Star Business

DHAKA THURSDAY NOVEMBER 5, 2009

Stocks

DGEN	▼ 0.18%	3,403.63
CSCX	▼ 0.25%	7,350.16

Asian Markets

MUMBAI	▲ 3.29%	15,912.13
TOKYO	▲ 0.42%	9,844.31
SINGAPORE	▲ 1.03%	2,648.64
SHANGHAI	▲ 0.46%	3,128.54

Currencies

	Buy Tk	Sell Tk
USD	68.60	69.60
EUR	99.15	104.41
GBP	110.70	116.16
JPY	0.74	0.81

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold	▲	$1,093.10 (per ounce)
Oil	▲	$80.16 (per barrel)

SOURCE: AFP (Midday Trade)

News in Brief

BATEXPO-09 kicks off today

STAR BUSINESS REPORT

The three-day 20th BATEXPO-09 kicks off today in the capital to showcase the local apparel items with a high hope of the presence of larger volume of international buyers.

"We expect this time international buyers in large numbers in the show amid global financial recession," said Abdus Salam Murshedy, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) at a press conference yesterday.

BGMEA is the organiser of the exposition, to be attended by local and foreign apparel businessmen, buyers, manufacturers and exporters who will showcase their garment products in 86 stalls.

BGMEA chief said buyers from US, EU, Canada, Hong Kong, Middle East, China, India, Pakistan and Thailand are expected to participate in the fair.

Prime Minister Sheikh Hasina is scheduled to inaugurate the fair at the Hotel Sonargaon as the chief guest, while Minister for Local Government and Rural Development and Cooperatives Syed Ashraful Islam, Finance Minister AMA Muhith and Commerce Minister Faruk Khan will attend as special guests, Murshedy said.

Gold tops $1,090 for first time

AFP, *London*

The price of gold leapt to a record peak of 1,093.10 dollars an ounce in trading here on Wednesday in the wake of the International Monetary Fund's massive sale of the precious metal to India.

Gold had already reached a record high of 1,087.80 dollars on Tuesday as the IMF said it had sold 200 tonnes of gold to India's central bank over a two-week period last month for 6.7 billion dollars to bolster its finances.

Online banking raises debate over security

IT professionals suggest safe network

MD HASAN

The online payment systems approved by the central bank may face security threats unless a common internet platform is established between banks and merchants, said experts.

The systems may take some more time to come to user level, as the required internet infrastructure is yet to be readied at merchant points to ensure secured transactions for customers.

IT professionals said the security issue is critical to such transactions, as no regulatory system has so far been developed in Bangladesh to monitor internet services.

But intra-bank transactions and transactions with merchants already connected to some banks through a secure internet system will gain popularity, they said.

Bankers said the number of plastic money users will increase significantly following the move by Bangladesh Bank.

According to central bank data updated to June 2008, Bangladesh has four lakh credit card users. The country has one of the lowest records of money transacted by card -- Tk 1,100 crore recorded at the end of June 2008.

To secure a transaction through the internet, the central bank should build an internet network that only banks, merchants and designated customers can access. Otherwise, hackers may manipulate transactions, the experts suggested.

Presently, credit and debit cards are used over the banks' own network or other global network systems such as VISA or Q-Cash.

BB has introduced online payment systems, facilitating fund transfers and payment of utility bills on the net. The new move allows people to use local currency credit cards for online transactions within the country.

Although these services are being introduced on a smaller scale, it is seen as the first step towards full-fledged online banking. This move will certainly enhance the use of e-commerce and online banking services facilitating subscribers of all commercial banks in Bangladesh.

AMRAN HOSSAIN

Customers line up at a branch of Standard Chartered Bank in Dhaka yesterday. An online payment system promises to ease the hassles of customers, but banking and IT professionals emphasise secure transactions.

"Despite all the security concerns, it is a big move by the central bank. Everything will settle gradually," said Kazi Saifuddin Munir, managing director of Information Technology Consultants Ltd.

"A virtual private network should be set up for such transactions to ensure security at banks, with merchants and customers."

A virtual private network (VPN) is a computer network that is implemented in an additional software layer (overlay) on top of an existing larger network to create private scope for computer communications or provide a secure extension of a private network into an insecure network, such as the internet.

Talking to The Daily Star, IT professionals working for banks said a few banks are ready to go for such transactions with merchants at the moment.

"Dispute settlement is a vital issue in online banking. There is a possibility that a transaction is hacked in the open internet transaction system," said an official of a leading bank, asking not to be named.

The official said the integration between a bank's foreign software-based network with a merchant that takes an internet connection from an internet service provider will become an issue.

Shoeb Ahmed, former general secretary of Bangladesh Association of Software and Information Services, said BB should arrange a public hearing soon with stakeholders to find a way under which the internet payment system will run safely.

However, he said, if banks connect merchants with the designated software, transactions can be introduced on a limited scale soon.

Under the move, Ahmed said, local software makers can get some work if the government uses local software to collect fees and other public charges.

He suggested a common internet gateway be set up under public private partnership to ensure a secured payment system.

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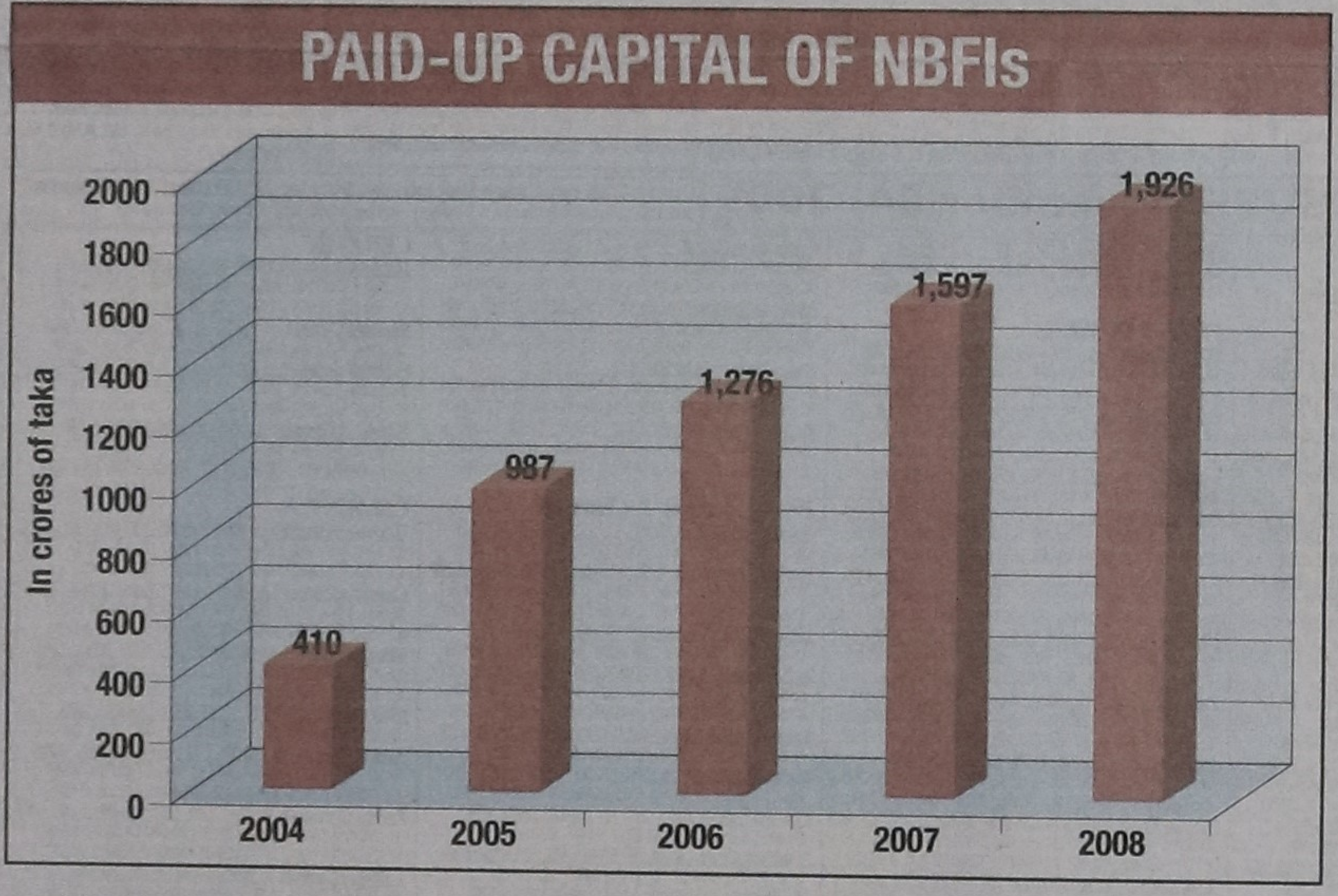

NBFIs asked to double capital to Tk 50cr

Central bank sets December 2010 deadline

REJAUL KARIM BYRON

The Bangladesh Bank yesterday directed non-bank financial institutions (NBFIs) to double their paid-up capital to Tk 50 crore from the existing Tk 25 crore.

The institutions will have to raise their capital by December next year, a circular issued by the central bank said.

To meet the deficit in their paid-up capital, the financial institutions can opt for such means as issuance of initial public offering (IPO) or right shares or bonus shares, the BB said.

"Even the NBFIs can examine the possibility of merger to raise their capital base," the circular said.

The central bank in September sought the finance ministry's approval for raising the paid-up capital of the NBFIs to Tk 50 crore from the existing Tk 25 crore.

The BB took the move to help consolidate the capital base of the country's NBFIs in line with the Basel-II framework, which would come into effect from next year.

Basel-II accord is the latest version of risk-based capital standards set for banks worldwide.

Earlier, in a similar move the BB directed banks to double their paid-up capital to Tk 400 crore by next year.

The circular said the paid-up capital of the NBFIs should be increased to Tk 50 crore or the minimum capital reserved against their risk-based assets -- whichever is higher.

It also directed foreign companies operating in Bangladesh to maintain the same amount of paid-up capital at Tk 50 crore.

A BB senior official said at present the amount of paid-up capital of the NBFIs including risk-based assets is Tk 25 crore. He said only the paid-up capital would be less than Tk 25 crore.

Mafizuddin Sarker, chairman of Bangladesh Leasing and Finance Companies Association, told The Daily Star that 17 out of 29 NBFIs operating in the country have already raised their paid-up capital to Tk 50 crore.

"There will be no major problem for any company to increase its capital as per the directive of the central bank," said Sarker, also the managing director of LankaBangla Finance Ltd.

However another BB official said: "Shareholders' equity constitutes only 23.5 percent of the total liabilities of NBFIs, revealing wide scope for the institutions to raise capital through IPOs rather than other high-cost funding."

The central bank in June 2003 had raised the minimum ceiling of capital for NBFIs to Tk 25 crore from the previous Tk 10 crore to make those operationally sound.

Of the NBFIs, one is state-owned, 15 are local (private) and the rest 13 are established under joint venture with foreign participation.

Currently 17 NBFIs are listed with the stock exchanges. The total amount of loan and lease of these institutions was nearly Tk 10,000 crore as on December 31, 2008.

Economic ties with neighbours will deepen: Hasina

BSS, *Dhaka*

Prime Minister Sheikh Hasina said yesterday Bangladesh's economic relations with its neighbours will be strengthened further and the fields of cooperation would be widened.

The opportunities were created due to her detailed discussions with the heads of states at the 64th United Nations' General Assembly, Hasina replied to a query from treasury bench lawmaker Benajir Ahmed in parliament.

Hasina said US President Barack Obama at a meeting had praised Bangladesh for its role in the UN peace mission. She also met US Foreign Secretary Hillary Clinton.

Hasina said she had also talks with Commonwealth Secretary General.

During her talks with World Bank President Robert Zoellick, the prime minister sought cooperation of the world forum in implementing government's programmes on poverty eradication, strengthening social safety net, creating employment and facing climate change.

The WB chief assured her of providing cooperation on these issues besides constructing the Padma bridge.

OIC Secretary General Ekmeleddin Ihsanoglu praised Bangladesh for its progress in poverty eradication, women empowerment, especially ensuring parity in female education, the prime minister said.

On the sidelines of UNGA, she had bilateral talks with her counterparts from Nepal, Sri Lanka and Kenya, and also the president of the Maldives.

The Nepali prime minister sought cooperation from Bangladesh in building peace and security. Hasina said: "I assured my Nepali counterpart of providing assistance in this regard."

Hasina discussed with the Maldives president climate change and a plan to float a fund for the least developed countries and an adverse impact of global warming.

European FTAs with Asian countries may harm Bangladesh

Say trade analysts at a seminar

STAR BUSINESS REPORT

The European Union's bilateral free trade agreements (FTAs) with India, Southeast Asian nations and South Korea may be a potential threat to Bangladesh, officials of the European Commission said yesterday.

EU is the Bangladesh's largest trade partner. Over half of the country's total exports of $15 billion were destined to EU last fiscal year.

"The European Union's FTA with India, Asean and South Korea is definitely a concern for Bangladesh," Zillul Hye Razi, trade adviser to EC Delegation in Dhaka, told a seminar.

He cited the example of Bangladesh's bicycle exports to EU under duty- and quota-free facility. India needs to pay high duty (17 percent) for bicycle exports to EU, but an FTA will remove this tariff barrier, putting Bangladesh in a fierce competition with rivals.

Commerce Minister Faruk Khan spoke as chief guest at the inaugural session of the seminar on "EU-Bangladesh trade relations: Trends and challenges" at Dhaka Sheraton Hotel.

Dr Stefan Frowein, head of delegation of the European Commission to Bangladesh, senior government officials, trade experts and businesspeople took part in the discussion.

Jenni Lundmark, trade programme manager of EU to Bangladesh, presented a paper on the European Commission's trade-related technical assistance programmes in the country. Andrew Barnard, first secretary of the delegation of EC, moderated the session.

The EU has been in talks for FTAs with India, Asean (Association of Southeast Asian Nations) and South Korea since 2007. Negotiations with India and Korea are going on in full swing, while it is relatively slow with Asean due to political sensitivities and a lack of integration between the members of the bloc.

The discussants said Bangladesh needs a comprehensive trade policy.

Proper utilisation of GSP (generalised system of preferences) offered by Europe to least developed countries, including Bangladesh, is also vital, they said.

The FTAs of the EU with India, Asean and South Korea are the biggest challenge for Bangladesh's future trade with Europe," said Lundmark. Even Bangladesh's garments exports may face a huge competition from these countries, she added.

Abdur Rahman, director of Export Promotion Bureau (EPB), said the government is considering an integrated trade policy merging export and import policies.