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Stocks	
DGEN	▼ 0.18% 7,974.04
CSCX	▼ 0.63% 14,463.98
IDLC Index	
IDLC 50	▲ 0.80% 8,166.82

Asian Markets	
MUMBAI	▼ 0.73% 20,852.38
TOKYO	▲ 1.11% 9,732.92
SINGAPORE	▲ 1.85% 3,300.40
SHANGHAI	▲ 0.96% 3,159.51

Currencies		
	Buy Tk	Sell Tk
USD	69.93	70.93
EUR	95.84	100.44
GBP	111.01	116.03
JPY	0.84	0.91

Commodities	
Gold	▲ \$1,391.00 (per ounce)
Oil	▲ \$87.00 (per barrel) (Midday Trade)

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Micro lenders get uniform rate

MD FAZLUR RAHMAN

Microfinance institutions will not be able to charge more than 27 percent on their loans as the regulator is set to alter microlending practices.

Officials of the Microcredit Regulatory Authority (MRA) have confirmed the changes, which will be published in a circular soon.

The changes will establish a uniform interest rate for microfinance institutions, which boast of around three crore borrowers.

Under the changes, the MFIs will not be able to deduct money from the loans issued against the borrowers. Currently, many microlenders deduct at least 5 percent of the loans in the name of savings.

The MRA officials said the grace period between the issuance of a loan and the repayment of first instalment will be at least 15 days. Currently, the borrowers start to repay the following week after receiving a loan.

The number of instalments will not be more than 50, they said. The MFIs have to pay at least 6 percent interest on the savings of borrowers.

Also, the MFIs will not be able to charge more than Tk 15 for loan processing and passbooks.

The institutions will be able to use stamp of Tk 50, instead of Tk 150, while issuing loans to a microenterprise.

The officials said the latest changes might benefit the MFIs who receive funds from Palli Karma-Sahayak Foundation (PKSF), a state-run lending agency.

Around 193 partner organisations of PKSF receive loans at 4.5-7 percent

BY THE NUMBERS

Interest rate no more than

27 PERCENT

Grace period for payback will be a minimum of

15 DAYS

Number of instalments no more than

50



interest, while many MFIs borrow from commercial banks at 13 percent.

The regulator will request the PKSF to fund the small MFIs, a senior MRA official said, hinting at further cuts in rates that now vary from 30 percent to 60 percent.

The MRA will also repeal the flat rate system, said the official, adding that the MFIs will have to introduce the changes by June next year.

However, leading MFIs, who had been urging a minimum flat rate of 15 percent, said the planned interest rates would not be financially viable for most microlenders.

"The 13.5 percent flat rate or 27 percent effective rate will not be viable," said Mosharraf Hossain, finance director of BURO Bangladesh, a leading microlender.

He called for a review and said their operations should not be compared with those of banks, as the MFIs deal with small loans and operate in remote areas at high operating costs.

Hossain, also the chairman of Credit Development Forum, a net-

work of MFIs, welcomed the decision on setting 6 percent interest on savings of the borrowers with the MFIs.

But he disputed the regulator's plan on deduction of money in the name of savings during loan issuance, which, he said, works in favour of the borrowers.

Shameran Abed, programme manager (microfinance) of Brac, said their margin will be almost nothing if the effective interest rate is set at 27 percent.

"We will face problems in the event of any shock," he said. "It may not be possible to run on that rate in the impoverished areas."

In 2009, Microfinance Transparency, a US-based agency, found the effective rate of interest in Bangladesh at 18.75 percent to 51.68 percent.

About 75 percent MFIs charge effective interest rates between 31 percent and 40 percent, while 4.5 percent charge over 40 percent, the agency said. Around 800 MFIs operate in Bangladesh.

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Modern Poly IPO scrapped

SARWAR A CHOWDHURY

Finding massive flaws in the IPO (initial public offering) proposal of Modern Poly Industries Ltd, the stockmarket regulator cancelled it yesterday.

Earlier, the Securities and Exchange Commission approved the price buildup of Modern Poly shares.

With the new move, such price buildup through institutional bidding stands null and void.

SEC will now sue the yarn maker, its issue manager Alliance Financial Services and Modern Fibre Industries Ltd, another concern of TK Group.

The decisions came at a meeting of the commission with its Chairman Ziaul Haque Khondker in the chair, said a SEC spokesman.

In the IPO prospectus, Modern Poly said it will use the IPO proceeds for the acquisition of 83.13 percent stakes in Modern Fibre Industries, the paid-up capital of which is Tk 60 crore, according to ATM Tariquzzaman, SEC's executive director.

In this context, he pointed to the violation of securities rules that made it mandatory to have regulator's nod for a company whose paid-up capital exceeds Tk 10 crore. Modern Fibre did not have any such permission.

Although Modern Poly submitted certified copy of Registrar of Joint Stock Companies and Firms regarding Modern Fibre's paid-up capital, we found that Modern Fibre did not take permission from the SEC to increase its paid-up capital up to Tk 60 crore, Tariquzzaman said.

A private company (PLC) must turn into public limited company if its paid-up capital crosses Tk 40 crore, and if the capital base is above Tk 50 crore, it must go for IPO, according to rules.

But he said, Modern Fibre was neither turned into a PLC, nor it went for IPO.

"Alliance Financial Services Ltd was supposed to examine if there is any irregularity. It's due diligence of the issue manager, not a job of ours. But Alliance failed to do so," Tariquzzaman said.

In the IPO prospectus, Modern Poly said it will buy 5.60 lakh shares of Tk 1,000 each of Modern Fibre at a price of Tk 3,880, including Tk 2,880 as premium. Modern Poly, a concern of business conglomerate TK Group, planned to float 3 crore ordinary shares at Tk 10 each.

Dhaka Stock Exchange in its observation also strongly opposed the Modern Poly's IPO saying that raising fund from public and using the amount in buying stakes in the same company's another subsidiary is a questionable matter.

At yesterday's meeting, the SEC also rejected rights offers of two listed companies -- BD Welding Electrodes and Beach Hatchery, said Anwarul Kabir Bhuiyan, the commission's another executive director.

He said the regulator cancelled the rights offer of BD Welding as Dina Ahsan, a director of the company, is a loan defaulter as informed by Bangladesh Bank.

Bhuiyan said in the case of Beach Hatchery, the SEC has rejected the rights offer of the company because it defied securities rules.

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India not stealing US jobs: Manmohan

REUTERS, New Delhi

Indian Prime Minister Manmohan Singh yesterday said India was not in the business of stealing US jobs.

Singh's remarks came at a joint news conference with visiting US President Barack Obama.

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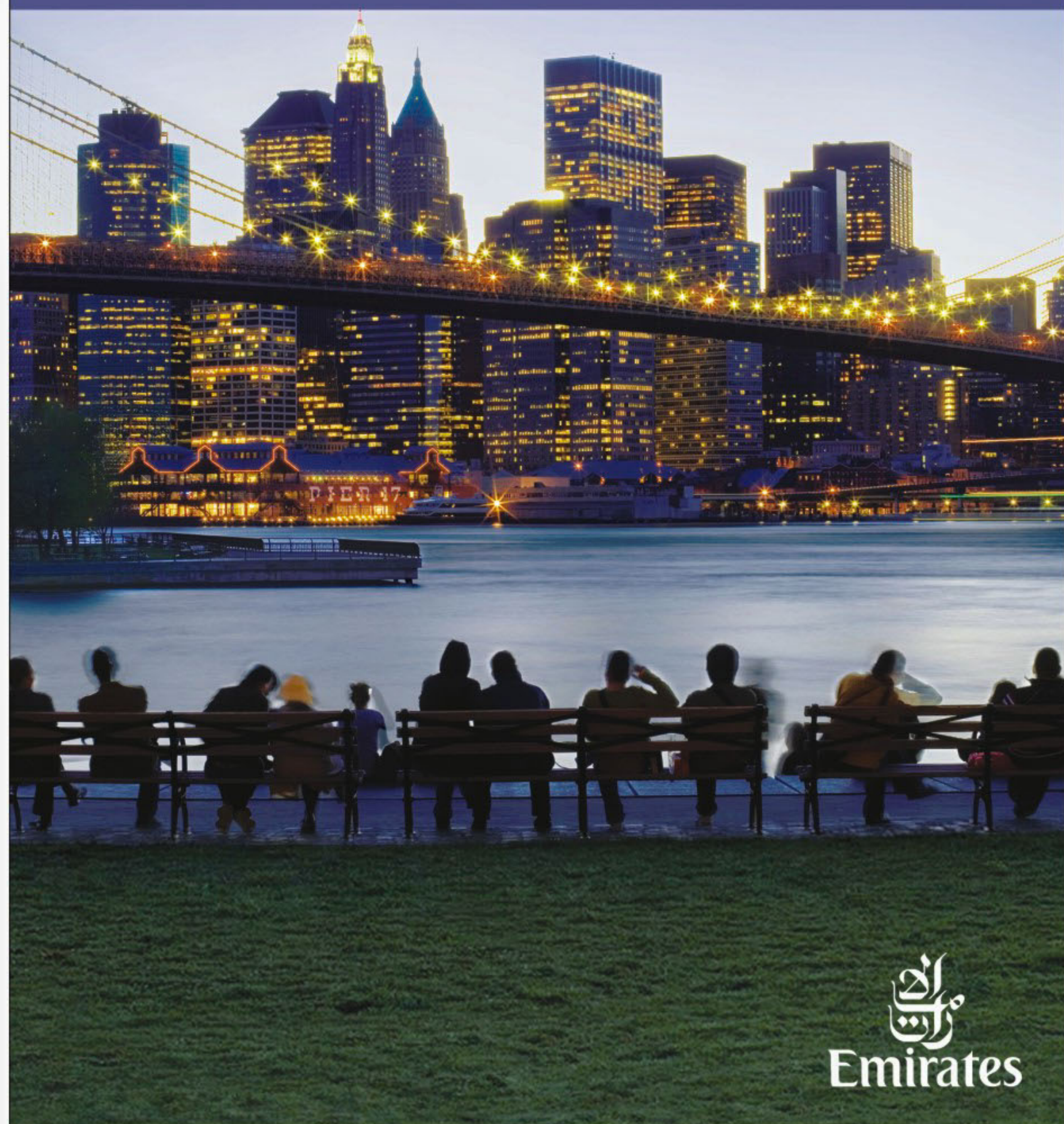
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