



Demand rings louder for return of stock confidence

SARWAR A CHOWDHURY

Participants in a high-profile meeting on the stockmarket have recommended restoring investors' confidence first. The call came as the investors raked with anxiety in the recent debacle in the share market. Finance Minister AMA Muhith sat with regulators, bankers, business leaders and entrepreneurs at state guesthouse Padma where the stockmarket stakeholders placed their suggestions and opinions during a four-hour discussion. The participants recommended the formation of a high-level committee to look into what went wrong in the stockmarket, the findings of which will help bring back confidence to the investors. Later in the day, the government announced a plan to form a probe committee in 15 days. Trading on bourses remained closed yesterday and will also remain off today. The closure of trading for many

days at a stretch may hurt investors' spirits further, the participants added. The probe committee must find out who and what worked behind the recent crash in the market, they demanded. Banks, non-bank financial institutions and insurance companies which made windfall gains through investment in the stockmarket should reinvest their profits through subsidiaries or investment wings, they said. The discussants recommended that the clients' or investors' equity should not be calculated in the financial institutions' total investment exposure to the stockmarket. Presently, the financial institutions' investment exposure to stocks is 10 percent of their total equity and it is computed including the clients' equity. Banks' investment exposure to the stockmarket and calculation of the exposure should also be based on cost value instead of existing market

prices. A bank has to make provision for the losses in its balance sheet if share prices go down below the cost price, but the unrealised profits cannot be shown in the balance sheet, they said. They said share prices of many companies went down drastically after their listing either through book building or direct listing, substantiating that their indicative or listing prices were higher than their fundamental prices. In such cases, they added, there should be regulations compelling the issuer companies to buy back their shares if the prices slumped, compared with the listing or indicative prices within a certain period of time, or to reinvest the money they realised through offloading or floating shares. Citing three companies' names, they said the companies raised thousands of crores of taka by inflating the figures in their balance sheets while listing. "Where do their shares

prices stand now?" said one of the participants. The meeting also recommended that a portion of the profit from stock investment by financial institutions' subsidiaries, which are set up for stockmarket dealings, should be kept as reserves in the subsidiary companies balance sheet to strengthen the subsidiaries' capital structure. They also said it is time to create separate financial institutions only for the stockmarket, whose activities will centre around the capital market. Apart from the stockmarket, they can be allowed to go for equity investment in other non-listed companies. The regulator should provide 50 licences to this effect, the discussants said. As denomination of share face value has created volatility in the secondary market, face value of all shares should be fixed at Tk10, they suggested. The Securities and Exchange Commission should also issue

new licences to more fund managers and portfolio managers, which will bring more institutional investors to the market, they said. It is time to allow financial analysts only to comment on the stockmarket and investment, they observed. Recently, the market has spawned too many charlatan media talkers and 'experts' who have little knowledge of the market, the participants alleged. In many countries, including neighbours of Bangladesh, the financial analysts give comments on the share market and issue forecasts regarding the price movements, even on single scrip. The SEC should be reshuffled and the government can convene another committee to determine the requirements for overhaul, it was suggested at the meeting. The SEC must take long-term policies, while the stock exchanges should be demutualised, they said.

Minister hopeful of 61 products' duty waiver

STAR BUSINESS REPORT

Bangladesh is still hopeful about getting duty waiver for exports of the proposed 61 products to India, as a measure of reducing the trade gap between the two neighbouring countries, Commerce Minister Faruk Khan said yesterday. The formal trade gap between the two countries is heavily in favour of India and recently crossed the \$3-billion mark. Bangladesh has been lobbying the Indian government for the last one year to get the duty waiver for the products, 54 of those garment items. The Indian commerce minister

is on a promise that his government will allow the duty waiver, Khan said. "Since it's a matter of international trade, I am waiting for their signal. Don't expect miracle. India will see their interest, and we will see ours. But I am hopeful that it will happen to reduce the trade gap," Khan said after a briefing at his secretariat office in Dhaka. The minister was talking to journalists after a meeting on the six months' (July-December) export performances of the country. He said the export growth will remain high in the next six months also, as the demand for

Bangladeshi products is increasing with the recovery of the western economies from recession. He said exports registered 41 percent growth in the July-December period, exceeding the target, compared with the same period a year before. The export target for the current fiscal year was set at \$18.5 billion, but the first six months' exports fetched \$10.26 billion, beating the target for the period at \$8.77. "We are on the right track. We have got some new markets such as China, South Korea and Japan which have bright prospects," he said. Khan said exports to the Euro-

pean Union (EU) will increase more because the EU has already made effective its Rules of Origin (RoO) under the Generalised System of Preferences (GSP) from January 1. For the RoO relaxation, being a least developed country, Bangladesh will get zero-duty benefit to EU even if the manufacturers make their export items for the EU from imported raw materials. Before January 1, the exporters used to get the zero-duty benefits if their exportable finished goods were made of local raw materials. The minister said, out of 44 Bangladeshi missions abroad,

25 achieved their export target and 19 are still struggling. Khan said he will introduce video conferencing for the officials of the missions so they can communicate fast to boost trade and commerce with the respective countries. Salim Osman, president of Bangladesh Knitwear Manufacturers and Exporters Association, Siddiqur Rahman, vice-president of Bangladesh Garment Manufacturers and Exporters Association, and Saiful Islam, president of Leather Goods and Footwear Manufacturers and Exporters Association of Bangladesh, also spoke at the meeting.

STOCK FIASCO

Small investors rap regulators

STAR BUSINESS REPORT

Small-time investors have blamed regulators and auditors for the ongoing debacle in the stockmarket and urged the government to bring them to book. Abdullah Al Faruque, who invested Tk 8 lakh in stocks, saw his portfolio slimming down to less than Tk 5 lakh. He alleged that the main reason for the fall was a syndication of high-officials in different regulators. "Merchant banks, regulators and market manipulators all conspired together and caused the market to fall," Faruque alleged. According to Faruque, auditors are also partly to blame for the crash, as they tend to share confidential information with their acquaintances and manipulators. "Despite all, I am hopeful about the market and I have been doing business here for the last four years. I want to continue," Faruque said. Mehdi Al Ahsan, an IT specialist, who had put around Tk 15 lakh in the market, saw his investment slumping to Tk 9 lakh. "The government should have taken steps when the market had been at its peak but it came to its senses when the market was going downhill," Ahsan said. "It seems that the government is unable to handle the stockmarket. Small investors feel stock investment is a risky venture now." On the issue of syndication, Ahsan said syndicates are here and doing business without them in the stockmarket is not possible. "Some syndicates enter the market with Tk 1 crore and pump it up to Tk 4 crore and leave the market." Shantanu Biswas, another small investor with an investment of Tk 35 lakh, which came down to Tk 22 lakh, said: "If you look at the rise, the rate of increment was 1-2 percent every day but when it fell, it was by 10-12 percent, although experts say the rise was dramatic." "When the market was going up, the government and regulators praised it and now they say the stockmarket is not necessary for the country," he said. "They have to understand these comments affect the market negatively." Biswas said the book-building method is another cause of overvaluation of the stocks and the institutional investors withdrew a large sum of money from the market through the system. "Market manipulators caused the fall through syndication and raised the share prices and took the money away from the market. Now almost all stocks are undervalued." Biswas expects the situation will improve in February. Md Kamrul Hasan, a small investor with an equity investment of Tk 26 lakh, lost Tk 10 lakh to the market crash. "It is not a correction, it is a crash," Hasan said. "The investors have lost their confidence, that's why they are doing panic sale." The liquidity crisis occurred due to poor monitoring by Bangladesh Bank, he added. He urged the regulators not to devise short-term policy because it ultimately benefits institutional investors. "Even if the SEC has power, we think they do not exercise or is unable to exercise it. It was a wrong decision to change the face value of the fundamentally good shares from Tk 100 to Tk 10 which ultimately triggered the over valuation," he said. Stephen Palash, a retail investor who has been in the capital market since 2006, saw a drastic slump of his portfolio from Tk 50 lakh to Tk 30 lakh in a couple of weeks. "Big investors are actually playing the game," he said. He urged the government to encourage the institutional investors to buy more scrips.

NOTICE

Star Business brings out only four pages today, instead of eight, because of a lack of stock data. The Securities and Exchange Commission has ordered the stockmarket shut for

Create with US

KUBE™
Exclusive Home Furniture from Global brands
KODA KIAN

242 Tejgaon
Gulshan Link Road
Dhaka 1208
t: 8822511-2
f: 8822517
www.kubebd.com

MTB SENIOR
a savings account for senior citizens

Mutual Trust Bank Ltd.
www.mutualtrustbank.com
Call +88 017 3034 3754-5
নিউট্রাল ট্রাস্ট ব্যাংক লিমিটেড
you can bank on us