

Debate over Basel II costs

Discussion on financial crisis held

STAR BUSINESS REPORT

The regulator and banks differ on the costs of implementing the Basel II norms, particularly in borrowers' credit rating.

Bankers believe the mandatory credit rating of borrowers will push their capital costs up, while a senior Bangladesh Bank (BB) official concerned with the Basel II implementation process said the rating costs will be provided by the borrowers and not by banks.

They made the observation yesterday at a meeting on the "Causes and Effects of the Financial Crisis and Responses of Basel Committee on Banking Supervision", organised jointly by Credit Rating Agency of Bangladesh (CRAB) and Association of Bankers Bangladesh at the Metropolitan Chamber of Commerce and Industry in Dhaka.

CRAB Vice Chairman Matiu Islam chaired the meeting that was attended by senior financial sector officials and analysts.

John Rutherford Junior, former chairman of US-based Moody's Corporation, a renowned rating firm, presented a paper on the subject.

"For a borrower with a lower rating and no rating, the capital costs will be pushed up for banks," K Mahmood Sattar, managing director of The City Bank, told reporters after the meeting.

Banks will have to provide 125 percent risk weight for un-rated corporate borrowers, while a lower rating, such as 'C', will force a bank to keep a provision of 150 percent, according to the central bank guideline.

Bankers said the direct impact of a lower rating will also affect a corporate in raising fresh capital.

Faruk M Ahmed, deputy managing director of AB Bank, said it impacts banks as they have to provide for more capital for a borrower with lower rating and this in turn will translate into charging a higher interest rate from that borrower.

However, Ahmed raised questions on the interest rate ceiling set by BB.

"Banks have nothing to do with the rating costs, as it will be given by the respective borrowers," said Abdul Wadud, deputy general manager of BB.

Bangladesh's banking industry entered the Basel II regime formally on January 1, 2010. So banks will have to maintain a Tk 400 crore capital requirement set by BB, of which, Tk 200 crore must be paid-up capital to support the risk profile.

As per Bangladesh Bank guidelines, a bank must have 10 percent of its capital in risk-weighted assets.

From March this year, banks will have to report to BB on Basel II implementation, including a credit rating of their corporate clients.

At the meeting, the BB official said 26 banks out of 48 are now compliant with the Basel II norms.

However, only 16 banks -- nine foreign and seven private -- are compliant with the Basel II norms.

In his presentation, Rutherford said the financial crisis in the US occurred because of market problems and not for political reasons.

Citing an article by Paul Krugman on "How Did Economists Get It So Wrong?" in The New York Times, he said not so long ago economists were congratulating themselves on the success of their field.

But he said the profession became blind to the very possibility of catastrophic failures in market economy and they turned a blind eye to the limitations of human rationality that often lead to bubbles and bursts; to the problems of institutions that run amok; to the imperfections of markets, especially financial markets, that can cause the economy's operating system to undergo sudden, unpredictable crashes; and to the dangers created when regulators do not believe in regulation.

Rutherford said among the financial economists, Keynes's disparaging vision of financial markets as a 'casino' was replaced by 'efficient market' theory, which asserted that financial markets always get asset prices right given the available information.

He said finance economists rarely asked the seemingly obvious (though not easily answered) question of whether asset prices made sense given real-world fundamentals like earning.

He added that the US has not implemented Basel II yet. The large US banks are expected to phase in the adoption of Basel II over the next two to three years. He said Moody's expects that the US core banks will be subject to the changes to the market risk capital charge by the end of 2010, as will all banks under Basel II, and the changes to the treatment of securitisations will be effective by the end of 2010.

Sattar, also chairman of Association of Bankers Bangladesh, moderated the meeting. ICRA India Ltd Vice Chairman PK Chaudhury and CRAB Managing Director Hamidul Haque also addressed the meeting.



Marten FC Willemsen, director of marketing for Global Business Unit CFLi of Philips, attends the two-day Light and Electrical Sales Conference 2009 of Transcom Electronics Ltd at Jamuna Resort, which started on January 8. Arshad Huq, chief operating officer of Transcom Electronics, and Wasiuddin, national sales manager, were also present.

Agriculture radio likely to start in Barguna in Feb

UNB, Dhaka

A community radio station is likely to be set up in Barguna's remote area in February to empower nearly three lakh rural people.

The station mostly high-lighting agriculture will be set up under a pilot project at an estimated cost of around Tk 7 crore.

It is part of the project titled Enhancing Rural Communication Services for Agricultural Development through Community Rural Radio.

Food and Agricultural Organisation (Fao) will provide more than Tk 3.16 crore apart from ensuring technical assistance, while Tk 3.26 crore will come from the government.

Stating this, Agriculture Information Service (AIS) Director Md Nazrul Islam said an agreement in this regard is likely to be signed between the Ministry of Agriculture and Fao this month.

He said the community

radio station would run initially for eight hours a day by the officials of AIS, Bangladesh Betar in Barisal Centre and Department of Agricultural Extension.

Different programmes on agriculture explaining suitable types of soil for every crops, fertiliser management, livestock and fisheries will be broadcast in local dialect.

On completion of the two-year project tenure, the radio station's management will be handed over to the community people under supervision of local government or thana nirbahi officer.

Islam said some nongovernmental organisations that want to work in agriculture might also be involved in the venture in future.

"Apart from agriculture, the radio station will also broadcast programmes on education, nutrition, environment, forestry, and may even forecast in case of any natural calamity."

Tk 4,500cr freshwater shrimp to be exported

BSS, Dhaka

Clouds over Bangladesh's freshwater shrimp industry are clearing as the European Union (EU) has renewed its confidence in the second biggest foreign currency earner.

A high-powered EU delegation is due on January 18 to examine the latest improvement in compliance as the six-month self-imposed ban on shrimp import to the EU came to an end yesterday.

On June 1, entrepreneurs voluntarily suspended the export of salt-water shrimp to the EU for six months following the detection of health hazardous antibiotic, Nitrofurantoin, in it, which resulted in cancellation of more than 50 consignments.

Bangladesh Frozen Foods Exporters Association (BFEEA) has set a target to export freshwater shrimp worth of Tk 4,500 crore for this year.

"We have earmarked Tk 4,500 crore freshwater shrimp export to different destinations including EU if any problem does not arise

and if EU does not object," said BFEEA President Md Musa Meah.

The association has already forwarded a proposal to the government suggesting the setting up of at least two modern testing labs in Khulna and Chittagong, he said. BFEEA does not expect the suspension again.

On chemical use in shrimp production, he said the government should make a shrimp policy forthwith to propel the growth of the industry.

He asked the government to give necessary directives to the deputy commissioners in Khulna and Chittagong so that they could initiate a campaign to withdraw the antibiotic drug items from local markets.

Musa Meah said the sector had witnessed some sort of uncertainty after two consecutive disasters and global recession that brought down prices, forcing some factories to shut down and ultimately dented the buyers demand for salt-water shrimp.

"We have got nothing

from the government in the backdrop of the crisis and not even a single Penney from the stimulus package worth of Tk 5,000 crore."

Chairman of Bangladesh Shrimp and Fish Foundation (BSFF) Syed Mahmudul Haq said they want to have a pint point in every level of production like farmers, businessmen, processing and export.

The foundation has embarked on a plan to formulate 'national plan' in collaboration with the industries association and the Department of Fisheries to promote the sector, said Haq.

Fisheries and Livestock Ministry officials said Bangladesh exported freshwater shrimp worth of Tk 114 crore to different destinations except the EU during June to November last year while it was Tk 246 crore in the same period in 2008.

The country exported around 50,368 tonnes of shrimp of all categories and earned Tk 2,774 crore last year and this year the ministry expects to export 55,000 tonnes of shrimp.



Erfanuddin Ahmed, president and managing director of Bank Asia, hands over the first pay order of the bank's Musharaka Finance, a newly introduced investment mode under Islamic banking, to a proprietor in Dhaka recently.

Saudi tycoon gears up for investment spree

AFP, Riyadh

Saudi tycoon Prince Alwaleed bin Talal said on Monday he is gearing up his Kingdom Holdings group for major new investments including Gulf hotels and a one-kilometre-tall tower in Jeddah on the Red Sea.

Alwaleed said he was transferring 180 million of his own shares in US banking giant Citigroup into Kingdom Holdings at no cost to shore up its balance sheet.

"I am very positive about the future," he told a rare press conference at his headquarters, the Kingdom Towers skyscraper in Riyadh.

"We are always looking for new investments," said Alwaleed, Kingdom's chairman and 95-percent shareholder.

The 54-year-old nephew of King Abdullah said Kingdom was in talks on four major new investments, without giving details.

But he added that Kingdom, which owns major

luxury brands like the George V in Paris, the Fairmont Raffles Hotels group and the Four Seasons Hotels group, would invest in new hotel properties in the Gulf region and Arab world.

The injection into Kingdom of his own personal shares of Citigroup, which was facing severe problems only one year ago, will allow the leading Saudi investment house to raise more funds, Alwaleed said.

The transfer of the 180 million shares boosted Kingdom's assets by 597 million dollars, he said, while the bank's recovery would bring strong returns to the group.

"It is very clear that the worst for Citi is over," he said. "Citi is on the right path right now."

Alwaleed also strongly hinted that Kingdom would return to profit in the just-finished fourth quarter of 2009 after decreasing losses in each of the previous three quarters.



Samson H Chowdhury, chairman of Square Group, inaugurates the foundation ceremony of the Unit-3 of Square Pharmaceuticals Ltd, at Kaliakoir in Gazipur on Sunday. Tapan Chowdhury, managing director of the company, was also present.

Invitation for Tenders

Government of the People's Republic of Bangladesh
Survey of Bangladesh (SOB), Tejgaon, Dhaka-1208, Bangladesh

International Tender Notice

GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH

1.	Ministry/Division	Ministry of Defence.
2.	Agency	Survey of Bangladesh.
3.	Procuring entity name	Surveyor General of Bangladesh.
4.	Procuring entity code	1911.
5.	Procuring entity district	Dhaka, Bangladesh.
6.	Invitation for	Digital Mapping Unit, SOB.
7.	Invitation Ref. No.	P-71/11-G-DRGA(Advertisement).
8.	Date	07 Jan 2010.

KEY INFORMATION

9.	Procurement method	Open tender method.
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FUNDING INFORMATION

10.	Budget and source of funds	GOB.
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PARTICULAR INFORMATION

11.	Project/programme code (if applicable)	5010.
12.	Project programme name (if applicable)	Improvement of Digital Mapping System of Survey of Bangladesh (SOB).
13.	Tender package no.	GD4.
14.	Tender package name	Digital Mapping Unit.
15.	Tender publication date	11 Jan 2010.
16.	Tender last selling date	07 Feb 2010.
17.	Tender closing date and time	Date: 25 Feb 2010 Time: 11:00am (BST).
18.	Tender opening date and time	Date: 25 Feb 2010 Time: 11:30am (BST).
19.	Name & address of the office(s)	Address: Project Manager, Survey of Bangladesh.
	- Selling tender document (principal)	Security Officer, Survey of Bangladesh.
	- Selling tender document (others)	Project Manager, Survey of Bangladesh.
	- Receiving tender document	Tender Opening Committee.
	- Opening tender document	Conference Room, Survey of Bangladesh.
20.	Place/date/time of Pre-tender meeting (optional)	Date: 11 Feb 2010 Time: 11:00am (BST)

INFORMATION FOR TENDERER

21.	Eligibility of tenderer	The tenderer or the leading company/industry/institute must have at least 10 (ten) years experience in topographic mapping that includes the whole of the process of Photogrammetry/GIS/Cartography is eligible to apply. The tenderer must provide all items and related services.
22.	Brief description of goods or works	Single lot containing 04 (four) items listed below: (1) Complete Photogrammetric Workshop which includes aerial triangulation, 3D plotting, DTM & Orthophoto processing. (2) GIS Workshop. (3) Cartographic Workshop. (4) Server, Storage System, Back up System, UPS and LAN.
23.	Brief description of related services	(A) Installation of workshops including LAN. (B) On-job training. (C) Quality plan for installation and training. (D) Yearly maintenance. (E) Factory training.
24.	Price of tender document (Tk.)	Taka 5000.00 (five thousand).
25.	Item No.	Identification of item
	1	Photogrammetric Workshop
	2	Geographic Information System (GIS) Workshop
	3	Cartographic Workshop
	4	Server and Storage System
	Location	Tender security amount (Tk.)
	SOB	Tk. 40 lac or US\$ 0.057m
	SOB	120 (one hundred and twenty) days from the date of contract signing
	SOB	
	SOB	

PROCURING ENTITY DETAILS

26.	Name of official inviting tender	Major Md Nurul Amin Chowdhury.
27.	Designation of official inviting tender	Project Manager.
28.	Address of official inviting tender	Survey of Bangladesh, Tejgaon, Dhaka-1208, Bangladesh.
29.	Contact details of official inviting tender	Tel. No 8130896 Fax No. 0088-02-9117463 e-mail: info@sob.gov.bd; sobproject@yahoo.com
30.	The procuring entity reserves the right to accept or reject all tenders.	

GD-126

Directorate General Defence Purchase
Ministry of Defence
New Airport Road, Tejgaon, Dhaka-1215
E-mail: info@dgdpp.gov.bd
Web: www.dgdpp.gov.bd

Tender/Re-Tender Notice

1. Sealed tender are invited in local currency from bonafide manufacturers/suppliers/indentors (enlisted firm) for supply of the following items for "Bangladesh Army".

Ser No.	Nomenclature	Date of selling		Date of opening	Currency	Tender No.
		From	To			
1	Spare Parts for Walkie Talkie Set GP-328, Radio Set AN/VRC-64 and Telephone Set TA-312/PT (Quantity-13 Lines) (1 st Time)	17-01-2010	25-02-2010	28-02-2010	Local	214/2114/P-2

2. Tender schedule with detailed specifications/conditions will be available on payment as per I/T selling rate (non-refundable) during office hour between 0800 hours to 1300 hours. The tender can be dropped latest by 1000 hrs and opened at 1005 hours on the specified date of opening in presence of all tenderers (if present).

ISPR/Misc/2010/06
07/1/2010

Major
For Director General