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DHAKA FRIDAY JANUARY 21, 2011, e-mail:business@thedailystar.net



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Six stockbrokers suspended, as SEC spots share tricks

SARWAR A CHOWDHURY

The stockmarket regulator yesterday suspended six stockbrokers' trading activities for 30 days on charges of their involvement in the ongoing volatility in the secondary market.

The Securities and Exchange Commission (SEC) took the action after trading was halted by the share index breaker within five minutes into the start of transactions. The benchmark index slumped by 600 points on Dhaka Stock Exchange before the circuit-breaker put brakes on trading on the twin bourses.

- SIX BROKERS**
- Al Arafah Islami Bank
 - Dhaka Bank Securities
 - NCC Bank Brokerage
 - PFI Securities
 - Alliance Securities and Management
 - IIDFC Securities

The suspended stockbrokers are Al Arafah Islami Bank, Dhaka Bank Securities, NCC Bank Brokerage, PFI Securities, Alliance Securities and Management and IIDFC Securities.

Also, the regulator stripped managing directors and chief executive officers of the six brokerage houses of official duties and responsibilities for the next 30 days. They are: Rezaur Rahman of Al Arafah Islami Bank, Kamrul Aziz Nippon of Dhaka Bank Securities, Manjum Ali of NCC Bank, Kazi Fariduddin Ahmed of PFI, Pankaj Roy of Alliance Securities, and Ashrafun Nessa of IIDFC.

SEC officials said the surveillance department of the commission found irregularities in the brokerage houses in a primary investigation. Buy offers came from these brokerage houses at comparatively higher prices, but sell-offs occurred at much lower prices than the buyers' offers, the officials said. There was a buy offer, for instance, at Tk 330 for a stock, but sellers sold it for Tk 300.

In another move, the stockmarket regulator postponed the book building

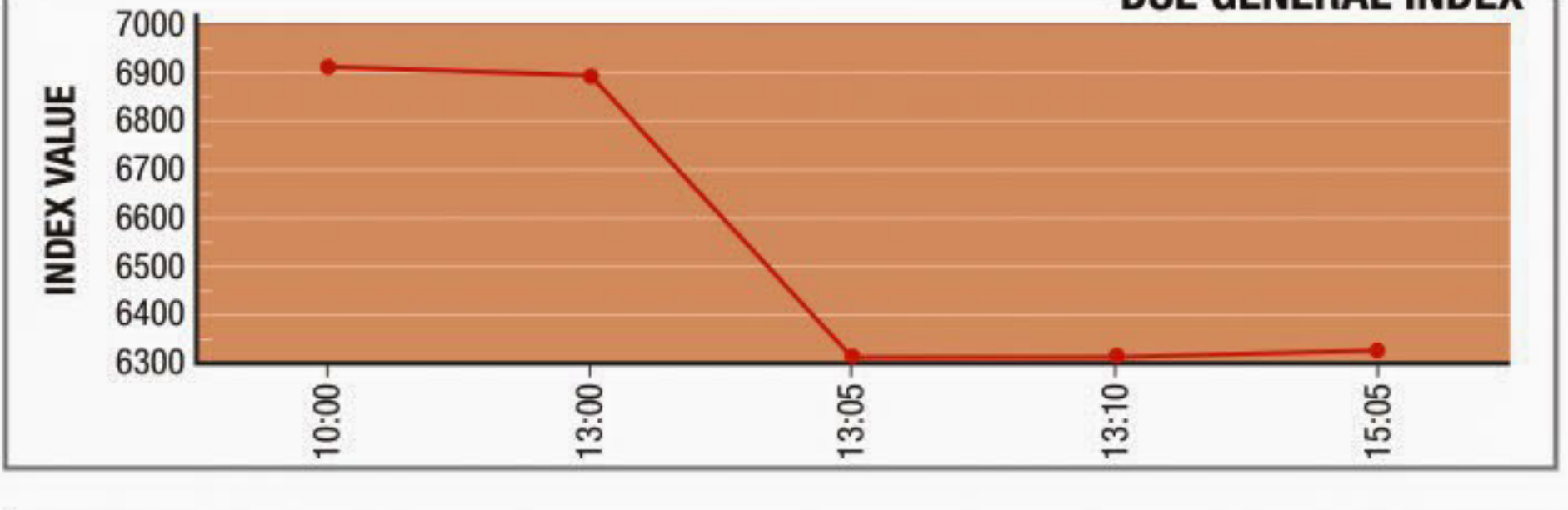
method for initial public offers following heavy criticism by market experts and intermediaries.

In recent times, the book building method turned out to be a tool for manipulating prices in Bangladesh, although it is a widely practised price-fixing mechanism for IPOs, market analysts said.

At a press briefing yesterday, the Dhaka Stock Exchange said the companies that were listed under the book building system should be probed to find out how the price distortion took place by deceiving retail investors.

The book-building method was introduced in Bangladesh in 2009 and only three instances of such practices were found. But a number of companies are in the pipeline to list on the stockmarket under the system.

The SEC will also sit with all market stakeholders to discuss the market situation on Sunday, and the market will remain closed that day as decided by the regulator.



A wait for market healing

SOHEL PARVEZ

The speedy wheels of rickshaws were hitting the remains of brick bats and thrashing the ashes of a recent fire in front of the Dhaka Stock Exchange building.

Near the footpath, small crowds in groups were whispering, sharing emotions.

The street protest against the quickest ever slide yesterday was over but the effects remained.

"How come the circuit-breaker did not work? How did the index plunge 600 points crossing the circuit-breaker threshold?" said a mid-aged man to his peers, near the DSE building in the late afternoon.

This was talk of the commercial district Motijheel yesterday after stocks plunged within five minutes of the two-hour-delayed start of trade, exceeding the 225-point limit of the index breaker.

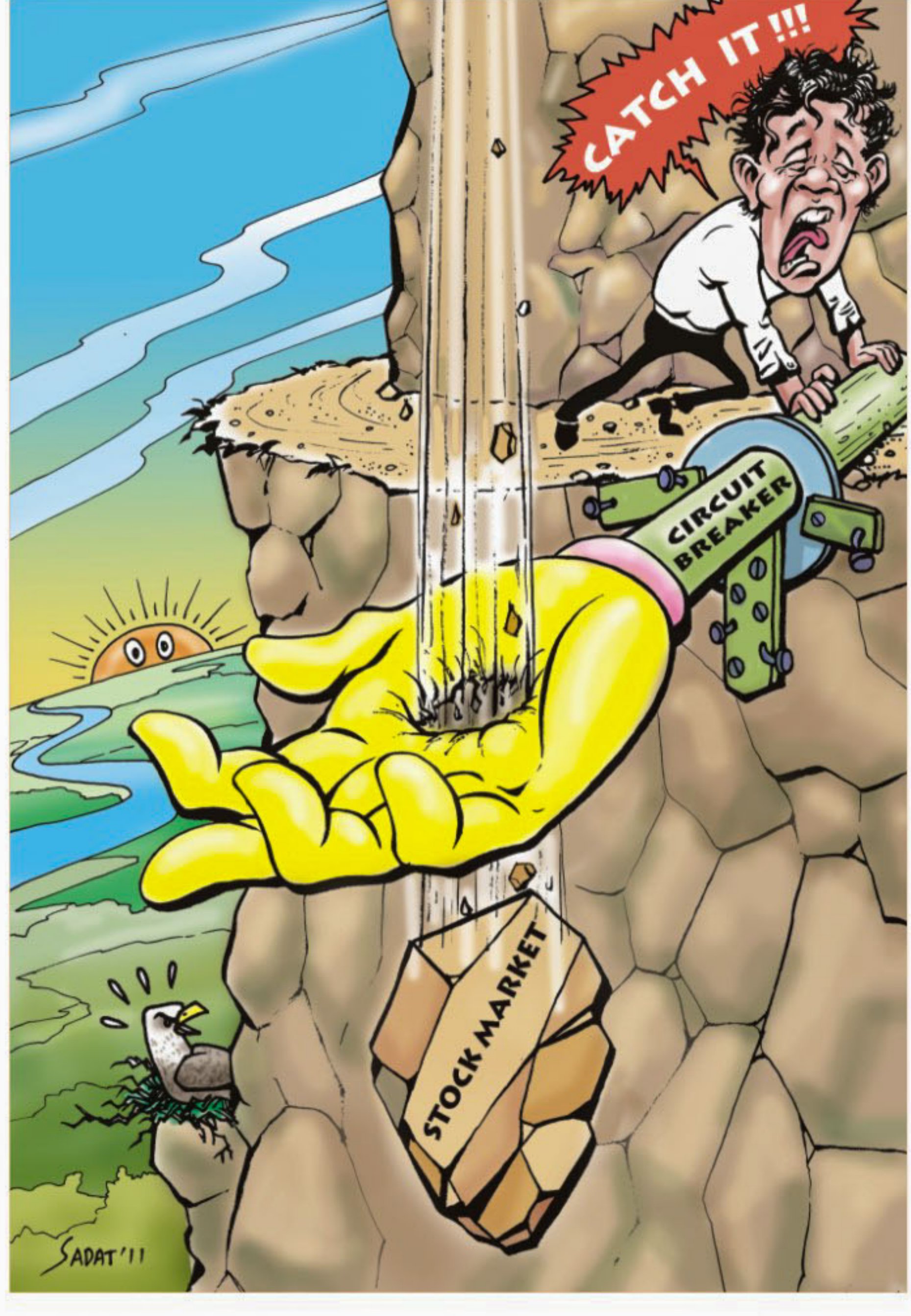
The slide made the investors stunt and shocked, breaking down their already ebbed confidence, as they do not know what will happen next.

"I was shocked. I stared at the falling prices for five minutes and finally found the market halted," said Tutul, a 25-year old investor, after the slide started eating up his actual capital of Tk 800,000.

"It was beyond my imagination," he said.

The short-lived market was seller-driven, reflecting a further deepening panic among small investors, who are on losses amid a continuous freefall as all regulatory efforts turned futile.

The DSE General Index lost nearly 1,350 points in



the past six sessions as institutional and large individual investors remained shy in buying that could help salvage many small investors, who account for majority of the 33 lakh Beneficiary Owners' account holders.

Nearly a half of them, including youth and jobless people, entered the market in the last one year, lured by calls from market stakeholders to invest in the stocks that bubbled up

until December 2010 amid influx of funds from banks and individuals.

Opening branches by stock brokers paved the way for small investors to bet in shares.

Now, the dreams of the retail investors to make easy and fast money are shattered.

Many are looking for an exit. The tailspin has already made many of the late entrants bankrupt at a time when institutional

investors and subsidiaries of banks claim about liquidity crunch to buy stocks.

Tutul said his friends are thinking of leaving the market.

"I feel the government has no commitment to the market. That's why I see no hope. Not only me, are my friends also looking for an exit. If the prices touch the levels of my actual capital, I will sell and quit for now," he said.

The consistent fall in the stocks also raised questions among the small investors about the motives of the stakeholders, especially the stockbrokers, who lured people to the market earlier.

They also urged the government to investigate the large portfolios to find out where have the funds gone and who made the windfall gains.

"Why do these people cause the fall after calling us all," said an angry Hossain Ahmed who did not realise his capital gains when the market was high.

"It's the result of my greed. I dreamt of a bounty and did not sell shares when the prices were high," he said.

Another investor who declined to be named said the investors came with hopes of a better fortune.

"Until the morning today I had a hope that the prime minister will step in and the confidence will come back. After today's debacle, I have no hope left," said the investor, who runs his family on the stock incomes.

The retail investors said the government initiatives can help calm panic, restore confidence and bring back stability.

"If the government takes a coordinated step involving the stakeholders, the market will bounce back," said Fakhru Islam Alamgir Liton, another investor.

"My confidence level has come close to zero. But still I hope the government will act. Otherwise, it will lose politically," he said.

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Jute goods exports to India come to a halt

STAR BUSINESS REPORT

Nearly 300 trucks carrying Bangladeshi jute goods to India had to come back from Benapole after the Indian customs authorities abruptly imposed 14 percent duties on products from natural fibre, officials and traders said.

Consignments of jute goods, which had been enjoying duty exemption since 2004, weighing hundreds of tonnes were stuck in Benapole and Indian port Petrapole, since January 18, said businessmen and government officials.

Jute bags weighing 1,500 tonnes worth Tk 11.45 crore, jute carpeting bags weighing 502 tonnes worth Tk 49.75 lakh and jute yarns weighing 400 tonnes worth Tk 2.85 crore could not be exported to India in 23 consignments between January 18-19.

Mushfiqur Rahman, assistant commissioner of customs at Benapole, said Bangladesh could not export jute bags, carpeting cloth bags and hessian after India imposed 14 percent duties on the items.

Buro Dada, manager of Kolkata-based importer JK Associates, said no consignment of jute products from Bangladesh reached India in the last two days.

Traders said the duties would make Bangladeshi jute goods, which has seen a revival recently thanks to rising global demand for the natural fibre, uncompetitive.

An Indian importer in an email

to Bangladesh Jute Mills Corporation (BJMC) said: "Sudden imposition of around 14 percent duty on imported jute goods from Bangladesh is unfair. Law of the country says that no duty shall be imposed on imported materials, which is not paid by Indian manufacturers."

No Indian mills or manufacturers have to pay such duty, and it is only imported jute goods from Bangladesh, which have to bear this burden, he said.

Since January 18, Petrapole customs have claimed that they have received a directive from higher authorities to collect the excise duty against imports of jute goods from Bangladesh.

The new duty structure includes 8 percent countervailing duty (CVD), 4 percent additional CVD and other charges of 2 percent, totalling to 14 percent of the invoice value.

A Barik Khan, secretary of Bangladesh Jute Mills Association, said about 150 trucks carrying over 1,500 tonnes of jute goods worth Tk 11.50 crore were stuck at Benapole. "We had to take them back as no Indian importer will profit by paying 14 percent duty."

He said Indian importers have informed them that they would not be able to take in products with such high duties. As a result, all agreements between Bangladeshi exporters and Indian importers will fall to bits.

Khan said the country's jute goods producers will face serious

problems if the issue is not settled immediately. "Hundreds of products will lie unsold in the mills, meaning we will not be able to pay wages to the workers and repay bank loans. It may even create unrest inside and outside the jute mills," he warned.

GL Modi, another exporter, accused Indian Jute Mills Association of creating the current situation. "Two top officials of the association have long been trying to convince the government to ban imports of jute goods from Bangladesh. Our Indian agents have informed us about the matter."

Uttara Jute and Fibre Ltd and Nobarun Jute Mill Ltd, owned by GL Modi had already taken back eight trucks full of jute goods from Benapole after Indian importers instructed them to do so fearing losses following imposition of duties. Others also followed suit.

Of them, the state-run BJMC recalled 50 to 60 trucks carrying jute goods, said its chairman TD Mitra. Only a handful of consignments, which entered the Indian side on Tuesday, could pass on in the last couple of days, said Modi.

Local exporters yesterday met the commerce minister, seeking immediate steps from the government. They also met the jute minister on Wednesday.

A commerce ministry official said the minister already instructed the officials to find ways to address the issue. "We have to move forward according to World Trade Organisation (WTO) rules," he said.

Wal-Mart unveils food programme

REUTERS, Chicago

Wal-Mart Stores Inc unveiled a plan to promote healthier and more affordable foods at its stores, a move supported by US first lady Michelle Obama and one that could push food companies to overhaul some products.

The move comes as the world's largest retailer tries to overcome political and union opposition to its expansion in urban areas by touting its ability to bring lower priced fruits and vegetables and other healthy foods to areas that lack traditional grocery chains.



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