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DHAKA THURSDAY DECEMBER 16, 2010, e-mail: business@thedailystar.net

Cut links to stock risks: IMF

Bangladesh to get \$1b from lending agency

STAR BUSINESS REPORT

The International Monetary Fund (IMF) wants Bangladesh Bank (BB) to seriously address concerns with the commercial banks' over exposure to the stockmarket.

"We hope Bangladesh Bank will work diligently to ensure that banks and their subsidiaries take necessary action to mitigate the risks from stock market volatility," said David Cowen, deputy division chief of IMF for Asia-Pacific and team leader of the visiting team.

An IMF mission visited Bangladesh on December 6-15 to discuss the overall macroeconomic situation under Article IV consultation and possible lending arrangements for \$1 billion.

The IMF agreed to lend Bangladesh \$1 billion under its Extended Credit Facility (ECF) programme, provided its board approves in February.

The loan will be available on a concession (at less than 1 percent interest rate), but Bangladesh has to give IMF some formal commitments, such as fiscal reforms, monetary operations and moves to strengthen the financial sector.

The IMF team looks concerned



David Cowen

with stockmarket volatility and the banks' over-involvement in it. Cowen said the banking sector, as a whole, needs risk-based supervision to ensure new capital adequacy requirements.

He said Bangladesh Bank (BB) as the regulator has issued a number of circulars, including setting the investment limit at 10 percent of a bank's liabilities, to reduce risk exposure of banks to the stockmarket.

"BB should closely monitor that all those regulations are being followed by the banks. If necessary, other action may be taken," said the IMF team leader. The IMF also

advised the central bank to continue work with the Securities and Exchange Commission in this regard.

On the cap imposed by BB on the bank lending rates, Cowen said, "We want removal of most of the caps and the banks should be allowed greater flexibility in setting the rates."

On Bangladesh's macroeconomic outlook, the IMF said the country will grow better in the current fiscal year because of improvements in garment exports and investment demand.

"Growth is expected to be slightly above 6 percent this fiscal year and inflation at an average of 7 percent on anticipated moderation of commodity price increases," said Cowen in his written statement.

The IMF observed that the balance of payment (BOP) will be under pressure due to a significant increase in import payments for fuel, food and cotton. In addition, remittance is expected to fall on a year-on-year basis for the ongoing decline in migrant worker outflow, adding pressures on the BOP.

The budget deficit is also likely to increase by 0.75 percentage points of GDP to around 4 percent this year, it said.

SEC shuffles three roles

SARWAR A CHOWDHURY

The stockmarket regulator yesterday shuffled the responsibilities of three senior members, following an alleged abuse of power by one that recently roiled the markets.

Three departments of the Securities and Exchange Commission that were supervised by Mansur Alam have been shifted to two other members.

From Sunday, Muhammad Yasin Ali, one of the two members, will look after both the surveillance and the supervision and regulation of markets and issuer companies departments, in addition to his other divisions, such as capital issue, supervision and regulation of intermediaries, and registration.

Md Anisuzzaman, the other mem-

ber, will supervise the administration and finance department in addition to his other divisions.

Alam will remain responsible for corporate finance, mutual fund and special purpose vehicle, capital market regulatory reforms and compliance, management information systems, research and development departments.

Earlier, the stockmarket watchdog had served notice on Alam for instructing the surveillance department to issue two directives without consent from the commission's chairman on December 6 and 7. Mansur Alam apologised to the commission.

After the second directive, the stockmarket suffered an unprecedented 547-point fall within 75 minutes on December 8.

Market insiders blamed the day's historic fall on the two directives. One of the directives squeezed "netting facilities", stopping investors from buying new shares with funds from another share sale which was ordered but not finalised. Another directive was on executing buy orders only after cashing an investor's cheque.

Also, the High Court on December 12 issued a ruling requiring the government to explain within four weeks why the finance ministry should not be forced to declare Alam unqualified for his office, for abusing his powers.

The court came up with the ruling, following a writ petition, filed by Syed Shafiqul, a retail investor.

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Mamun quits Citi

STAR BUSINESS REPORT

Leading banker and economic analyst Mamun Rashid is leaving Citi Bangladesh after spending nine years at the global financial services company.

"I will be on the company's payroll until March 31, but will be on leave," said Rashid, the first Bangladeshi to become the chief executive for the bank in the country, confirming the news yesterday.

Commenting on Citi, he said, "It's a great organisation."

Rashid, a regular columnist on economic and other contemporary issues for The Daily Star and other newspapers, said he will pursue other opportunities after



Mamun Rashid



Rashed Maqsood

March. "I love reading and this will be my favourite pastime," said the banker, who has his own life away from the busy corporate world and plays golf and tabla.

His book, Resourcing the Future and Other Essays, is waiting to be published by University Press Ltd soon. He said "My

Corporate Life" will be his next.

Meanwhile, Citi announced the appointment of Rashed Maqsood as its business manager for Bangladesh, replacing Rashid, with immediate effect.

Maqsood will be based in Dhaka, said a Citi statement yesterday.

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