danish consider Bangladesh as a flood-prone country rather than an IT-developed one.

When asked, the Danish expert also pointed to the fact that Bangladesh lags far behind the neighbouring IT giant India saying, "India can do what Bangladesh can't. Their business volume is big."

He, however, said Danish companies prefer to do business with their Bangladeshi counterparts because they think the small firms here 'more manageable' than the big outsourcing corporations in India.

For another reason, Thomsen went on, Danish IT firms are more interested in going into ventures with the firms here and that is cost effectiveness of Bangladesh IT products.

"Cost of developing a software in Bangladesh is half that in India, which could be an ample scope for Bangladesh to become a lucrative outsourcing market in the region," he said.

He also expected that the number of the Danish IT firms now tied up with the firms alike here could be doubled in the next three years because of such low



Steffen Thomsen

production cost. Presently 16 Danish firms are working with their counterparts here.

Thomsen suggested that Bangladesh should immediately start a strategic plan to develop its IT infrastructure and skills of the professionals in order to tap the sector's huge prospect in the international market.

"If you want to compete on international market in specific areas like IT, you need to develop the sector," he said, lauding the local firms' spirit to innovate new ideas, which he thinks encourage the Danish companies to work with them.

Citing the example of Silicon Valley, the US high-tech business model, he said such physical infrastructure is needed for Bangladesh now. Because in such a site small companies will have the chance to grow with large companies, the Danish expert said.

StanChart concludes euro/US dollar derivative

Standard Chartered Bank, Bangladesh has continued to lead the way as it successfully closed the first euro/US dollar derivative deal in Bangladesh with Square Yarns Ltd, says a press release.

Square Yarns, a concern of Square Group, was exploring an innovative product to hedge its exchange risk against underlying euro exposure. Global Markets, Standard Chartered Bank, Bangladesh structured 'EUR/USD Zero Cost Option' to hedge exchange risk.

'Zero Cost Option/Range Forward' provides the customer with more flexibility by fixing a range of exchange rate.

Derivative is currently the most preferred product in the foreign exchange market for hedging exchange risk. Vibrant derivatives market in neighbouring countries has provided wide array of risk management tools and played a pivotal role in overall financial market development.

Oneworld airlines confirm dates for London Heathrow moves

Member airlines of the Oneworld alliance that will change locations at London Heathrow this year have confirmed the schedule for their moves and minimum connection times at the airport resulting from the moves, says a press release.

The changes will result in the eight Oneworld airlines that serve the airport consolidating their operations from across all four of the existing terminals into just two terminals at the alliance's main European hub.

Between them, these airlines account for more than 50 per cent of Heathrow's traffic with around 35 million passengers a year travelling on around 700 departures and arrivals a day.

British Airways, for which London Heathrow is its home base, will consolidate more than 90 per cent of its operations at the airport into the new GBP4.3 billion (US\$6.6 billion) Terminal 5 (T5), in two phases, on 27 March and 30 April.

Oneworld partners American Airlines, Cathay Pacific, Japan Airlines and Royal Jordanian are already based at Terminal 3. Finnair will move there from Terminal 1 and Iberia from Terminal 2, also on 17 September, with Qantas following from Terminal 4 in early 2009.

More spending on farm sector key to food security

World Development Report says

STAR BUSINESS REPORT

Bangladesh needs to enhance expenditure in agriculture to attain food security, according to World Development Report 2008, which was unveiled in Dhaka yesterday.

Now public spending on agriculture in Bangladesh is only 4 percent compared to 11 percent in other transforming countries, said the report prepared by the World Bank and IFC South Asia Enterprise Development Facility (SEDF).

The report also recommended formulation of guidelines on private sector investment in farm sector to reap benefit from agro-processing business.

The report said the government should meet few challenges such as making agricultural growth pro-poor, ensuring irrigation, tackling

climate change and establishing political will for better performances in farm sector.

Speaking at the report launching function, Alain de Janvry, co-director of World Development Report 2008, said Bangladesh should respond more to the global climate change as the agricultural development is largely dependent on climate change.

According to the report titled 'High-Value Agriculture in Bangladesh: An Assessment of Agro-business Opportunities and Constraints', the demand for high-value agricultural commodities is increasing in Bangladesh.

Janvry also said additional demand for the agri commodities will be worth about US\$8.0 billion (in 2005 prices) by 2020.

"Because high-value agricul-

tural production is typically more labour intensive than traditional cultivation, this increasing demand also provides an opportunity to raise rural incomes and generate rural employment," Janvry said.

Professor of Bangladesh Agricultural University Dr Sattar Mandal said it is very difficult to ensure food security under liberalised trade regimes as many countries impose ban on export of rice.

Managing Director of PKSF (Ralli Karma-Sahayak Foundation), Quazi Mesbahuddin Ahmed stressed the need for financing to small landholders for the development of the agricultural sector.

Acting Country Director of the World Bank Mohamed A. Toure launched the report.

Politicians, professionals call for roadmap to boost IT

STAR BUSINESS REPORT

IT sector leaders and politicians yesterday called for an integrated roadmap to build up the information technology sector in the short, medium and long term as a 'lifeline of the economy'.

Politicians from across the spectrum also pledged to sit down with the sectoral representatives to hammer out the country's future IT direction and how future governments could facilitate its growth.

They were speaking at a roundtable titled 'The role of politicians in making an IT-enabled Bangladesh' jointly organised by Bangladesh Association for Software and Information Services (BASIS) and The Daily Star held on the sidelines of the Softexpo 2008 in the capital.

Describing IT as the 'lifeline of our economy', Datasoft Managing Director Mahbub Zaman said the country is in dire need of an IT roadmap.

Awami League leader Saber Hossain Chowdhury stressed the urgency of designing and implementing such a roadmap as "There is a window of opportunity and if we do not act quickly there is a possibility of disconnect."

He added that the roadmap must be 'integrated' to ensure coordinated development of IT in all sectors. Saber said such all-out effort is necessary as there has been 'no continuity in IT policy'.

Bangladesh is yet to design an IT roadmap, compared to a two-year plan for India and Pakistan's well-planned IT sector development, said the speakers.

Mahbub said the government's existing taskforce is dormant as only three meetings were held in the last six years. "What we need is an effective taskforce who would review and shape government policy on IT," he said, adding that Bangladeshi IT outfits also have 'poor access to funds which are preventing crucial investments in alternative fibre-optic networks and infrastructure.'

AL leader Abul Mal Abdul Muhit said the taskforce, along with a multi-ministerial IT bureau, would also need to review the IT programmes every few months to keep abreast of developments in the sector.

Mofazzal Karim, adviser to the BNP chairperson, said any taskforce must be headed by the head of government, as, he said, the political role on IT has been unsatisfactory.

AL leader Mahmudur Rahman Manna said the top leadership of political parties, especially when they are in power, must be knowledgeable about IT in order to formulate policies or challenges in the IT sector.

He said a lack of understanding led to government's refusal to link up with the global fibre-optic internet cable in 1992.

CPB (Communist Party of



PHOTO: STAR

Awami League leader Abul Mal Abdul Muhit (R) speaks at a discussion on 'The role of politicians in making an IT-enabled Bangladesh' on the sidelines of the Softexpo 2008 in the capital yesterday. AL leader Mahmudur Rahman Manna (C) and BASIS President Rafiqul Islam Rowly are also seen.

Bangladesh leader Mujahidul Islam Selim said although IT growth is an imperative, both politicians and IT sector leaders must close the digital divide.

BASIS Director Shaikat Haidar said past government statements that termed IT as a 'thrust sector' sound hollow as the sector has been largely neglected by governments.

TIM Nurul Kabir, another BASIS director, echoed this view. He said no government has yet to design any action plan to develop the IT sector.

Elisabeth Muller, director of Emerging Markets for Governance for the Third Millennium (Gov3), said Bangladesh must follow a two-

pronged approach of citizen-centred and integrated IT development.

Ahmed Imran, a researcher on e-governance, said IT could be used to ensure greater transparency and efficiency in government, but they have hardly been implemented.

Editor of The Daily Star Mahfuz Anam moderated the roundtable, also attended by Workers Party President Rashed Khan Menon, Bikalpa Dhara Spokesperson Mahi B Chowdhury, BASIS President Rafiqul Islam Rowly, BASIS Treasurer Fahim Mushroor and BASIS Director Nazim Farhan Chowdhury, among others.

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