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Stocks

DGEN ▲ 0.31%
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(Week-on-week)

Asian Markets

MUMBAI ▲ 0.93%
20,045.18

TOKYO ▼ 0.99%
9,471.67

SINGAPORE ▲ 0.31%
3,092.68

SHANGHAI Closed
(Friday closings)

Commodities

Gold ▲
\$1,300
(per ounce)

Oil ▼
\$74.84
(per barrel)
(As of Friday)

SOURCE: AFP

BB gold value jumps up Tk 100cr

SAJJADUR RAHMAN

The value of Bangladesh Bank's 10-tonne gold buy two weeks ago rose Tk 100 crore, or 3.7 percent as markets closed on Friday.

"Gold has paid us in short time," BB Governor Atiur Rahman told The Daily Star yesterday, though he has no plans to sell the gold for a quick profit.

"Dividend yields are looking more attractive compared with the low interest rates on offer in US treasury bills and money markets."

Gold, a haven for anxious investors, increased by more than 9 percent this month to breach \$1,300 per ounce on Friday. Gold has also risen due to the declining value of the US dollar.

Bangladesh Bank purchased the gold from the International Monetary Fund on September 9 at \$1,252 per ounce, meaning that BB's profit reaches \$48 per ounce.

At the end of Friday, BB's profits reached Tk 107 crore (\$15.3 million), equivalent to 11 percent of the central bank's tepid annual profit last year of Tk 948 crore.

Although different central banks in the world, including South Asian ones, have a strong percentage of



Gold ingots in Paris. The price of gold struck an all-time high of \$1,300 an ounce on Friday after the dollar weakened.



their reserves in gold, Bangladesh was a US dollar-heavy.

India has 7.5 percent of its reserves in gold; Pakistan 15.8 percent; 22 percent for Sri Lanka, according to BB statistics.

Most developed countries have portion of their reserves in gold: ranging from the USA's 68.7 percent to Germany's 64 percent, Italy's 63.4 percent, France's 64 percent and the UK's 15.2 percent.

"We had no such investment in gold," said Rahman, adding that

large purchases require lead time -- during the period of rising prices. "It took me nearly six months to do it."

Bangladesh's investment in gold was at 1.3 percent just before the recent purchase. With the buy, BB's exposure to gold rose to 5.5 percent. The gold is deposited with the Bank of England.

The central bank governor is not complacent: "Risks are there as it is with other investment. If the gold price goes down we will lose."

Rahman adds that the move

reduces the risk of holding foreign currencies. Bangladesh's foreign exchange reserve is still nearly 60 percent tied to the US dollar amount, followed by around 20 percent in euros.

BB officials said foreign currency reserve has reached nearly \$11 billion, but profits have plummeted in the last two years due to falling currency prices in the global recession.

sajjad@thedailystar.net

Board to meet Oct 3 to finalise RMG wage

STAR BUSINESS REPORT

The minimum wage board for setting the salary of garment workers has so far received 365 objections and recommendations both from owners and workers.

Chairman of the board Iktedar Ahmed said the owners submitted 343 and the workers and their representatives put forward 22 objections and recommendations.

He, however, said the board will sit in a meeting on October 3 to finalise the draft recommendations of the minimum wage structure for the garment workers to be effective from November 1.

The chairman also said some workers and their representatives rejected the recommended minimum salary at Tk 3,000 per month. They also demanded reviewing the grades fourth, fifth and sixth, saying the salary structure in those grades is low compared to that in grade one.

The owners recommended finalising the draft salary structure adopted on July 29, he said.

Shamsunnahar Bhuiyan, the workers' representative on the board, said if any changes take place in the draft, it will be based on a consensus, but the new wage structure should be effective from November 1.

The minimum pay at entry level was reset at Tk 3,000 a month.

Regulator urges reforms to bourses

SARWAR A CHOWDHURY

In a bid to bring greater maturity to the nation's bourses, the capital market regulator has asked both to plan their "demutualisation" to separate bourse management from shareholders.

However, the prime bourse opposes the move, saying it is still too immature for such a change.

The bourses are now run like a co-op of brokers that are seen as an "old boys" network to some, but to others a buffer from the glare of wide-open books and a priority of profit-making.

Securities and Exchange Commission admits that a stockmarket transition will take a long time, but says it is not too early. "That's why the commission has asked the bourses to start preparatory work for demutualisation," said SEC member Mansur Alam.

The preliminary steps include studies of demutualisation in other countries, examining legalities, pre-demutualisation discussions and workshops, Alam said. "It will be a big task, so initiatives should be undertaken now."

Demutualisation would transform each exchange from an entity owned by its mostly brokerage-owning members into a for-profit

BY THE NUMBERS

Incorporation of DSE	1954
Starts formal trading	1956
Renamed as Dacca Stock Exchange	1964
Trading restarts in Bangladesh	1976
Automated trading starts	1998
Listed securities on DSE	462
Members of DSE	238
CSE receives permission from SEC	1995
Trading starts	1995
Listed securities on CSE	234
Members of CSE	136

company owned by shareholders. A demutualised exchange can be freely traded on the market like any other public company.

Bangladesh's stock exchanges are now non-profit cooperative organisations, owned by the exchange members who are usually stockbrokers.

Dhaka Stock Exchange authorities call the move premature. "Our stockmarket is in a nascent stage," said its president Md Shakil Rizvi. "It

will not be wise to put a grown-up person's duty on a baby's shoulder, and it will bring no good result."

Rizvi pointed out the long road to demutualisation experiences abroad: "The New York and London stock exchanges only went for demutualisation after hundreds of years."

Although DSE has a 50-year history, it started growing only few years back, he said.

Prior to 2007, the daily average

for all transactions was far below Tk 50 crore. This is now about Tk 2,000 crore. The market-capitalisation-to-GDP ratio has now crossed 30 percent from less than 10 percent.

"We, the stockbrokers, are still working hard to make the market more viable," Rizvi said. "But demutualisation will stop that effort, as the brokerage activities will be maintained and regulated by the exchange management."

He believes that the DSE would have less focus on stockmarket expansion or development after the move.

"We ourselves will go for demutualisation when that time will come," the DSE chief said.

The finance minister has at least two times spoken in favour of demutualisation.

In March, AMA Muhith said: "Demutualisation is a must for the stockmarket maturity." Then in July, the finance minister told parliament: "We plan modernisation of the stock exchanges through mutualisation."

However, he never mentioned a timeframe for its implementation, and has also expressed caution. "Our stockmarket is not much developed -- we need to advance carefully," he once said.

sarwar@thedailystar.net

Govt, donors move to better manage foreign aid

REJAUL KARIM BYRON

The government and the development partners will jointly form 18 working groups to ensure an effective use of foreign assistance and trim down associated conditions.

The Economic Relations Division (ERD) held a meeting with officials of different ministries early this month to select the representatives in the working groups.

There will be two co-chairs -- one from the government side and the other from the development partners -- with six members in each working group, ERD officials said.

The groups will primarily identify the types of projects that should get the assistance. If any problem arises in project implementation and release of the assistance fund, they will take initiative to solve it quickly.

At present, there is more than \$9 billion foreign assistance in the pipeline. The government agencies usually fail to utilise a large part of the assistance in time, for which the government has to pay 'commitment charges' as fine to the development partners.

The working groups will help minimise such problems, a government official said.

Of the 18 working groups, the prominent ones will be of such sectors as agriculture, rural development, education, energy, gender, governance, health, transport, communication and ICT.

The government signed a joint cooperation agreement with 18 development partners in June, envisioning that the working groups would be formed to ensure an effective use of foreign assistance. Earlier, there were different working groups under the Local Consultative Group (LCG), the local platform of the development partners, the ERD official said, adding that the government had no participation in it.

As the working groups will have government representation now, it will be easier for them to resolve the problems associated with conditions. An interim meeting between the government representatives and donors scheduled for next month in Dhaka will review the progress in implementation of Agreed Action Points adopted in the last meeting of Bangladesh Development Forum (BDF), a consortium of donor agencies.

The last BDF meeting charted 25 action plans. The ERD has already sent letters to the ministries and departments concerned seeking to know the progress in implementation of the action plans.

The government will formulate within this year a new civil service act to improve the capacity of its officials. Besides, a plan will be drafted for setting up nuclear power plants, and an energy and power fund will be constituted to attract private investment.

Officials said the government has formed a committee to work on the new civil service act.

The government has already changed the name of the energy and power fund to infrastructure fund. The guidelines for the fund have been prepared, and the government has provided Tk 1,600 crore to the fund in the current fiscal year's budget.

The working groups for such sectors as agriculture, rural development, education, energy, gender, governance, health, transport, communication and ICT, will help minimise the problems in project implementation and release of the assistance fund

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