
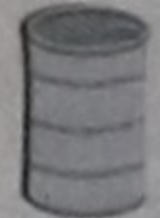


Stocks	
DGEN	1.16% 3,356.51
CSCX	0.77% 7,249.84

Asian Markets	
MUMBAI	0.42% 16,740.50
TOKYO	0.77% 10,362.62
SINGAPORE	0.05% 2,716.62
SHANGHAI	0.06% 3,109.57

Currencies	
Buy Tk	Sell Tk
USD	68.55 69.55
EUR	100.78 106.56
GBP	109.73 115.64
JPY	0.73 0.82

SOURCE: STANDARD CHARTERED BANK

Commodities	
 Gold	\$1,061.75 (per ounce)
 Oil	\$80.01 (per barrel)

SOURCE: AFP (Midday Trade)

Contact Us

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

SEC curbs loans for mutual funds

SARWAR A CHOWDHURY

A restriction on margin loans for mutual funds, announced by the capital market regulator yesterday, held back an upward trend in the transaction of such funds on Dhaka Stock Exchange.

In a circular, the Securities and Exchange Commission (SEC) asked merchant banks, portfolio managers, brokers and dealers to immediately stop margin loans until further order.

Market observers see the regulator's new directive as a move to cool down the investment sector that was on the bull-run, influenced by speculations about a verdict on a mutual fund case.

Meanwhile, Aftab Automobiles shares have also been brought under the purview of this margin loan restriction.

Investments by borrowing in mutual funds have become too risky, the market watchdog thinks.

Being advised, the DSE reported margin loan suspension through its server at 10:58am, just before the day trade time. The SEC directive was posted on the web at 12.21pm.

The mutual fund price loss marked the beginning of trade. All but one such funds declined 4-17 percent at the closing hour.

"The SEC move will lead to a short-term correction in the prices of mutual funds," Arif Khan, deputy managing director of IDLC Finance, told The Daily Star.

The imminent court verdict on the pending case has fuelled speculations about dividend announcement, which resulted in a high value of mutual funds, he said.

He, however, said, "A short-term price correction instead of a big or long-term correction would be healthy for the market."

The High Court on Thursday said it would hand down the verdict on the mutual fund case on November 4.

In August last year, the HC stayed the dividend declarations by all mutual fund managers until disposal of a writ petition filed with the HC challenging the SEC modifications of mutual fund rules.

The HC also stayed the stock market regulator's ban on the issuance of bonus shares or rights issues for closed-end mutual funds.

Currently, 18 mutual funds are being traded on the premier bourse.

Earlier on Wednesday, the SEC suspended margin loan facilities against 28 companies, mostly under A and B category.

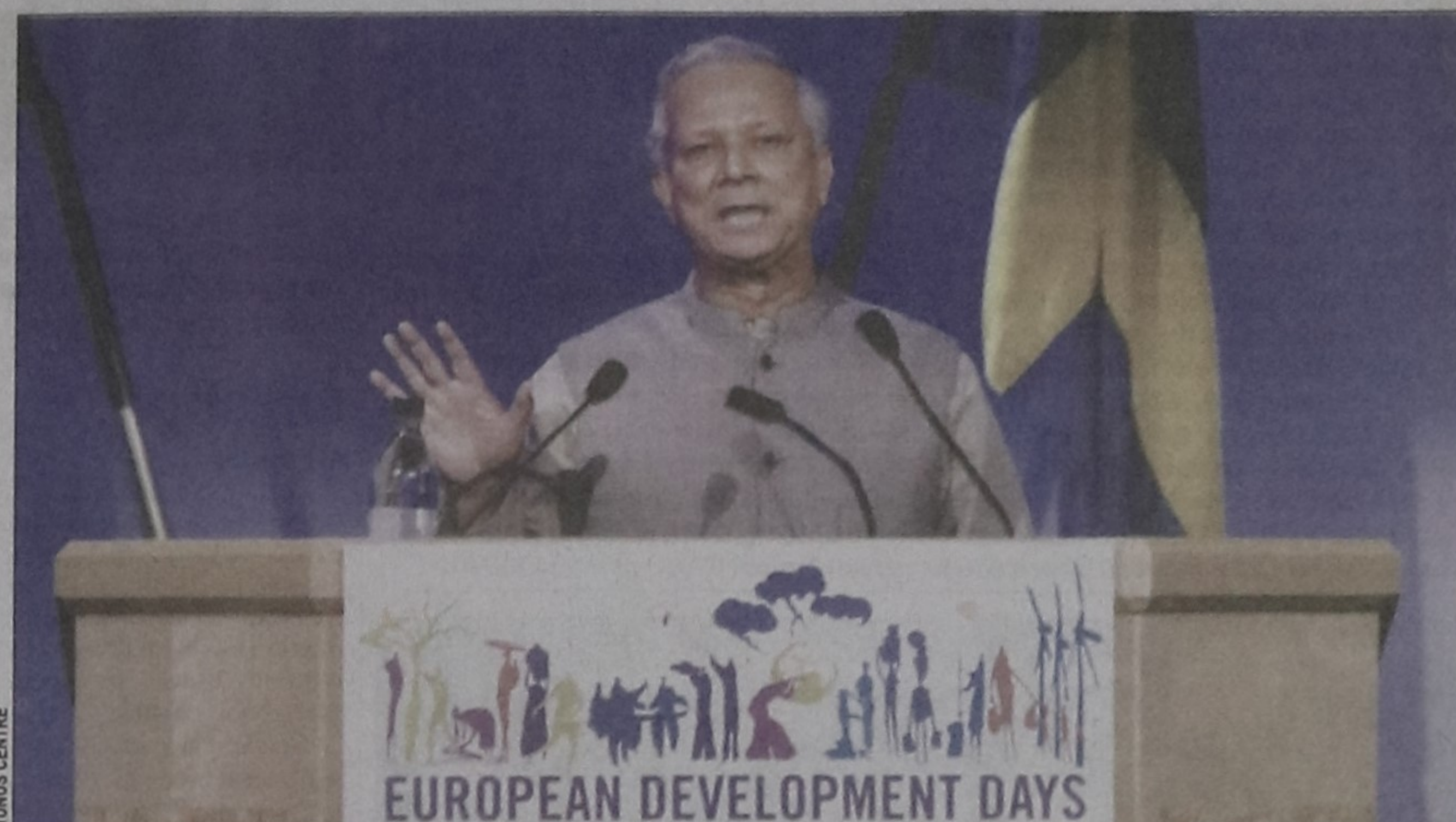
The mutual fund price decline also pulled down the price indices of the prime bourse.

YESTERDAY'S PRICE FALL ON DSE	
Mutual Fund	Decline in percent
1stBSRS	9.82
1stPrime	12.10
2ndICB	5.91
3rdICB	6.41
4thICB	4.61
5thICB	6.76
6thICB	11.89
7thICB	11.31
8thICB	12.06
AIMS 1st	16.46
EBL 1st	6.66
Grameen One	16.93
Grameen Two	10.85
ICB 1st NRB	14.20
ICB 2nd NRB	8.88
ICB AMCL 1st	12.40
ICB Islamic	10.98

The benchmark DSE General Index fell 14.92 points, or 0.44 percent to 3,341.59. The broader DSE All Share Price Index dropped 13.71 points, or 0.48 percent to 2,800.05.

Chittagong stocks however closed mixed yesterday. The CSE Selective Categories Index gained 2.05 points, or 0.2 percent to 7,251.89. The CSE All Share Price Index declined 17.74 points, or 0.15 percent to 11,540.29.

sarwar@thedailystar.net



Nobel laureate Muhammad Yunus, founder and managing director of Grameen Bank, delivers a speech at the plenary session - the Response to the Global Economic Downturn -- of the European Development Days meeting in Stockholm, Sweden, on October 22. The yearly event hosted jointly by the European Commission and the EU Presidency brought some 4,000 people and 1,500 organisations from the development community together on an equal footing.

ADB signs \$744m recovery fund

STAR BUSINESS DESK

The Asian Development Bank (ADB) signed four agreements yesterday to lend Bangladesh \$744 million to help fight off the effects of global recession.

Of the total allocation, a \$500 million loan under the countercyclical support facility (CSF) will support the government's efforts to mitigate the worst effects of the global economic crisis, ADB said in a statement.

Three other loans of \$244 million under the public expenditure support facility (PESF) will support government measures to introduce economic and social policy reforms.

ADB emphasises that the reforms are essential to achieve higher and more inclusive long-term growth and strengthen social safety net programmes.

M Musharraf Hossain Bhuiyan, secretary of Economic Relations

Division (ERD), and Paul J Heytens, ADB's country director for Bangladesh, signed the agreements at a ceremony at ERD in Dhaka.

"The CSF loan will help the government to stimulate economic recovery and move ahead with its social safety net programmes to cushion the impact of the crisis on the poor and vulnerable while maintaining macroeconomic stability," said Heytens.

"The PESF is equally vital to help the government deliver key public policy reforms," he said.

Sound economic management has enabled Bangladesh to weather major external shocks and sustain its growth momentum, even if it has not been spared from the adverse effects of rising petroleum and commodity prices, and natural disasters such as floods and cyclones, ADB said.

The loans came after a visit to

Bangladesh in July by ADB President Haruhiko Kuroda, where he offered to provide additional ADB assistance to the government.

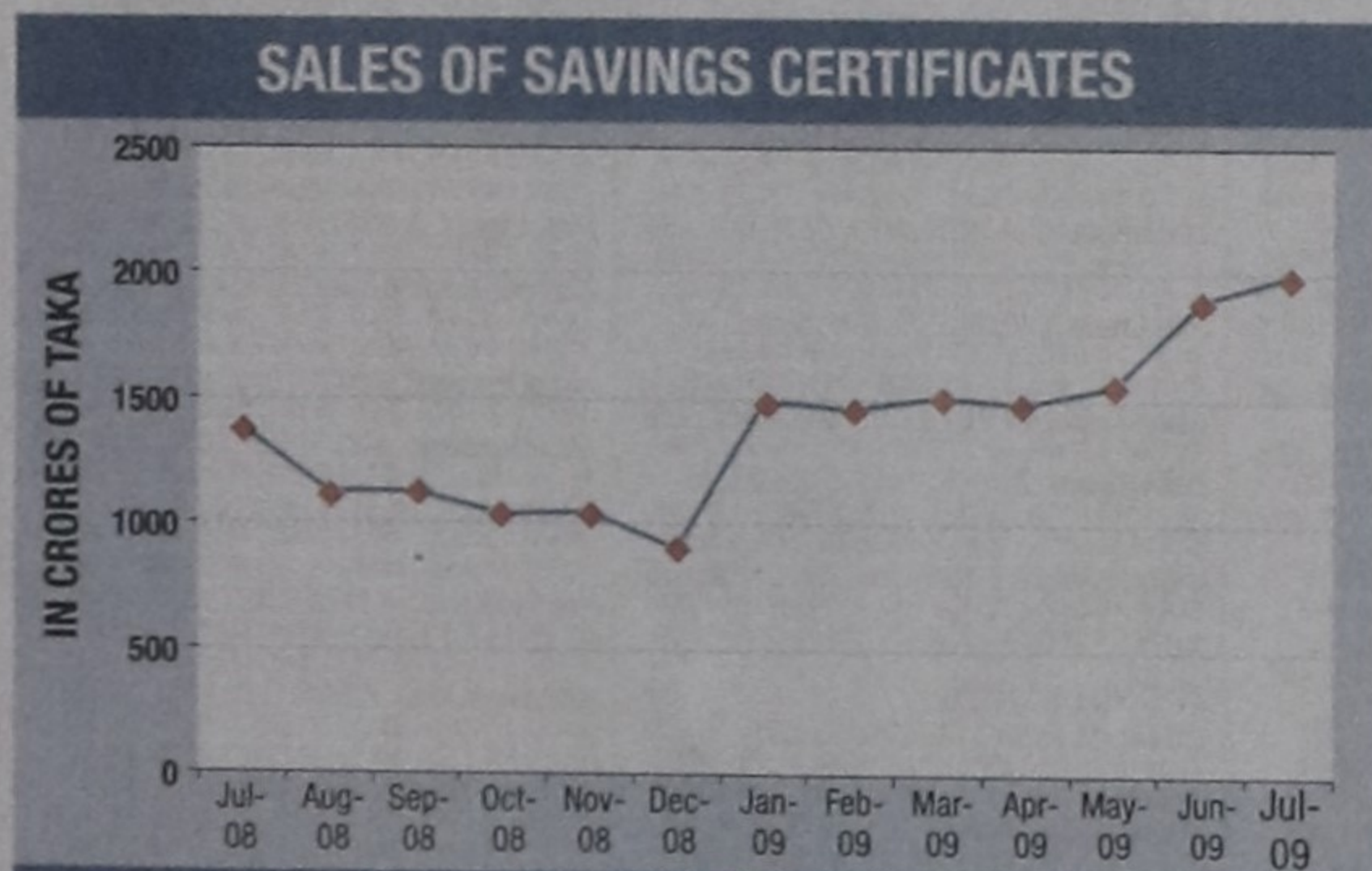
The CSF, established in June 2009, supports ADB's developing member countries needing to increase fiscal spending to counter the global economic crisis.

To be eligible to access the CSF, the countries must be adversely affected by the global economic crisis, demonstrate sound macroeconomic policies and have a countercyclical programme in place.

The CSF loan has a five-year repayment term, with a three-year grace period, and will cost around 200 basis points over ADB's financing cost and pricing. As the loan will be disbursed in a single tranche, it will not involve any commitment fee.

Depositors flock to savings certificates as banks cut rate

Sales shoot up 43.8pc in July



REJAUL KARIM BYRON

Sales of savings certificates increased by 43.80 percent in the first month of current fiscal year as the interest rate on bank deposit fell drastically.

The sales of such certificates rose by 2.52 percent in the same month last year.

Finance ministry officials said the government expenditure on account of payment of interest would go up as a result.

Savings certificates worth Tk 1,998 crore were sold in July of the current fiscal year, while the amount was Tk 1,389 crore in the same month last year.

According to statistics, average sales were about Tk 1,200 crore per month last fiscal year.

A Bangladesh Bank official said savings certificates have started attracting people from the last fiscal

year. The official however said the sales of these certificates fell by 7 percent in fiscal 2007-08 compared to the previous year.

The sales increased by about 14 percent in the last fiscal year as the interest rate on bank deposits fell substantially.

According to central bank statistics, the average deposit rate was 7.52 percent in March last fiscal year. It came down to 7.01 percent in June.

Officials at private commercial banks said the rate fell further in the recent times. Interest rate on deposit slid in about 11 banks last month.

An official of a private bank said the Bangladesh Bank has capped lending rate at 13 percent. As a result all banks had to lower the interest rate on deposits.

An official of Janata Bank said, besides this the banks have a huge excess liquidity now -- about Tk 38,000

crore. This has also lowered the rate of interest on deposits.

In terms of deposit rate, savings instruments now offer the most attractive interest rate. At present there are three types of savings instruments in circulation with interest rate of 11.50 percent, 12 percent and 12.50 percent.

The post office savings rate is the highest at 12.50 percent.

The Bangladesh Bank official said people now are opting for the savings instruments and investment in the capital market as a result of the cut in interest rates on deposits.

Internal Resource Division officials said they are going to re-introduce Family Savings Instrument. Once it was in circulation but later was closed. It will be re-introduced soon, the officials said.

As the sales of savings certificates increased, the government did not need to borrow from the banking system rather it repaid Tk 681 crore previous debts though foreign assistance dropped. The amount of net foreign assistance received by the country so far in the current fiscal year is Tk 37 crore against Tk 164 crore in the previous fiscal year.

However the finance ministry officials said the rate of interest on savings instruments is much higher than those of bank loans and foreign aid. As a result, the cost on account of payment of interest would be much more, they said.

In the revenue budget the second biggest expenditure was on account of interest payment.

BKMEA to hold labour festival

BSS, Dhaka

Bangladesh Knit Manufacturers and Exporters Association (BKMEA) is set to hold a daylong labour festival for the second time at Osmani Stadium in Narayanganj on December 18.

A series of programmes, including traditional cultural shows and concerts, will be organised during the festival.

The festival is expected to draw more than one lakh workers from Narayanganj, Savar and Gazipur, BKMEA said in a statement yesterday. BKMEA held the first labour festival on October 24 last year.

 **মিউচুয়াল ট্রাস্ট ব্যাংক লিমিটেড**
Mutual Trust Bank Ltd.
you can bank on us

 **you can bank on us**
to optimize on
MTB Card Services

Contact:
017 3008 0704-5
www.mutualtrustbank.com

 **Best in Asia**
Best in Bangladesh

In recognition of HSBC's best-in-class cash management solutions, the world's local bank has been voted the **Best Cash Management Bank in Asia** in the Euromoney Cash Management Poll 2009.

In addition to winning the crown for the overall Best Cash Management Bank across the Asia Pacific region, HSBC has also been rated as the **Best Cash Management Bank in Bangladesh** and eleven other markets.

For award winning cash management solutions, talk to HSBC.

► #1 Cash Management Provider - Asia
► #1 Cash Management Provider - Bangladesh

HSBC 
The world's local bank

Issued by The Hongkong and Shanghai Banking Corporation Limited in Bangladesh