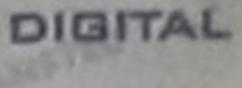


DHAKA TUESDAY JULY 14, 2009

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## Stocks

DGEN	0.48%
	2,965.96
CSCX	0.87%
	6,461.08

## Asian Markets

MUMBAI	0.77%
	13,400.32
TOKYO	2.55%
	9,050.33
SINGAPORE	1.79%
	2,266.64
SHANGHAI	1.07%
	3,080.56

## Currencies

Buy Tk	Sell Tk
USD 68.45	69.45
EUR 93.54	98.82
GBP 108.77	114.28
JPY 0.72	0.81

SOURCE: STANDARD CHARTERED BANK

## Commodities

Gold	\$910.48 (per ounce)
Oil	\$59.29 (per barrel)

SOURCE: APP  
(Midday Trade)

## More News

### Textile machinery fair

Thursday

A four-day international fair to exhibit textiles machinery, garment products and accessories is set to begin in Dhaka on Thursday. The 10th Textech Bangladesh 2009 International Expo is being organised by CEMS. The exhibition will be held at Bangladesh China Friendship Conference Centre.

B-3

## International

### Iconic skyscrapers go green



When owners of the Empire State Building decided to blanket its towering facade this year with thousands of insulating windows, they were only partly interested in saving energy. They also needed tenants. After 78 years, Manhattan's signature office building had lost its sheen as one of the city's most desirable places to work.

### EU nations, Turkey to sign landmark gas pipeline deal

The leaders of four EU countries and Turkey gathered here on Monday to sign a landmark deal to build a gas pipeline reducing European reliance on Russia amid lingering questions on who will supply the gas.

B-4

## Contact Us

If you have views on Star Business or news about business in Bangladesh, please email us at business@theladystar.net

# Banks stand strong in crisis

## Merchant banking, brokering and remittance fees drive profit growth

SAJJADUR RAHMAN

Local private banks stand strong against the ongoing global recession because of a substantial increase in their business with merchant banking, brokerage houses, fund and portfolio management, and remittance transaction, bankers said.

Banks, which have merchant banking and brokerage houses, made at least 20 percent more profit during the first half of 2009 compared to the same period of 2008 riding on the growing transaction in stock markets.

According to bankers, income from remittance transaction has also increased significantly during the period.

Currently, the banks have excess liquidity, which reached as high as Tk 27,716 crore in April, mainly for a decline in investment demand.

Mutual Trust Bank (MTB) has marked a whooping 307 percent rise in its operating profit from brokerage house during the January-June period of 2009 compared to the same period a year ago. The bank made a profit of nearly Tk 11 crore this year

### BY THE NUMBERS

31  
Registered merchant banks  
238  
Brokerage houses  
10  
Banks with merchant banking services

from Tk 2.73 crore in 2008.

Now MTB has seven brokerage branches that would be raised to 12 at the end of this year to meet the growing demand.

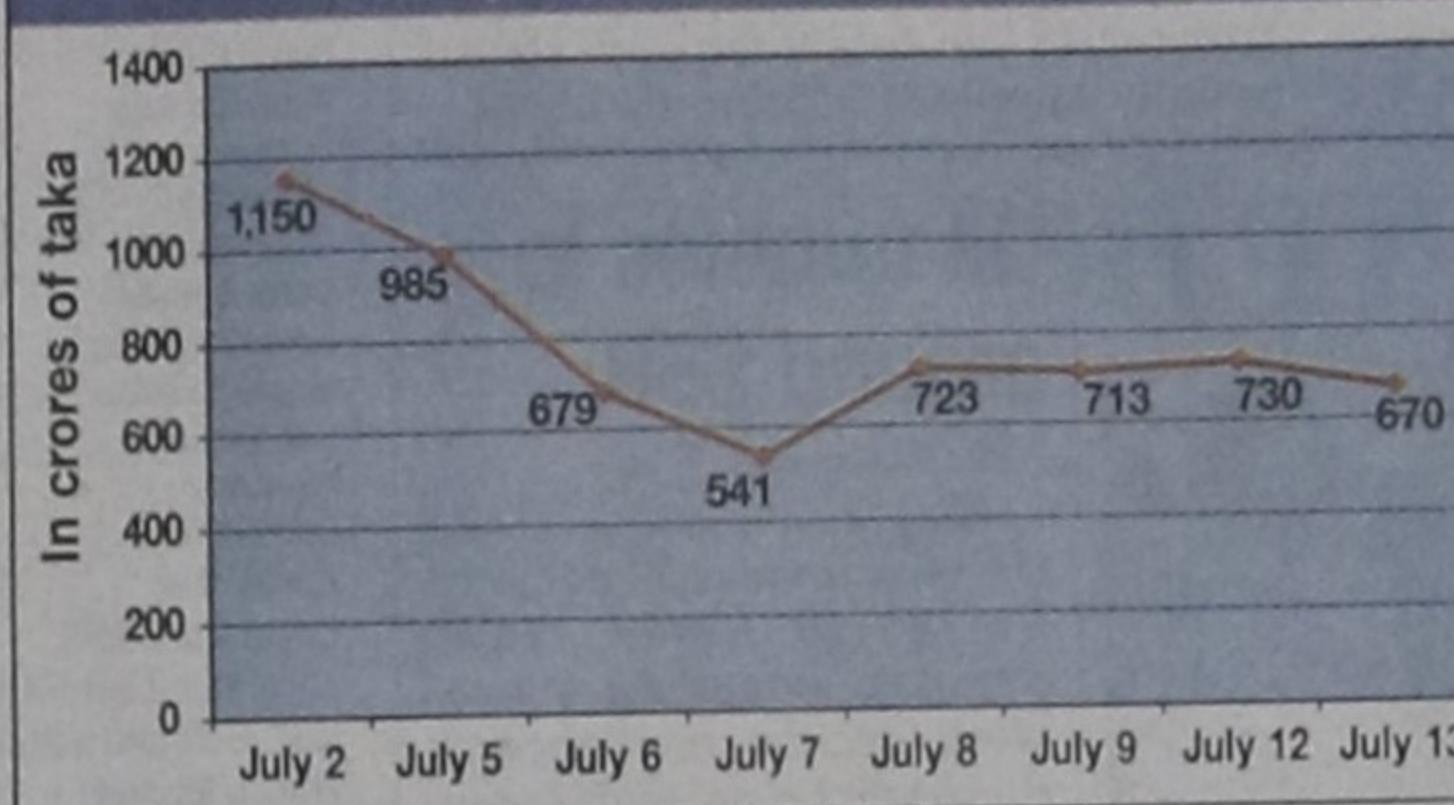
Diversified groups of people are coming to the capital market. Many of them are educated and sophisticated investors," said Anis A Khan, managing director of MTB.

Khan said: "These investors generally tend to be aware of the nuances of the markets."

The largest private commercial bank, Pubali, also made at

### Trading value on DSE

Banks' half-yearly profit growth is largely driven by merchant banking and brokering



least 20 percent more profit from its brokerage house during the first half of 2009 compared to 2008, said Rafiqul Islam, consultant, Securities Trading Department of the bank.

"Individual corporate clients are also rising substantially," said Islam.

There are 31 registered merchant banks and 238 brokerage houses in the country, while 10 banks provide merchant banking services. Some of the banks have both the merchant banking and

brokerage businesses. Most of the private banks and leasing and finance companies have their own brokerage divisions.

Three state-owned commercial banks also opened merchant banking divisions this year to grab their share from the growing business.

A bank's brokerage house charges Tk 0.4 to Tk 0.65 for transaction of a share worth Tk 100. Dhaka Stock Exchange traded over Tk 1,000 crore on a single day earlier this month. Brokerage

houses got Tk 4 crore at Tk 0.4 for every Tk 100 transaction by buying and selling from Tk 1,000 crore.

Prime Bank, National Credit and Commerce (NCC) Bank and AB Bank have also made significant profits from their brokerage business so far this year, officials of these banks said.

Prime Bank earned over Tk 20 crore from merchant banking during the first half of this year, while the figure was Tk 13 crore in the same period a year ago, said Ehsanul Haque, managing director of the bank. Haque however said this income is insignificant compared to the bank's total profit portfolio of Tk 250 crore.

Inward remittances have also helped the banks sustain their profit growth this year despite bad impacts on this sector in other countries due to global financial meltdown.

Beating the doomsayers, Bangladesh received \$9.68 billion in remittances during the just concluded fiscal year. The growth rate was 22.32 percent higher than that of the previous fiscal year.

"We have transacted \$43 million inward remittances during the first half of 2009 and the transaction for the first six days of July reached \$2.17 million," said Anis A Khan of MTB.

The banks having wings like capital market operation, cards, fund and portfolio management and brokerage house earned substantially so far this year, said Nurul Amin, managing director of NCC Bank.

"This growth from non-funded sources has helped the banks offset declining trend in loans and advances -- the main source of a bank's income," he said.

NCC's income from remittances rose by 50 percent in the first half of this year compared to the same period last year.

Prime Bank's earning from remittance transaction grew nearly by 12 percent so far this year compared to the same period a year ago, said its managing director.

"Currently we deal with \$350 million worth of remittances. We are trying to raise it to \$600 million in a few years," said Ehsanul Haque.

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## BB seeks changes to banking law

REJAUL KARIM BYRON

The central bank has sought amendments to the Banking Companies Act to restore discipline in commercial banks.

In a letter to the finance ministry, Bangladesh Bank said following detection of some irregularities in bank functions, it felt that a reduction of the number of directors on bank boards and re-definition of loan defaults might pay off in regulating rogue banks.

An ordinance seeking amendments to some sections of the law had been promulgated during the caretaker government rule, but it did not come into effect, as the present government did not ratify it.

"The Banking Companies (amendment) Ordinance 2007 was promulgated by fixing fine for violating different sections of the law and raising the minimum bank capital of banks, setting the number of directors and their tenure. But the ordinance was not signed into a law," the BB letter said.

The central bank said parts of the ordinance should be incorporated in the banking law, now in force, to ensure good governance.

Finding 22-30 directors on each board of most banks, the BB -- through a circular during the four-party rule -- moved to trim the number of directors to 13. It also made a provision that no director should stay on any board of a bank for more than six years at a stretch.

The central bank observed that a crowd of directors on a bank board often ended

up in feuds. These directors also put pressure on the management and resort to lobbying, making it difficult to run a bank, it said.

However, the BB directive failed to come into force because of a writ petition filed with the High Court at that time by some bank directors.

Another BB bid for incorporation of some points in the circular in the Banking Companies Act also turned futile because the then finance minister, pressed by different vested interest groups, turned down the initiative.

On revision of the loan default definition, the BB wrote to the finance ministry that such revision is urgent because the existing definition has complicated the collection of loan information by the Credit Information Bureau (CIB).

In line with a section of the existing banking law a guarantor could be called borrower but he should not be termed a debtor, the BB said. The High Court in a verdict in a case made a directive not to include the name of a guarantor in the CIB database, so any guarantor cannot be considered a loan defaulter, the central bank pointed out in the letter.

As per rules, a bank is to keep reserved a certain portion of its minimum capital of Tk 400 crore, as fixed by the central bank, against risk-based assets. But the problem is, there are many assets that cannot be identified as risk-based, the central bank said, pointing to the limitations of the existing law.

## Epyllion plans to set up Tk 60cr plant



Workers are seen at a factory of Epyllion Group, one of the fastest growing local knitwear makers. It plans to set up a Tk 60 crore woven-making unit.

REFAYET ULLAH MIRDHA

Shaking off the recession jitters, Epyllion Group, one of the fastest growing local knitwear manufacturing groups, is planning to set up a woven making unit at Tk 60 crore as the market for the item is widening. The factory is expected to go into production within the next one and a half years.

The group currently having 10 knitwear plants with more than 9,000 workers will set up its woven garment manufacturing unit in Gazipur, said Reazuddin Al Mamoon, managing director of the group.

C&A, Zara and CAPPA are the major buyers of Epyllion Group, which started its journey in 1994 with a limited production capacity and 200 workers in the city's Mirpur area, he said.

"The investment will be more than Tk 60 crore in the woven factory and I hope it will start production within the next one and a half years," said Mamoon, who is now travelling European countries to complete negotiations with his major buyers.

He said the production capacity would be 10,000 pieces of woven items per day in the proposed factory.

The owner of the group said he has an even bigger plan for further investment as Bangladeshi companies are increasing their share in the global apparel market, but the problem is that the government cannot supply gas and electricity, and infrastructures are weak.

He said if everything goes all right, he will go for investment in denim manufacturing as the market of this product is widening rapidly due to recent changes in fashion and clothing designs.

Mamoon said Bangladesh's share in the global apparel market is only 2 percent and the country can hardly maintain the orders of EU and USA.

"We have also potential buyers in Japan, China, Canada, reeafat@theladystar.net

New Zealand, Middle East, Australia and South Africa."

Talking to The Daily Star from UK, Mamoon said the economic situation in Europe is stabilising by degrees and the scope for Bangladeshi readymade garments is also widening as the country produces basic items.

"Every year I send \$60 million worth knitwear products to EU. In the immediate past fiscal year I sent the same amount. I hope in FY 2009-10 I would be able to send more than \$60 million worth of products to EU," he said.

The group's another main export destination is USA, he said. The group's total export was \$87 million in FY 2008-09 and in the current FY he is expecting \$90 million exports.

"For a long time the group maintained a 25 percent growth year-on-year, but in 2009-10 the growth would be slowed to 10 percent mainly because of a decline in orders," he said.

About the impact of the latest labour unrest on the buyers, Mamoon said they have to explain a lot of things to the international buyers about such untoward incidents in Bangladesh.

He said the buyers want to know whether the local manufacturers would be able to ship the orders in time amid such labour unrest.

Repeated labour unrest may shake the buyers' sentiment, Mamoon added.

He said the group has also recently entered real estate business and invested Tk 140 crore to construct Nina Holding on the city's Tejgaon-Gulshan link road for commercial space rent.

The RMG exporters are now facing price-cut pressure from the international buyers amid recession, he said. "But we fear labour unrest the most than the recession."

## Q-cash operator to raise Tk 21cr



SARWAR A CHOWDHURY

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