

Black Monday

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lost ground heavily. If that is the logical behaviour of the watchdog, then the question arises why it did not act in a similar fashion when the market was ballooning.

It actually did the opposite. The watchdog opened the door for money to be pumped into a market already over heated. The index had by then hit 5,000 mark, well above the danger level. At that juncture, SEC allowed more merchant banks, and increased loan margin for investors to 1:2. This means if you had Tk 100, you could borrow another

Tk 200 from the banks and invest it in the market. A good signal for investors to fly to the market just like locusts to light. As money sloshed around, prices spiralled even more. The banks then thought, well, this is the time for making more money. So why don't we invest too? They did. Calls and short text messages started pouring into the mobiles of bank account holders, asking them whether they needed loans. Loans were diverted from industries. And a perfect cauldron was created for the crisis that is today.

Either the wise heads sitting in that tall building were ignorant and incapable of seeing the future, or they did it on purpose.

But the bigger question today is whether it will remain as a stock market crisis only. Or will it turn into a financial crisis? Will it lead to a case of poison loans? As prices crashed, can the investors return their loans? If not what will happen to the banks? They certainly will have to dig into their own pockets for higher provisioning, which is to offset the bad loans with their own money. This will lead to a squeeze in loanable funds. So the crisis that started with the share market might spread wings and touch everything including the economy this time. Even the 1996 share crisis did not touch these fronts.

This apprehension gets an edge when the recent cash crunch is witnessed in the banks. Suddenly the call money rate (the rate at which banks borrow from each other in case of emergency cash requirement) spiralled despite the widely held belief that there is enough funds in the vaults. It only reflects that the banks actually did not have the money and the money had flown elsewhere, most likely to the stock market. Had the banks then sent wrong statements to the central bank?

A similar fate is apprehended for small and medium enterprise loans. It is assumed by many that a chunk of the Tk 30,000 crore loan given to small businesses actually entered the stock market. The poison spread there too.

Let us now look at the double standards played by the watchdog. According to its own rules, an investor cannot get loans from merchant banks, if he or she buys shares with price earning ratio (something that reflect whether a share is overpriced or not -- the higher the ratio, the more overpriced the share is) of more than 40. But the recent IPOs that SEC approved through book building, belies its own wisdom.

Book building is a way of asserting the price of a share. A small number of select investors bid for a portion of a company's shares and buy. That price then becomes the face value of the share. The companies which have come to the market or are waiting to be listed have indicative prices (the price that they got from book building process) which reflect price earning ratios well above 40. This means they are all overpriced in SEC's eyes. Why then the watchdog let it happen? This must be investigated and SEC must answer to this.

And this book building was also manipulated. A

cartel with links to the company in question, deliberately bid at a higher price so that the share hits the market at a higher face value. Many of these shares later lost their value considerably to the loss of investors. And many of them rose even higher to the benefit of the manipulators.

But probably the initiation of manipulation started with the so-called revaluation of companies and "splitting" of shares. Companies suddenly started revaluating their assets, raising their net asset values. And then they declared bonus shares based on increased assets. That intensified the interest of investors about the companies that essentially remained same old companies. A false sense of value was created. Prices shot and money were made. Some 12 companies went for asset revaluation.

Then came the "splitting" of shares. A company with a face value of say Tk 100 had its share price increased say 20 times to Tk 2,000. That is too costly for the unsuspecting small investors. They look for cheap shares. So the companies found a way out for them. They just split their one share into ten pieces. This means the split shares are now Tk 10 each. So now even if a Tk 10 share becomes 40 times costlier, it still costs only Tk 400. Figure wise it looks small. It is just like the trick of keeping the price of a sandal at

Tk 99.99 instead of labelling it Tk 100. The psychological trick worked and share prices increased. A total of 51 companies changed their face values following this path.

"Direct listing" was another trick that the companies played to hoodwink investors, and about which SEC played a dubious role. This system was first introduced for government companies that went public, but then SEC allowed private companies to raise money the same way. Under this, a share had a bottom price fixed and the upper price left unlimited. So manipulators had their own cartel start quoting the shares at astronomically high prices to lure unsuspecting investors.

Strangely, the same SEC that allowed direct listing, stopped it for private companies after a while, as prices went mad. Then again it allowed two companies to go for direct listing, for reasons unknown.

As the direct listing game ended, the companies opted for another trick called issuance of preferential shares. A company would issue certificates for a certain period to an investor with the promise that after that timeframe, the investor would get a certain interest rate on the money paid for the certificate. He or she could then convert a part of the certificate into primary shares at the average market price prevailing in the last three months or so. The trick here was that the company would artificially keep its share price high through its syndicate and then sell the preferential shares at a higher price.

There were other tricks as well. Of all kinds, from rumour spreading to insider trading. None of them holds any value in economics speak. But so what? As long as there is sunshine, make the hay.

There were other tricks as well. Of all kinds, from rumour spreading to insider trading. None of them holds any value in economics speak. But so what? As long as there is sunshine, make the hay.

Cox's Bazar

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concerned have been made respondents to the rule. The writ petition, filed by Human Rights and Peace for Bangladesh as a public interest litigation, sought HC orders to save the beach. It was filed on Sunday following a report headlined "Grabbers feast on Cox's Bazar" published in The Daily Star on January 5.

Advocate Manzill Murshid represented the petitioner and Deputy Attorney General ABM Altaf Hossain stood for the government in the court.

Two more

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Justice, SC Registrar Ashraful Islam told The Daily Star.

However, he did not mention anything regarding the content of the reports.

On January 4, Justice SK Sinha of the Appellate Division and Justice Khondker Musa Khaled of the High Court Division submitted their wealth statements to the Chief Justice's Office.

Earlier on December 30 last year, Khairul submitted his wealth statement to President Zillur Rahman to encourage other judges to do the same.

At present there are four judges in the Appellate Division and 94 judges in the High Court Division.

Functioning

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committee within seven days of the order.

Judge Sheikh Muzahidul Islam of the Fourth Assistant Judge's Court passed the order after the plaintiffs' lawyers submitted a petition seeking a stay order on function of the committee.

Golam Sarwar, editor of daily Samakal and Saiful Alam, executive editor of daily Jugantor, who had contested the election but lost, filed a case against Mohammad Zakaria Pintu, chairman of the JPC election commission, and 11 others.

Alleging the December 31 poll as unfair, the plaintiffs demanded cancellation of the election results.

In the complaint, Sarwar and Saiful mentioned that many voters enrolled on the list were dead while some were "war criminals". They also stated that the defendants hired goons during the election to create panic and disorder causing the plaintiffs and their supporters to leave the voting centre.

Earlier on January 5, the court issued an ad interim injunction upon the JPC election commission asking it not to handover the charge to the new committee. However, it took over the charge before the court order reached JPC.

The president and secretary general of the new committee appeared before the court the following day and submitted a petition for cancellation of the injunction.

Advocates Mohammad Shahabuddin and Pran Nath moved the case on behalf of the complainants while advocates Osman Goni and Sanaullah Mia appeared for the defendants.

Army men

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400 yards of a polling station.

They can also ask any candidate to remove unauthorised campaign materials. The time for electioneering in the municipalities of Rajshahi and Rangpur was over Monday midnight.

Twenty-three municipalities of Rangpur division also go to the polls tomorrow amid tight security. No army troops were deployed in any municipality of the division, as law and order is normal here.

According to the EC decision, one platoon of army was deployed in each of Natore, Naldanga, Singra, Gurudaspur and Gopalpur municipalities of Natore district; Chapainawabganj and Shibganj municipalities of Chapainawabganj; Kazipur and Shahjapur municipalities of Sirajganj; Pabna, Sujanagar and Iswardi municipalities of Pabna; and Bogra and Sherpur municipalities in Bogra and Naogaon sadar municipality.

Rajshahi district unit of BNP, however, demanded deployment of the army in all 11 municipalities of Rajshahi.

"We have seen many lawmakers are campaigning for AL candidates and tried to influence the local administration", said Nadim Mostafa, president of Rajshahi district BNP, at a press conference yesterday.

Meanwhile, army troops will be deployed today in 11 municipalities of Khulna division and six municipalities of Barisal division, as 49 municipalities of the two divisions prepare for polls on Thursday.

Markets shut

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Dhaka-based retail investors attacked the office of the market regulator and staged demonstration in the bustling Motijheel area from Ittefaq crossing to Paltan crossing, Dilkusha area, Karwan Bazar and Mirpur.

The mob vandalised some vehicles and set fire to tyres and wooden furniture stuff as they demonstrated in Motijheel area in the capital.

Running battles between police and investors continued for hours.

Police fired tear gas and baton-charged to disperse the agitators who were throwing bricksbats at them.

Some people were detained by law enforcers from Motijheel, but were later released.

Police even beat up at least four journalists near the DSE building. The journalists gathered there to cover the volatile share market.

Protests broke out elsewhere in the country. Demonstrators in Chittagong, Comilla, Bogra and Narsingdi also brought out processions and demonstrated in protest at price fall and market closure, report our correspondents.

The main opposition BNP expressed concern over the massive plunge of the capital market.

BNP Senior Joint Secretary General Mirza Fakhru Islam Alamgir said, "Share market went into a nosedive in 1996 when the Awami League was in power. The market yesterday experienced record plunge in its history during the same government's tenure."

He was addressing a press conference at the party chairperson's Gulshan office while other senior leaders were present.

They leaders demanded the government investigate whether "the money looted from the capital market were laundered abroad".

However, stock trading resumes at 11:00am today and will continue on schedule, the authorities said.

The collapse prompted the Securities and Exchange Commission and Bangladesh Bank to take a series of measures in a desperate effort to cheer up investor spirits.

As per the measures, the SEC increased margin loan ratio, withdrew the restriction on merchant banks' exposure to the stockmarket, allowed purchase of non-marginable securities using netting facilities and bring back 14 securities under public market trade instead of spot market trade.

And the central bank relaxed some restrictions on the commercial banks' investment exposure to the stockmarket and advised the banks not to sell shares for the

SEC relaxes

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retail investor will get Tk 2 if the person deposits Tk 1 or holds shares worth Tk 1.

The market regulator said it will allow trading of 14 companies at the main board for the spot market. It also relaxed restrictions on "netting" or "financial adjustment" against non-marginable securities or stocks that cannot be purchased on loans from stockbrokers and merchant banks.

The netting facility gives an investor a scope for buying shares against the sale proceeds immediately after a share sale.

The SEC withdrew the restriction on the merchant banks' exposure to the stock market. According to the stipulation, a merchant bank's total exposure to the market could not be more than five times of its paid-up capital or equity.

The regulator took the measures at an emergency meeting with the Dhaka and Chittagong stock exchanges and merchant bankers.

All the decisions come in effect today.

"We hope these steps will have a positive impact on the market," SEC Chairman Ziaul Haque Khondker told a press briefing after an emergency meeting with stakeholders at his office at Jiban Bima Bhaban.

Frustrated with a constant fall in share prices over the last six days, thousands of investors gathered in groups outside the building, chanted slogans, and set fire to papers and wood near the entrance to the building.

The DSE General Index fell by 1,800 points to 6,499.43 in the last six days amid panic sale by the majority of 33 lakh investors.

time being now.

Yesterday's slump in share prices was even greater than the market crash in 1996 when the stocks plunged by highest six percent on a single day.

A fund manager seeking anonymity said, "It's a result of collective greed."

"Every investor is accusing the regulators of this situation, but no one blames him/herself for the greed or unjustified investment decision in an overheated market," he added.

A former finance adviser AB Mirza Azizul Islam at a discussion said the SEC should have taken measures to cool down the share prices while the prices were on the rise.

Bangladesh Bank should also have taken the regulatory steps earlier, he said. "Around two month ago in an informal meeting, I pointed out to the governor to see whether the bank is diverting the credit into the non-productive sector," said Islam, also a former chairman of the SEC.

An asymmetric flow of information, high risk taking behaviour and irrational exuberance as well as pessimism were some of the main reasons of the price fall, said Islam.

Another former SEC chairman Faruk Ahmed Siddiqi at the discussion said the drastic fall of the capital market could be avoided if the SEC and Bangladesh Bank could have moved to correct the price in September.

DSE President Shakil Rizvi came down heavily on the institutional investors saying that they are not playing their due role.

"The institutional investors also become greedy along with retail investors," he said.

"Panic sales should be stopped first, and the government and the regulators should intervene in the market," said another fund manager.

Although a correction in share prices was expected any time in last one year following abnormal rise in the market, insiders see the current situation due to liquidity crisis.

The insiders said whatever the reasons behind the current downturn are, the retail investors panicked; even the institutional investors felt the pressure for selling.

"Once we were encouraged to invest in the market. Now I lost almost everything I had," said Mamun, a retail investor.

"Who will give my money back?"

Thousands like him are asking the same question. For now, Shakil Rizvi has only two words for Mamun and others. "Stop panicking."

Arrest warrant

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The two others are security guards of Sabbir's house Nure Alam and Humayun Kabir.

The three, also named in the charge sheet of the case, have been absconding since filing of the case.

Judge Mohammad Rezaul Islam of the Speedy Trial Tribunal-4 passed the order as the defence lawyer of another accused Shamsuddin Ahmed failed to submit any certified copy of a stay order of the higher court yesterday.

The court also issued notices asking Sanvir's bodyguard Khairul Hassan Ujjal and Shamsuddin Ahmed, now on bail, to appear before it on January 16.

The trial of the murder case against Sanvir and four others would continue after being stayed for over two years and three months, said the court.

The same court on January 4 this year said Shamsuddin's lawyer would submit a certified copy of any stay order from the higher court by yesterday. In default, proceedings of the case would continue.

Special Public Prosecutor SM Rafiqul Islam told the court that since the deadline for submitting the stay order expired yesterday, there was no legal bar to continue the trial proceedings.

On May 12 of 2008, Mohammad Arman Ali, assistant superintendent of police of Criminal Investigation Department (CID), pressed charges against Sanvir and four others for committing the offence.

Later the case was transferred to two more sessions judges' courts. But due to the stay order from the higher court, the trial against the accused could not be started.

The case was then transferred to the tribunal on March 7 last year.

Sabbir, a director of B a s h u n d h a r a T e l e c o m m u n i c a t i o n s Network Ltd, was brutally killed on July 5, 2006 and his body was found outside a building at Bashundhara Residential Area in the city.

Trying to save his son from murder charge, Shah Alam bribed Tk 21 crore to former state minister for home Lutfuzzaman Babar. The bribery came to light after the CID started investigation into the murder.

Sanvir is also accused in several other cases, including one filed for giving the bribe.

Polls charge

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The polls will be held on January 12, 13, 17 and 18 to 269 of 310 municipalities across the country.

The two major parties have assigned their central organising secretaries to find lone candidates after resolving internal disputes in each of the municipalities in seven divisions.

The secretaries toured many municipalities and sat with grassroots leaders.

Grassroots leaders of both the parties held a series of meetings in districts and upazilas primarily to find suitable candidates for the municipality elections.

AL leader Quader said election campaigns allowed the party's grassroots leaders to know about the public perception of the government, while BNP Joint Secretary General Mohammad Shahjahan said poll campaigns will help people become aware about the misdeeds of the government.

AL presidium member Kazi Zafarullah said a team of central leaders including him and Sheikh Fazlul Karim Selim recently visited Khulna division and held meetings with AL leaders at district and upazila levels to strengthen party activities.

A number of BNP leaders visited all divisional headquarters to settle disputes over candidature.

"We are working in all municipalities and are in constant touch even with upazila leaders," said lawmaker Nazrul Islam Manju, assistant organising secretary of the main opposition.

AL organising secretary AFM Bahauddin Nasim hoped the party's electoral campaigns would help mobilise public support for the government move to try war criminals.

BNP Joint Secretary General Shahjahan said workers and activists of the parties have become active ahead of the polls.

Activities of the ruling party had almost stalled after it came to power while BNP tried its best to gear up activities during its council but in vain.

Dhaka, Delhi

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visit this year or later at a convenient time.

The agreement was reached at the daylong secretary-level talks of the Joint River Commission (JRC) on sharing water of common rivers between the two countries in Dhaka yesterday.

"We have agreed on a framework. But we still need to do the fine-tuning," said Dhruv Vijai Singh, India's water resources secretary.

He was speaking at a joint press briefing at the state guesthouse Meghna where the talks were held.

"We have worked hard to remove the differences," said Vijai, who led the Indian delegation. Both the governments are committed to settle all the outstanding issues, he added.

The details of the agreement will be settled in a minister-level meeting the date of which is yet to be set.

"The only job remaining is refining the framework," said Sheikh Wahiduzzaman, water resources secretary of Bangladesh.

Wahiduzzaman, who led the Bangladesh delegation, said there is no need for further secretary-level talks on the matter.

A joint statement said the two sides discussed formulation of a work plan on sharing the water of other common rivers including Dharla, Dudhkumar, Manu, Khowai, Gomti and Muhuri.

The two neighbouring countries share 54 common rivers. In 1996, Bangladesh signed a treaty with India for sharing the Ganges water.

The water of Teesta is very crucial for Bangladesh, especially during the driest period from December to March. Sometimes in December and January, the water flow comes down to less than 1,000 cusec from 5,000 cusec.

The two countries have been discussing to settle the issue for over two decades. Bangladesh submitted a draft of an interim treaty at the minister-level talks of the JRC in New Delhi last year when India presented some principles upon which they wanted to close the deal.

Before yesterday's talks, India's water resources secretary called on India's Water Resources Minister Ramesh Chandra Sen and Bangladesh's Foreign Minister Dipu Moni.

Indian Delegation Calls on Dipu Moni

Dipu Moni yesterday underscored the urgent need for resolving all the outstanding water-related issues with

India, including that of the Teesta.

She told this to the Indian water resources secretary who called on her after the talks yesterday.

Dipu Moni observed that all the countries of the region including Nepal, Bhutan, Bangladesh and India should work together for a common approach to water resources management.

The foreign minister said the people of Bangladesh have a great expectation that the two countries will reach an agreement on equal sharing of the Teesta water.

The agreement is also essential for the economic development of the people of northern Bangladesh, she added.

Bhutan PM

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at 12:45pm. Prime Minister Sheikh Hasina greeted Thinley at the VVIP tarmac. A 21-gun salute welcomed the Bhutanese leader.

The Bhutanese premier was accorded a red carpet reception and presented a guard of honour. A tiny tot presented him a bouquet.

After the airport ceremonies, Thinley was driven in a colourful motorcade to Sonargaon Hotel where he will be staying during the visit.

Thinley and Hasina will hold summit talks this morning at the latter's Office.

The talks will follow signing of two agreements on cooperation in health and cultural sectors in presence of the two leaders.

Deputy Leader of Jatiya Sangsad Syeda Sajeda Chowdhury, Agriculture Minister Begum Matia Chowdhury, Foreign Minister Dipu Moni, Civil Aviation and Tourism Minister GM Quader, chiefs of the three services and Bhutan's Ambassador to Bangladesh Dasho Bap Kesang were present at the airport.

Foreign Minister Dipu Moni yesterday called on visiting Bhutanese premier at his hotel suite, adds BSS.

During the meeting they discussed matters of mutual interest.

The foreign minister termed the relations between the two countries as historic and expressed gratitude for Bhutan's unconditional support to Bangladesh's Liberation War in 1971.

They also underscored the need for increasing economic cooperation.

Iran plane crash

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news agency reported yesterday quoting Ahmad Majidi, the head of the road and transport ministry's crisis panel.

Majidi, in a separate report on state news agency IRNA, said one passenger who was missing since the crash was found yesterday.

"He was thrown out of the plane. He has been taken to the hospital in Orumiyeh," he said, adding that another passenger was still untraceable.

Mehr news agency, quoting an official from West Azerbaijan of which Orumiyeh is the capital, reported that the passengers of the ill-fated plane included a Turk and two Iraqis but the Turk and one Iraqi were yet to be identified.

Majidi said it appeared that bad weather led to the crash. "Based on the evidence, the plane's captain could not land at Orumiyeh airport due to bad weather conditions and he decided to return (to Tehran)," he said.

"But for unknown reasons the plane crashed around five miles (eight kilometres) from the airport."

Transport Minister Hamid Behbahani told Mehr news agency that President Mahmoud Ahmadinejad had ordered a probe into the crash, adding that the "preliminary reason is lack of visibility and fog" for the accident.

Iran Air spokesman Shahrokh Noushabadi had also blamed the bad weather for the crash on Sunday.

There were however conflicting reports of the discovery of the two black

boxes, with Behbahani saying the devices were found, while one of his ministry's official saying they had not been retrieved, media reports said.

Meanwhile ISNA reported that the crashed aircraft had been in service since 1974.

"The plane was given to Iran in 1974 and at that time it was a second-hand" aircraft, ISNA said quoting what it identified as an unnamed informed source.

Iran's civil and military fleet is made up of ancient aircraft in very poor condition because of their age and lack of maintenance.

The Islamic republic, which has been under years of international sanctions, has suffered a number of aviation disasters over the past decade, several involving small companies using Russian crew or crews from former Soviet republics in Central Asia.

In Iran's worst air accident, a plane carrying members of the elite Revolutionary Guards crashed in February 2003, killing 302 people on board.

In July 2009, a Soviet-designed Tupolev caught fire in mid-air and plunged flaming into farmland northeast of Tehran, killing all 168 people on board.

And in December 2005, a total of 108 people were killed when a Lockheed transport plane crashed into a high-rise housing block outside Tehran.

In November 2006, a military plane crashed on takeoff at Tehran's Mehrabad airport, killing all 39 people on board, including 30 members of the Revolutionary Guards.