Star Business

City

DHAKA TUESDAY AUGUST 10, 2010

Stocks

DGEN	▲ 0.29%	6,620.98
CSCX	▼ 0.25%	12,614.60

IDLC Index

IDLC 50	▲ 0.03%	6,724.50

Subject to Conditions contained in www.idlc.com

Asian Markets

MUMBAI	▲ 0.79%	18,287.50
TOKYO	▼ 0.72%	9,572.49
SHANGHAI	▲ 0.53%	2,672.53

Currencies

	Buy Tk	Sell Tk
USD	68.77	69.77
EUR	89.95	94.06
GBP	108.49	112.90
JPY	0.79	0.85

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold	▲	$1,208.55 (per ounce)
Oil	▲	$81.28 (per barrel)

SOURCE: AFP (Midday Trade)

Be more responsible: President to chartered accountants

BSS, *Dhaka*

President Zillur Rahman yesterday asked chartered accountants to be more responsible to ensure financial transparency and accountability of individuals and organisations for the interest of the government and the people.

"I believe you'll also show your accountability and patriotism," said the president while inaugurating the International Conference of Chartered Accountants 2010 at Sonargaon Hotel in Dhaka.

Institute of Chartered Accountants of Bangladesh (ICAB) organised the international conference with the theme, `Role of Chartered Accountants in the Mobilisation of National Resources'.

Rahman said the government mostly depends on direct and indirect taxes to mitigate the expenses of the national budget.

"But many individuals and organisations make their annual financial balances such a way so that they can avoid paying more taxes which don't reflect the real accounts."

Referring to the gradual increase in the volume of annual budget, Rahman said, "I believe the role of the professional accountants is very important to ensure proper management of the huge budget for both the public and private sector."

Nobel laureate Muhammad Yunus spoke on the occasion as special guest while Bangladesh Bank Governor Atiur Rahman presented the keynote paper.

ICAB President Dr Jamaluddin Ahmed and Vice President M Abdus Salam also spoke.

Nearly 500 chartered accountants including 45 from different member states of Saarc participated in the daylong conference.

RELATED STORY ON B3

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Seated from left, Finance Minister AMA Muhith, National Professor MR Khan and State Minister for Science and ICT Yeafesh Osman pose for photographs with winners in the e-health category of the National e-Content and ICT for Development Award 2010 at a function in Dhaka yesterday. The science and ICT ministry and D.Net (Development and Research Network) organised the competition. Related story on B4

Banks move to pay savers more

Hope to stem defectors to stocks

SAJJADUR RAHMAN

The markets are forcing the hands of bankers in a way that is good news for savers, but bad news for borrowers.

Private commercial banks have recently increased the interest rate on deposits by 1 percentage point to 9.5 percent, in a bid to retain the money now flowing to the capital market, and to strengthen their capital bases for loans to new power projects.

The move may push borrowing costs up, which could hamper the country's industrialisation. "Savers, particularly small ones, are taking their money away from the banks to invest in stocks for quick returns," said Ehsanul Haque, managing director and chief executive officer of Prime Bank.

"It's a blow to the borrowers who will have to pay more now for a rise in banks' cost of funds," said Anis A Khan, managing director and chief executive officer of Mutual Trust Bank.

In August last year these banks slashed the rate paid to savers, and capped it at 8.5 percent, aiming to reduce borrowers "cost of funds". But the banks could not maintain the rate due to changing market trends.

Helal Ahmed Chowdhury, managing director of Pubali Bank, said his bank is offering a 9 percent interest rate to retain individuals' savings deposits, which are now flowing into the capital market.

Khan also admitted personal savings are chasing higher returns in capital markets, which entail much higher risks. Capital markets are increasingly drawing away the balances of small and medium savers.

"I have switched to the capital markets a year ago," said Shahinur Alam, an executive in a trading company at Motijheel. "I got a return of nearly 50 percent, far higher than the banks."

Investors in stocks expect higher returns than they get from banks. Their numbers, measured as beneficiary owners (BO) accounts, crossed 25 lakhs in June this year, up from around 15 lakhs a year ago.

Banks' clients have long been demanding a slash in the lending rates, as they believe borrowing costs in Bangladesh are among the highest in the world. Manufacturers have to pay 11 to 14 percent for bank loans, while consumer loans cost 15 to 18 percent.

In an unprecedented move, the top five industrialists in the country recently pressured the banks to lend them at single-digit interest rates, to offset their business losses for the acute energy crisis.

On the other hand, banks were facing a significant decline in investment demand due to the global recession and its impact on the economy in 2008 and 2009. To sustain businesses, banks invested heavily in the capital markets. The central bank later capped at 10 percent of their liabilities.

Besides funds flowing to the capital markets, bankers also see a rise in demand for money. "Demand for money has gone up, and too many banks and non-banks are in a competition to attract deposits and retain existing savers," said Anis A Khan.

Khan also said banks need more money because of their expanding networks and lines of business. Mutual Trust Bank has expanded its branch network to 49 this year from 36 branches last year.

But Haque says banks are speculating on rising demand in business loans from the power sector: "Many power projects are coming into the surface. Although these projects need huge investments, bankers feel safe to fund them."

In April, 2009, private commercial banks set the deposit rate ceiling at 9.5 percent, up from 13 percent, following Bangladesh Bank's order to reduce a lending rate then at an average of 14.5 percent. In August, 2009 they capped deposit rates at 8.5 percent.

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China factories lured here

But no prime EPZ land remains

JASIM UDDIN KHAN

Bangladesh's foreign investment agency is stuck between increasing demands for industrial land by potential foreign investors and its scarcity in and near Chittagong and Dhaka.

The Board of Investment (BoI) received demands for than 800 acres of industrial land, mainly in the two top cities or their outskirts, during the first six months of 2010, according to BoI Executive Member Abu Reza Khan.

Khan said the demands were from about two dozen industrial ventures, mainly from Taiwan, Korea, China and Malaysia.

He added that the investors are only interested to establish or relocate their industries in either Chittagong or Dhaka. "When we approached them for other cities or EPZs at other locations, they directly refuse our proposal," Khan said.

Lured by cheap labour costs, two top executives of the world biggest contract manufacturer of shoes, Taiwan-based Pou Chen, intended to relocate their factories from Sichuan to Chittagong.

Khan said Taiwanese executives from shoe manufacturers Hui Dong Wei Ming, Guangzhou Luo Lin and Sichuan Lujiayi Shoes Co, also visited Dhaka hoping to relocate factories in Bangladesh. Textile, leather goods and glass manufacturing companies also interested to relocate factories from China and Taiwan to Bangladesh.

Taiwanese factories in Mainland China are facing shortages of workers for low-end products due to rising expectations and salaries in higher-end goods factories.

According to a statement by Pou Chen officials, the salary of a processing worker in Sichuan and other central provinces exceeded Tk 10,290 ($147 or 1,000 yuan) per month.

"We wanted workers within a 600-700 yuan a month, but it is becoming a nightmare to us to (retain) workers in any province at this rate," said Tai Yu Kuo, Pou Chen General Manager who visited Bangladesh.

Previously the company planned to move out of the province to the less-developed areas that are usually labour-export bases, but labour costs increased all over China, Kuo said.

The investors only want to be in or near the two cities, a BoI official said, because they are worried about Bangladesh's poor infrastructure, roads, accommodations and communications in other areas.

When asked, a high official of Bangladesh Export Processing Zone (Bepza) said it has no available industrial plots for Dhaka, Admajee or Chittagong EPZs. He said the government recently finalized the Specialized Economic Zone (SEZ) guideline to accommodate foreign investment.

"It is apparent that the government has no plan to create more EPZs at the two cities; but the government will ensure all facilities to private entrepreneurs to develop private EPZ and SEZ in the two cities," the Bepza official added.

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Relax IPO rules: SEC body

SARWAR A CHOWDHURY

The Consultative Committee of Securities and Exchange Commission (SEC) yesterday decided to recommend that the regulator relax the IPO rules to encourage non-listed companies to go public.

The committee said a company with at least Tk 25 crore in paid-up capital, including the IPO offer size, should be allowed for listing on the exchanges.

Mansur Alam, convenor of the committee and also a member of the SEC, confirmed the recommendations after the meeting.

The existing IPO (initial public offering) rules allow a company having minimum Tk 40 crore in paid-up capital, including the IPO offer size, to be listed on the exchanges.

The issue managers at the meeting argued that many companies are interested to come to the market, but cannot due to the IPO conditions, officials present at the meeting said.

If the rules are relaxed, they will be able to bring more new companies to the market that is now facing a dearth of fresh securities, the issue managers told the meeting.

A senior official of the SEC said the regulator has set the existing IPO rules with the directives from the government, and so it may need to discuss with the government again on the recommendations placed by the consultative committee.

The committee comprises representatives from Bangladesh Bank, Dhaka Stock Exchange, Chittagong Stock Exchange, Bangladesh Association of Publicly Listed Companies (BAPLC), Institute of Chartered Accountants of Bangladesh, Bangladesh Merchant Bankers' Association and the SEC.

Representatives from Central Depository Bangladesh Ltd and the SEC also attended the meeting.

The meeting also put forward a recommendation that pre-IPO private placement, or raising capital before IPO, should be through a regulatory framework, and necessary rules should be formulated to bring transparency in the private placement process.

The committee has asked merchant bankers and stock exchanges to prepare with the help of BAPLC a set of recommendations on formulating rules for pre-IPO private placement.

"Presently, there are no specific rules or guidelines for pre-IPO private placement," said Mansur Alam, adding that now the companies raise capital before public offer with permission from the SEC under the capital issue rules.

But, there are no details about the pre-IPO placement in the rules, and many companies allegedly placed pre-IPO at will, taking advantage of the loopholes.

Following allegations, the SEC recently proposed an amendment to the capital issue rules. The proposed amendment says raising capital before public offer shall be through the over-the-counter (OTC) market, instead of the existing private placement.

"The recommendations, set by the merchant bankers and stock exchanges, will be discussed at the next meeting of the consultative committee," Alam said.

The committee also discussed the calculation method for margin loan maintenance. As another committee of the SEC -- Executive Directors' (EDs) Committee -- is working on the issue, the consultative committee asked the EDs Committee to submit its recommendations at the next meeting.

The consultative committee further discussed the calculation method for determining indicative price of a stock under book building method, and opposed the existing computing system.

As per the existing method, indicative price is determined by averaging the price offers of the participating bidders.

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Regulator to beef up market watch

STAR BUSINESS REPORT

The stockmarket regulator will ask the bourses to submit reports on market monitoring on a weekly basis, a move to strengthen market intelligence.

In the reports, the stock exchanges will mention any irregularities such as insider trading, spread of rumour and transaction manipulation.

The stock exchanges will also advise the regulator on the possible measures to tackle the irregularities.

A market monitoring committee of the Securities and Exchange Commission at a meeting yesterday took the decision, which will be conveyed to the bourses today, SEC officials said.

"Public participation is gradually increasing in the market, and it is necessary to strengthen market monitoring to maintain transparency and accountability as well as safeguard the interest of the investors," said Anwarul Kabir Bhuiyan, executive director of the SEC.

Both the Dhaka and Chittagong stock exchanges have separate monitoring and surveillance departments to oversee the market activities.

The SEC also supervises the market on its own.