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BB backs garment wage hike

STAR BUSINESS REPORT

Bangladesh Bank (BB) has warned that if workers' wages in the apparel sector are not increased, it will adversely affect exports and the government's ability to reach the targeted economic growth rate.

The central bank sounded the warnings in its monetary policy statement released on Monday.

The current minimum wage levels in the sector need to be raised urgently as these have fallen far below the levels now prevailing for rural labourers, the BB said. "This is as important for subsistence of the workers as for addressing the concerns of consumer lobbies in export markets in advanced economies about the fair treatment of workers," it added.

Citing the government's target GDP growth rate of 6.7 percent, BB said the labour unrest in the apparel sector need to be resolved urgently.

The minimum wage in the apparel sector is Tk 1,662 a month now, whereas in the rural areas, agricultural workers earn more than Tk 3,000 a month and they work only six to seven hours a day. The farm hands also get food from their employers.

Workers in the apparels sector are demanding a minimum wage of Tk 5,000 a month.

A negotiation between the government, factory owners, worker representatives and independent observers is now going on over a wage hike.

Observers feel that the minimum wage should be above Tk 3,000 a month, but the owners do not agree to raise the wage beyond Tk 2,500.

Insurers living off govt premiums

SAJJADUR RAHMAN

Some private insurers are earning more from premiums on the insurance of government properties than they generate from their own business.

The private insurers get such premiums without giving any service.

Big market players said such a way of earnings encourages small companies not to merge despite the passage of new and stringent laws that have asked them to double their paid-up capital.

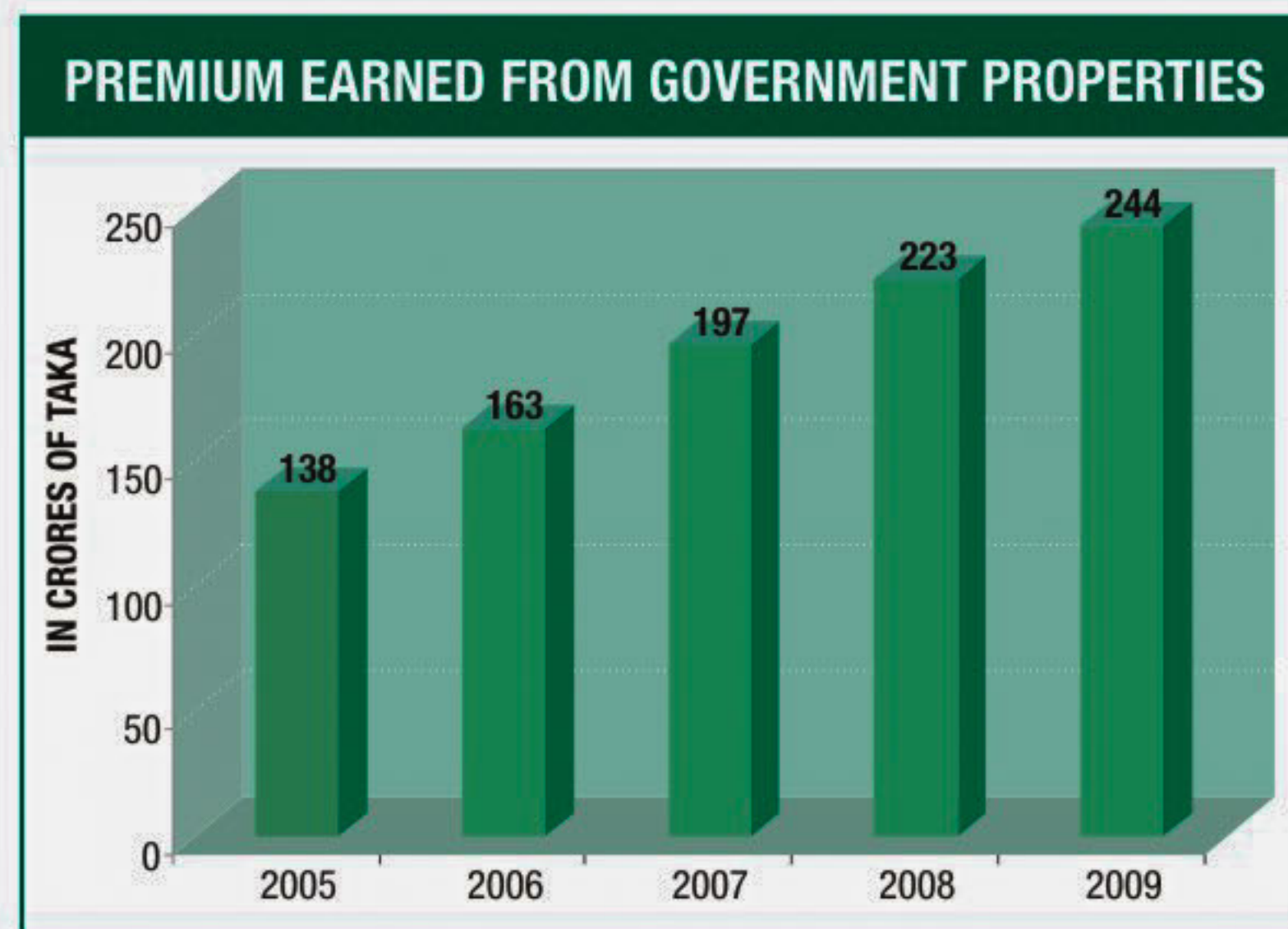
In line with a decision taken in the mid-1980s, private insurers get 50 percent of premiums earned from government insurance irrespective of their size and strength. State-owned Sadharan Bima Corporation that gives coverage to public properties gets the rest 50 percent.

Sadharan Bima Corporation, the state-owned general insurer that administers and distributes government premiums, also thinks time has come to review the system.

"There has been no review in the distribution mechanism for the last two decades. Many private insurers demand their share on the basis of their volume of business," said Rezaul Karim, managing director of Sadharan Bima Corporation.

Although Sadharan Bima gives full coverage to the government properties, Karim said private insurers get 50 percent premium because they were not financially solvent at the time the decision was taken.

Like the private sector, the government has to insure its assets and properties. Bulk of the government



insurance premiums comes from Biman Bangladesh Airlines, shipping, energy and fertiliser companies and from imports and exports.

Premiums from public insurance almost doubled in the last five years. It was Tk 244 crore in 2009 from Tk 138 crore in 2005. Government insurance generated Tk 163 crore, Tk 197 crore and Tk 223 crore as premiums in 2006, 2007 and 2008 respectively.

As per a decision of Ershad government in the mid-1980s, Sadharan Bima Corporation after taking its management and administration costs, distributes 50 percent of the premiums to the private companies. Accordingly, a private insurer got Tk 2.88 crore as gross premium in 2009. Currently, there are 43 private insurance companies in Bangladesh.

"The Ershad government gave us 50 percent of the premiums earned from the insurance of government

properties against our demand," said Nasir A Chowdhury, managing director of leading private sector insurer Green Delta Insurance.

Chowdhury said before that Sadharan Bima did the government insurance business solely.

"This is unfair that a small insurer will get the same as we do. This should be based on a company's volume of business," he said.

"Small companies will create chaos if the premiums are distributed on the basis of the insurers' business volume. Let them get the benefits," said AKM Rafiqul Islam, president of Bangladesh Insurance Association.

Rezaul Karim, however, hopes the situation would improve once the Insurance Development Regulatory Authority is formed.

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Intellectual property to get support centre

STAR BUSINESS REPORT

World Intellectual Property Organisation (WIPO) will help Bangladesh set up a technology and innovation support centre to strengthen the country's intellectual and innovation capacity.

Industries Minister Dilip Barua and WIPO Director General Francis Gurry said this at a press conference, organised yesterday to mark the conclusion of a two-day regional meeting on intellectual property for the policymakers of least developed countries.

"Bangladesh made some specific gains at the event," Barua said.

He said the WIPO has promised to support the country's institution building efforts through strengthening intellectual property offices and setting up a technology and innovation support centre.

The WIPO commitment came after Prime Minister Sheikh Hasina asked Francis Gurry to help Bangladesh set up an integrated national intellectual property office.

The industries minister said such an office would not only provide intellectual property-related services but also act as a catalyst.

Bangladesh along with the WIPO organised such an event for the first time. Ministers, members of parliament and senior government officials from 15 least developed countries (LDCs) attended the meeting in Dhaka.

"We look forward to working together with Bangladesh in setting up a technology and innovation support centre here," said Francis Gurry.

Replying to queries about the extension of an agreement on intellectual property rights for the pharmaceuticals of the LDCs, the WIPO boss said the issue falls within the jurisdiction of the World Trade Organisation.

The Bangladesh's prime minister also asked the authorities concerned to extend the timeframe.



Francis Gurry

"It's a premature demand. The LDCs will enjoy the benefit till 2016," said Gurry. He, however, termed Bangladesh's achievement in pharmaceuticals 'wonderful'.

The WIPO boss also suggested Bangladesh prioritise intellectual property-related issues.

"Intellectual property is a very good mechanism to add value, and brand Bangladesh outside," he said.

The high-profile meeting discussed a wide array of issues such as integrating intellectual property into national development policy and strategies, policy issues, technology transfer, patents, copyrights and cooperation for building related institutions.

Participants at the meeting also shared their experiences.

Industries Secretary Dewan Zakir Hussain was also present at the press conference.

(RELATED STORIES ON B3 & B4)

Green light for two mutual funds

SEC approves rights offers of City Bank, Islamic Finance

STAR BUSINESS REPORT

The stockmarket regulator yesterday gave a green light to two applicants to float mutual funds.

One applicant was the Tk 150 crore EBL NRB Mutual Fund, sponsored by Eastern Bank Ltd (EBL), while the other was the Tk 100 crore worth Sonali Bank 1st Mutual Fund, which will be sponsored by Sonali Bank Ltd.

Both the funds are closed-end with a maturity period of 10-years, said officials of Securities and Exchange Commission (SEC).

The commission approved the funds at a meeting presided over by SEC Chairman Ziaul Haque Khondker.

A mutual fund is a professionally managed collective investment scheme that pools money from many investors and invests in stocks, bonds and short-term money market instruments.

The per unit price of each of the two mutual funds will be Tk 10, said SEC Executive Director Anwarul Kabir Bhuiyan after the meeting.

In the EBL NRB Mutual Fund, Eastern Bank will subscribe units worth Tk 15 crore as sponsors, while Tk 60 crore will be raised through pre-IPO or private placement, and the rest Tk 75 crore will be kept for initial public offering (IPO).

Of the Tk 60 crore pre-IPO placement, 50 percent or Tk 30 crore will have to be reserved for non-resident Bangladeshis, Bhuiyan said.

Race Asset Management will act as manager of the fund.

In the Sonali Bank 1st Mutual Fund, Sonali Bank will subscribe units worth Tk 25 crore as sponsor, while Tk 25 crore will be raised through pre-IPO placement and Tk 50 crore through IPO.

Investment Corporation of Bangladesh's subsidiary, Asset Management Company Ltd (AMCL), will act as manager of the fund.

The SEC executive director said Sonali Bank proposed the name of the fund as Sonali Bank 1st ICBAMCL Islamic Mutual Fund.

KEY FACTS

EBL NRB Mutual Fund
Size: Tk 150cr

Sonali Bank 1st Mutual Fund
Size: Tk 100cr

Maturity period: 10 years

But, the commission did not approve the name because as per an SEC decision, the asset managers' name cannot be used in the mutual funds' title.

Currently, 26 closed-end mutual funds and three open-ended unit funds are being traded on the bourses.

At yesterday's meeting, SEC also approved the rights offer of City Bank and Islamic Finance and Investment.

The City Bank will now be able to issue more than 1.96 crore rights shares at an offer price of Tk 200

each, including a Tk 100 premium. Existing shareholders can enjoy the rights offers at a ration of 1:1, meaning one rights share will be given against one existing share.

Islamic Finance and Investment will issue more than 19.92 lakh rights shares at an offer price of Tk 150 each, which includes a Tk 50 premium.

Existing shareholders can enjoy the rights offers at a ration of 2:1 -- one rights share will be given against two existing shares.

BB ups farm credit target

STAR BUSINESS REPORT

Bangladesh Bank (BB) has increased the agriculture loan distribution target by around 13 percent to Tk 12,500 crore for the current fiscal year, to ensure food security by boosting the farm sector.

BB Governor Atiur Rahman will announce the loan allocation today at a press meet.

The governor will also meet the chief executives of all the banks before the press meet to finalise the target for farm loans.

A BB high official said the governor will also deliver a guideline to the chief executives so that farm loans can be distributed timely and effectively to the farmers.

BB earlier organised a three-day discussion with field level bank officials from across the country to know the problems.

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