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Gold	\$1,228.35 (per ounce)
Oil	\$74.08 (per barrel)

BB moves to curb rice prices

STAR BUSINESS REPORT

Rice millers will have to repay bank loans within 45 days instead of the existing 60 days, a move meant to increase supply to the market.

A Bangladesh Bank (BB) circular issued to the commercial banks yesterday also cut the loan repayment period for paddy and rice traders to 30 days from the present 45 days.

Earlier in February, the BB set the deadline at 60 days and 45 days respectively.

The BB circular said the step has been taken to ensure supply of rice in the market amid rising prices.

The price of coarse rice increased by 44 percent to 47 percent yesterday compared to the same day last year, according to Trading Corporation of Bangladesh.

On July 17, the stock of rice and wheat was 5.3 lakh tonnes, which was 11.91 lakh tonnes on the same day last year.

Some non-banks cry over BB rule

SAJJADUR RAHMAN

Financial institutions had mixed reactions to the Bangladesh Bank's warning Sunday to wind down their excessive exposure to capital markets.

The central bank letter asked the non-bank financial institutions (NBFIs) to conform to BB rules against them investing more than 25 percent of their paid-up capital and reserves in the stockmarket. But it gave them until December.

One group termed the BB move positive, saying that it would let individual investors more space for investment. The other claimed their rights to do business in the stock market had been limited.

"This is a positive move and there will be no ambiguity," said Mafizuddin Sarker, president of Bangladesh Leasing and Finance Companies' Association (BLFCA).

Sarker, also the managing director of LankaBangla Finance, hailed the central bank's giving the finance companies until this December to end over-exposure.

"We are empowered to devote ourselves into the capital market as per the laws," Asad Khan, managing director of Fareast Finance, said quoting the Financial Institutions Act 1993.

But others bemoan the prospect of

having to do business the old-fashioned way, before they began running with the bull market. And they say all investors may be hurt.

"The decision will negatively impact the market," said another managing director of a finance company said, requesting anonymity. He said that most of the 29 NBFIs now depend on capital markets for profits.

The BB ceiling is on NBFIs equity, while it is on liabilities for the banks. "This is unfair, and sounds the death knell for the NBFIs industry," said the anonymous managing director.

Although the BLFCA president hailed the BB move, he has sought clarifications on two vital issues.

"I don't know whether long-term strategic investment [bridge financing] and investment in the subsidiaries will be kept out of the restriction or not," Sarker said.

The 1993 act defined NBFIs as institutions that make loans and advances for industries, commerce or agriculture; and/or carry out underwriting, receiving, investing and reinvesting of shares, stocks, bonds or debentures; and/or carry out instalment transactions such as those to lease of machinery; and/or finance venture capital.

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Central bank profit plummets 62pc

REJAUL KARIM BYRON

Bangladesh Bank (BB) profits fell by about 62 percent in the last fiscal year, mainly because the government did not borrow money from the banking system.

The central bank made Tk 948 crore in profits in fiscal 2009-10, down from Tk 2,505 crore a year ago.

A central bank official said a big part of BB's profit goes to the state coffers. The fall in BB profits will also pare down the government's earnings from the central bank.

Officials said BB gave the government Tk 1,732 crore from its profit in fiscal 2008-09. But it is likely to give Tk 612 crore to the government from its profits in fiscal 2009-10.

A high official of the central bank said: "As the central bank's profits fell, the government's earning may fall as well. But as government borrowing decreased, its spending on interest payment will come down."

The central bank's income from both domestic and foreign sources decreased.

The interest income from investment

in local banks and the government is referred to as a domestic source. While the interest earned from investments of foreign currency reserves in commercial and central banks abroad is known as the earning from foreign sources.

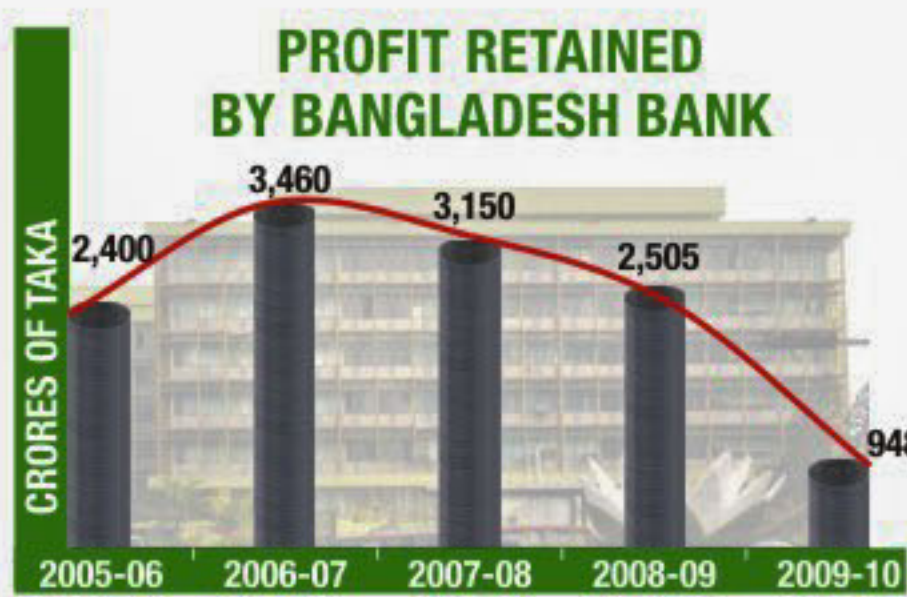
BB bagged Tk 1,213 crore in earnings from domestic sources, a 52 percent decline from the last fiscal year.

According to BB statistics, the government did not borrow from the banking system in the last fiscal year. Rather, it repaid Tk 3,793 crore in arrears.

It has a macro-economic effect: not too much inflationary pressure, a BB high official said.

The central bank's income from foreign sources declined by 40 percent. BB's income from foreign sources was Tk 424 crore in the last fiscal year. The figure was Tk 707 crore in the previous year.

Although foreign exchange reserves were over \$10 billion, the central bank did not invest it in the profitable but risky sectors because of global recession. It invested part of the reserves with the central banks in other countries.



India sticks to wheat, rice export ban

REUTERS, New Delhi

The Indian government is not planning to lift a ban on exports of wheat and non-basmati rice as food inflation levels have made it necessary to prop up domestic availability, Trade Minister Anand Sharma said yesterday.

Food inflation has remained in double digits for several months, stoking public anger against the Congress party-led coalition government.

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