

Let capital market run on its own

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THE Bangladesh capital market has again seen an upsetting scenario that is very similar to the one in 1996. As it was recovering from that trough, it again dropped into the pit. Angry investors were seen protesting on the streets on December 20, 2010, when there was the most dramatic fall in the stock market in its 55-year history. The DSE General Index dropped by 551 points, or 6.72%. Again, on January 20, 2011, the index fell within 5 minutes of the trading operations in the two bourses by 600 points. And the panic deepened.

The process is said to be similar to the much-criticised direct listing method, which had been scrapped for private companies the year before.

There are further allegations against SEC and even the two bourses for frequent shifts in their position with Bangladesh Bank being indifferent to market fallouts.

Lately, there has been a large influx of retail investors to the bourses, hence the market has become almost retail driven (unlike any other Asian nation). Investors, without bothering much about underlying fundamentals, went on a buying spree with "share prices to

control lapses and even moral turpitude of their staff. Reportedly, there was no coordination between the various regulatory bodies, mainly Bangladesh Bank and SEC.

The government has taken cognisance, though pretty late. An enquiry committee is likely to be formed soon, though we have not seen actions taken on the enquiry committee report on the 1996 scam.

The formation of a probe committee alone will not bring the expected outcome unless steps are taken to restructure the SEC. The regulator has to execute the recommendations of the investigation. As already mentioned, the SEC has a serious capacity constraint. It requires restructuring, reorganisation, and empowerment for long-term development of the market.

I suggest an integrated effort from SEC, the central bank, and the ministry of finance along with the two bourses to avoid "creation of panic." I have observed that the stakeholders are shying away from their responsibility by shifting the trading time, stopping trading, and raising "index breaker" instead of "letting the market adjust on its own."

Bangladesh Bank has to drive the changes, or even take supportive measures, in view of the overall monetary policy. We should always remember capital market contribution in our overall growth curve. Performance of Real sectors should be more supported by the regulators. However, nobody would like to see total fallout between two most important regulatory bodies that are responsible for disciplining and supporting the country's broader money market.

I advise cautious regulatory measures like "no one has the right to

break investor's confidence in the market by issuance of shifting or floating decisions without any impact analysis." The market is going through a correction and we should allow this to happen to avoid panic creation through shifting decisions. There is still room for investment in good shares in the growth sectors with better price

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earning ratio. We have been lately seeing positive signals from the institutional investors, including the foreign ones, to invest in view of recent corrections.

My recommendation is that Bangladesh Bank should help not only through Investment Corporation of Bangladesh (ICB) but also through other merchant bank subsidiaries of the commercial banks. Like in the West, and even



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some Asian countries, the large investors and business houses should be allowed to buy back some of their shares from the market and help bring back the confidence because "bringing back the confidence is the key now."

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Let the market stand up on its own and start moving on its fundamentals. We need to ring a fence around the good investors and keep the manipulators away through coordinated efforts.

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Salient Features of Bangladesh Capital Market in 2009-10.		
	2009	2010
Average Daily Trade Value	US \$88 million	US \$237 million
Market Capitalisation	US \$27 billion	US \$50 billion
No. of Listed Companies	415	445
December end market P/E	26x	25x
DSE-Gen up for the year	62.3%	82.8%

There have been allegations from people on the street, civil society and media that there was manipulation of the prices by some biggies and the much talked about "cartel." Panic has spread among the investors, which also includes the two bourses and SEC. The "book building" process has been suspended on grounds of companies having rather weak fundamentals getting very high share premiums.

The process has apparently been used by issuers in coalition with groups of institutional investors to artificially raise the price of securities beyond fundamentals. The high premiums charged on shares affect the retail investor who subscribes to the shares at the high price and faces a deflated price upon listing.

go higher" expectations. Access to quality and credible corporate information is still a major issue in the market.

While a handful of institutional investors may enjoy certain benefits, nothing exists for retail investors. Many investors are unaware about the companies' shares which they are buying/selling. More importantly, the ignorance of these investors about the real information reportedly contributed to the mishaps. While market analysts were okay with corrections in the market, especially for shares with weak fundamentals, nobody wanted that to happen at the cost of only retail investors.

There were allegations about capacity issues in the SEC, internal

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A few years ago while I was visiting Dhaka I called a circumspect columnist, who until about a year ago was the advisor-editor of a vernacular news daily, whose columns I used to enjoy reading for his balanced analyses. However, in his criticisms of the two supreme leaders of the country, it was obvious that he was quite soft on one and very harsh on the other.

When I asked him for the reason, his answer was extremely disappointing. In his account, on one occasion while attending the news conference of the unfavourably treated leader, he personally felt intimidated by her raised voice directed at him, for which he has never forgiven her. That being the reason for discrimination between the two, my profound respect for the objectivity of his analyses plummeted so badly that I still could not recover from it.

As a contributor (I never call myself a columnist) I encountered similar questions many times over the years, when my detractors accused me of being bias to one of the two political streams. My answer was that, as an unflinching devotee of the values and virtues of our great war of liberation who wants to see Bangladesh as a secular, non-communal, modern and liberal state, my natural ally would be the party that still preaches those values, and want to use my efforts to make them practice what they preach.

It is very unfortunate that although we achieved our independence through an armed struggle and the supreme sacrifice of three millions of our heroic souls, one of our political streams is termed "pro-independence" while the other is termed the opposite. Astonishingly, we have not seen much of a protest from the latter party though it has been given such a stigmatic attribution.

Over the last fifteen years that I have been contributing to *The Daily Star*, the majority of my articles centred around criticisms of BNP since it was in power for most of the period, and it was BNP which has done the most systematic, and in some cases, irreversible damages to

the core values which were the guiding principles of our struggle for emancipation that culminated in the glorious war of liberation.

However, I wrote many pieces containing criticisms of AL as well when they were at the helm of the state from 1996-2001. Since it came



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Burden of neutrality

to power after a lapse of 21 years and first time after the tragedy of 1975, and not with absolute majority, the expectations from its rule was not very overwhelming. Consequently, my criticisms were very much advisory rather than astringent. But this time around,

after the historical election victory of December 29, 2008, the expectations of the people are completely different. After the formation of the current government, people would ask me when I would be going "back" to Bangladesh. Initially, I did not

understand the implication of this query but later on understood that they were implying that I would be vying for a rewarding position from the government in return for what I have done for AL through my relentless write-ups and my active campaign in favour of human rights and democracy in Bangladesh.

I could not convince many that as a non-politician and non-journalist, and as a Professor of Engineering of a Canadian Institution, all my efforts are geared solely towards satisfying my own conscience through paying back, in terms of enhancing democracy, human rights and rule of law, some dues to my beloved motherland.

Over the last two years during the tenure of this government, I wrote a number of pieces pointing out some specific wrongdoings of the government actions and policies. I have received three types of feedbacks from the readers. The first group is the well-wishers of AL who want to see AL return to power in the next election as well, but only through good governance directed towards the well-being of the people.

The second group of people, very small though, believes that I criticise the government only because I did not get a rewarding position from the government, albeit they know very well that I hold, in my own conviction, the best job in the world.

The third group comprises people who are diehard supporters of AL, and had I worked closely with many of them for the common causes involving human rights and democracy. Reading through a few of my recent articles and listening to my speeches in the victory day celebrations organised by a number of socio-cultural organisations, including the local AL (in Toronto), some of them said that especially my write-ups in DS are only helping the "conspirators" in tarnishing the image of the government.

I was also told that lot of complaints have been sent to the PM against me. I only smile politely and remind them that I am neither in the service of the Republic of Bangladesh nor a member of the AL party, both of which the PM presides over. However, I added, my detractors would do a good service to the PM if they conveyed my criti-

cisms verbatim to her.

In 2006 during the dark era of the BNP-Jamaat rule, we, under the banner of the Canadian Committee for Human Rights and Democracy in Bangladesh, organised an international conference on human rights especially on the issue of extrajudicial killings in the name of crossfire. While I was presiding over the conference, one member of the audience asked me if we would organise such a conference if the extrajudicial killings continue unabated if and when AL is voted to power.

Blaming the last government for extrajudicial killings and disappearance of rule of law, it was promised in the AL's last election platform that extrajudicial killings would be stopped, but it has continued incessantly. A recent report by *Ain O Shalish Kendra*, disclosed that 217 people felt victim to extrajudicial killings since November 2009 alone. The ministers are echoing the similar statements made by those of the BNP-Jamaat government in support of these killings in the name of "crossfire" or "encounter."

Torture in remand was introduced by the BNP-Jamaat government and was intensified during the military-backed caretaker government. The same tool is being used ceaselessly by the current government. Over the years since its indiscriminate introduction by the last BNP-Jamaat government, there is no record of real confession obtained from any of the victims of remand, which could be used to institute a credible legal suit and subsequent conviction in the court law.

If one compares the performance of the current government in attaining the rule of law and upholding the legal rights of the people guaranteed by the country's constitutions vis-à-vis those of the last elected government, the result would be one of unfulfilled expectations. The change would be hardly visible vis-à-vis the promised "charter for change," the election platform of the current government.

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