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star BUSINESS

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SEC seeks help from central bank

STAR BUSINESS REPORT

The Securities and Exchange Commission (SEC) yesterday sought help from Bangladesh Bank to stabilise the over-valued capital market.

Yeasin Ali, a member of SEC, urged the central bank to help rein in the share market, at a meeting with the governor.

The calls for support came at a time when the capital market witnessed a volatile situation. On December 8, hundreds of angry investors took to the streets in Motijheel to protest an unprecedented 547-point fall on the premier bourse.

The DSE General Index saw a downward trend for a second day yesterday. The benchmark index declined 203 points or 2.48 percent to 7,980.9, down from Monday.



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Debapriya Bhattacharya, distinguished fellow of Centre for Policy Dialogue, speaks at a press meet at its office in Dhaka yesterday. Mustafizur Rahman, second from right, executive director, is also seen.

VAT registration system goes online

STAR BUSINESS REPORT

Finance Minister AMA Muhith yesterday inaugurated the online VAT registration and tax return submission system in Dhaka.

Twelve organisations have signed up for the facility, said an official of the National Board of Revenue. Others will get the opportunity in phases, he added.

The officials demonstrated how to submit the returns at a programme, presided over by NBR Chairman Nasiruddin Ahmed, at the Institute of Diploma Engineers auditorium.

Muhith who submitted his income tax returns online launched the system in September last year.

One can log on to www.nbr-bd.org to submit VAT returns online. Then the payer has to enter Bangladesh VAT system by clicking the value-added tax logo. The next step is to enter the system as a business user and select online return submission. For it, the user ID and password received during the online registration with Bangladesh VAT system are required. And finally the VAT-19 form needs to be filled out before submission.

The government is going to make a new VAT law, effective from the next fiscal year, said the finance minister. He said the draft law will be available on the website in next 10 days.

Muhith hoped, in his lifetime, there will be three sources of the government's revenue collection: income tax, VAT and charges applicable to services.

The local government system will have to be further strengthened, as they will collect the charges on services.

By 2013, the NBR and all its offices will be digitised, said Nasiruddin Ahmed. The amount of tax collections would be in the range of lakhs of crores instead of present thousands of crores from the next year, he added.

AK Azad, president of the Federation of Bangladesh Chambers of Commerce and Industry, also spoke.

Manipulators benefiting from book building: CPD

STAR BUSINESS REPORT

The introduction of book building system has turned out to be a tool for manipulating market prices, the Centre for Policy Dialogue has observed.

Instead of ensuring competition among big investors at the 'price discovery' stage, the market syndicates are abusing it for placement shares at an artificially high price, the CPD said yesterday.

The artificial price is being maintained for some-time (particularly till the lifting of the lock-in period (15 days) and after that investors are found to offload their shares at higher prices, said the think-tank.

Book building is a new system in Bangladesh and only three instances of such practice are there.

The CPD analysis found those who hold the private placements took out a substantial amount of money by selling shares at high prices during the first one month. As a result, share prices of a particular company fell by 33 percent within one month and 50 percent in the next two months and did not rise thereafter.

"Total capital flight during the first 15 days from the transaction of the shares of this company was estimated to be at least Tk 83.7 crore," the CPD said. In another case, the total flight of capital was Tk 64.8 crore only in the first two days of trade.

For a third company, the indicative price did not fluctuate so much, CPD said.

However, the SEC did not take any measure to address such abnormal market behaviour and abuse by manipulators.

"We do not oppose the book building system, but we want a proper system to be followed," said Debapriya Bhattacharya, CPD's distinguished fellow.

CPD spots flaws in stockmarket

STAR BUSINESS REPORT

Research organisation Centre for Policy Dialogue (CPD) yesterday said a game of 'windfall gain' is going on in the country's stockmarket and some people are manipulating the prices.

Irregularities, anomalies, oversight and poor policy framework have led to the bubble market, the private think tank said in its interim analysis on the state of the Bangladesh economy for the current fiscal year.

To show the anomalies and inefficiency of the market, CPD presented some data of the period between July and December of 2010 -- the benchmark index of Dhaka Stock Exchange has registered a growth of 34.7 percent, market capitalisation by 29.5 percent and price earning ratio by 26.3 percent.

The overall market capitalisation at the end of December 2010 was as high as 51.5 percent of GDP (gross domestic product), up from 38.5 percent even five months ago.

"This growth is difficult to relate to the growth of the real economy," said Debapriya Bhattacharya, distinguished fellow of CPD, at a press conference at its office in Dhaka.

Bhattacharya discussed the economy broadly on five indicators -- investment, inflation, energy, capital market and remittances.

Mustafizur Rahman, executive director of CPD, was also present.

In recent years there is an influx of investors into the stockmarket. The total number of beneficiary owners' account holders was 3.21 million on December 20 last year, which was 1.25 million in the same month a year ago. This number increased by 154 percent between January and December.

"A large part of these investors have little knowledge about the market and participate in trading as if they are taking part in the Keynesian Beauty Contest," CPD said in its analysis.

Keynes describes the action of rational agents in a market using an analogy based on a fictional newspaper contest, in which entrants are asked to choose a set of six faces from photographs of women that are the "most beautiful". Those who pick the most popular face are then eligible for a prize.

CPD identified a number of factors that have swelled the tide of investors. These are opening of brokerage houses at district level (238 brokerage houses of DSE opened 590 branches at 32 districts), arranging 'share mela (show)' countrywide and introducing interest-based trading operation.

Easy access to market information also accelerated the flow of investors, it said.

The research organisation also blamed poor capacity of the regulator, Securities and Exchange Commission.

Various market regulating instruments, such as changes in margin loan ratio, application of lock-in period, use of circuit breaker and delisting the companies, applied by the SEC were either inappropriate or inefficient in a number of instances.

"These measures often seemed to be appeasing a section of the vocal or powerful market players," the CPD said.

Understaffing, lawyers with inadequate competence and no chartered accountant at the SEC are some other examples of its poor capacity.

"Its limited human resources allow SEC to monitor only two brokerage houses in a month," said the private think tank. "SEC has no surveillance software of its own."

Also, the analysis disclosed the nature of relationship maintained by the SEC with the finance ministry, which is sometimes erroneous (face value harmonisation issue). The standing committee on the finance ministry in some cases has taken 'adversarial position', which has created pressure in the operation of the SEC and the market.

There is also manipulation by a number of bull cartels, it said.

Banks start electronic fund transfer Feb 24

STAR BUSINESS REPORT

Banks will introduce an electronic fund transfer system on February 24 to speed up transactions and payment, the central bank said yesterday.

The system will be introduced under the central bank's automated clearinghouse project. With the automation, the corporate entities will be able to make faster payment of salaries to employees and make refund warrants in the case of initial public offerings and company dividends.

It will also take remittance and various government allowances such as those for freedom fighters, widows and elderly, easily to the beneficiaries. People will also be able to use the system to pay utility bills quickly.

The decision was taken at a meeting of chief executives of all commercial banks at the central bank premises. Governor Atiur Rahman presided over the meeting.

Bangladesh Bank launched the automated system for settlement of paper cheques on October 7 last year.

The meeting also decided to settle high-value cheques -- Tk 5 lakh or more -- from January 31 at 1,200 bank branches in Dhaka region.

Besides, all cheques in Sylhet region will come under automated clearing system from January 20 and the Chittagong region from February 3.

BB chief urged the banks to take technical preparations for the sake of modernising the payment system. He underscored cooperation among banks.

Rahman directed state-run banks to take special steps quickly to this effect to survive in the competition.

BB warns banks

STAR BUSINESS REPORT

The central bank has warned banks against awarding depositors any interest higher than the rate announced.

On receipt of complaints that some commercial banks in a deviation from rules are giving more interests on deposit, Bangladesh Bank (BB) issued a circular to the banks asking those not to choose this way to lure depositors.

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