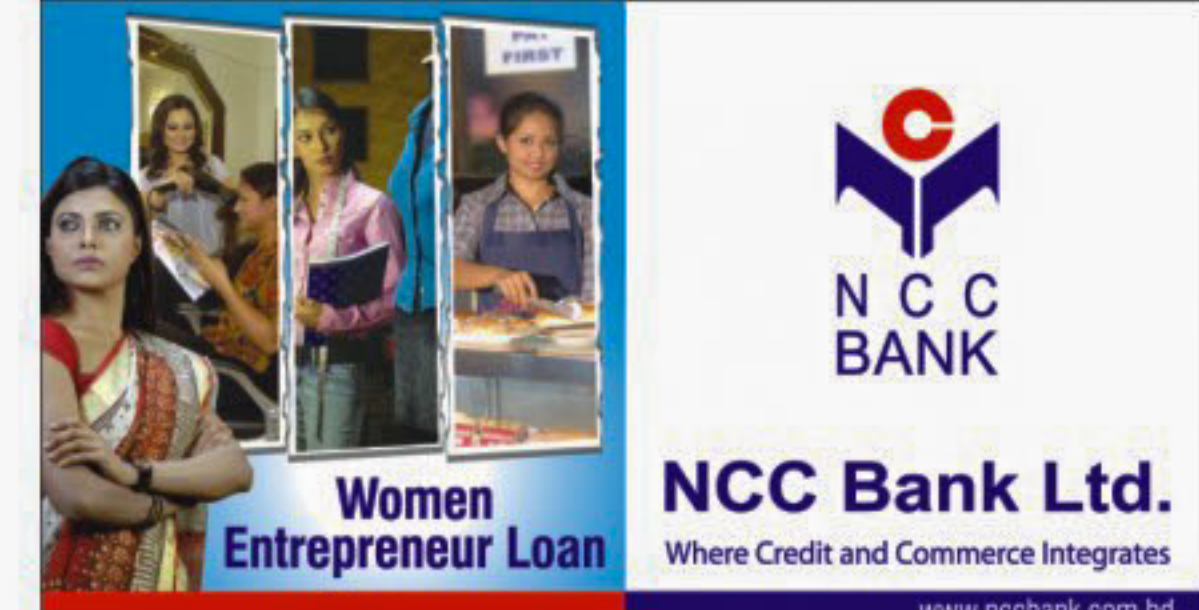


STAR BUSINESS



DHAKA THURSDAY JANUARY 27, 2011, e-mail:business@thedailystar.net

SEC opens probe into brokerage scam

STAR BUSINESS REPORT

The Securities and Exchange Commission (SEC) yesterday formed six teams and named officials to probe the suspected involvement of six brokerage houses in stockmarket volatility.

The regulator suspended the trading activities of Al Arafah's brokerage unit, Dhaka Bank Securities, NCC Bank Brokerage, PFI Securities, Alliance Securities, and IIDFC Securities on January 20 for 30 days, on charges of creating instability in the market by selling shares for less than buy offers. The committees will have to submit reports by February 2, officials said.

SEC Deputy Director Mohammad Abul Hasan and Assistant Director Md Saiful Islam will conduct the investigation against IIDFC. Deputy Director Sheikh

SIX BROKERS

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

Mahbub Ur Rahman and Assistant Director Syed Golam Mowla will probe NCC Bank Brokerage.

Deputy Director Abul Kalam and Assistant Director Md Hossain Khan will lead the probe against PFI Securities, while Deputy Director Mansur Rahman and Assistant Director Md Yusuf Bhuiyan will investigate Dhaka

Bank Securities.

The allegation against Alliance Securities will be investigated by Deputy Director Abu Rayhan Mohammad Mutasim Billah and Assistant Director Md Ohidul Islam, while Deputy Director Mohammad Jahangir Alam and Assistant Director Md Iqbal Hossain will lead the probe against the brokerage unit of Al Arafah Islami Bank.

The SEC however withdrew its suspension order on trading activities by NCC Bank brokerage.

An official said NCC Bank took punitive action against its staff and apologised to the market regulator.

The private bank also withdrew the chief executive officer of the brokerage firm and served notice on the officials involved in trading.

The bank has sent a letter to the SEC, informing the regulator about the action taken, said the official.

State banks irk BB

REJAUL KARIM BYRON

The central bank has stepped in to cut directors' interference and influence in state banks and complained to the government about the problems.

Bangladesh Bank also termed risky the business of some state banks of buying bad loans from private banks.

Finance ministry officials said the central bank governor in a letter to the finance minister has conveyed the concerns in details.

The BB board at a meeting in December decided to take the issue to the government.

"Our attention has been drawn to the incidents of direct interference and influencing the day-to-day activities of the banks such as loan approval, transfers and promotions," according to the letter.

It also said some state banks are doing risky business of buying bad loans in different private banks. These loans are being shown regular by rescheduling, but the board has expressed concerns that these run the risk of becoming bad loans again in near future.

About buying bad loans, Sonali Bank Chairman Kazi Baharul Islam said they have allowed a few private bank clients, taking huge collateral from them. "The private banks charged them high, so they came to us," Islam said.

"The directors can lobby the management for something. It's not abnormal," he said about the central bank's complaints of interference by the board.

But he said he got no such complaints from the management.

Islam also said the percentage of default loans at his bank has come down significantly since the existing board took over. "But the amount is still high, as some state enterprises did not pay back in time," he said.

The central bank governor in the letter called upon the government to take steps to ensure good governance in the banks, including bringing changes in the managing authorities, and appointing efficient and experienced persons in the board.

On the basis of the board's concerns, the finance minister will hold meetings with two state banks today and with two others next week.

All members of the board of directors of the four SCBs will attend the meeting. The BB governor and the secretary of the banking division will be present.

The SCBs are also showing a tendency of increasing their credit abnormally, the BB governor said in the letter to the finance minister.

The credit of Janata, Agrani and Rupali banks went up by 21.27 percent, 17.98 percent and 18.03 percent in September 2010 compared to December 2009.

The letter also said, in many cases credit grants were released quickly without due diligence. The credit-deposit ratio and classified loans are on the rise. Default loan realisation is falling behind the target.

The BB governor said, though the government moved to meet the capital deficit of the banks, it has reappeared in the banks under the Basel II framework. The deficit is Tk 147 crore in Sonali Bank, Tk 567 crore in Janata, Tk 353 crore in Agrani and Tk 224 crore in Rupali.

The BB said it saw no effective steps on the part of the banks to fight the deficit.

The letter also said the World Bank-backed reform programmes taken in the SCBs in the recent years showed much progress in the banks, but their recent activities have spoiled the benefits.

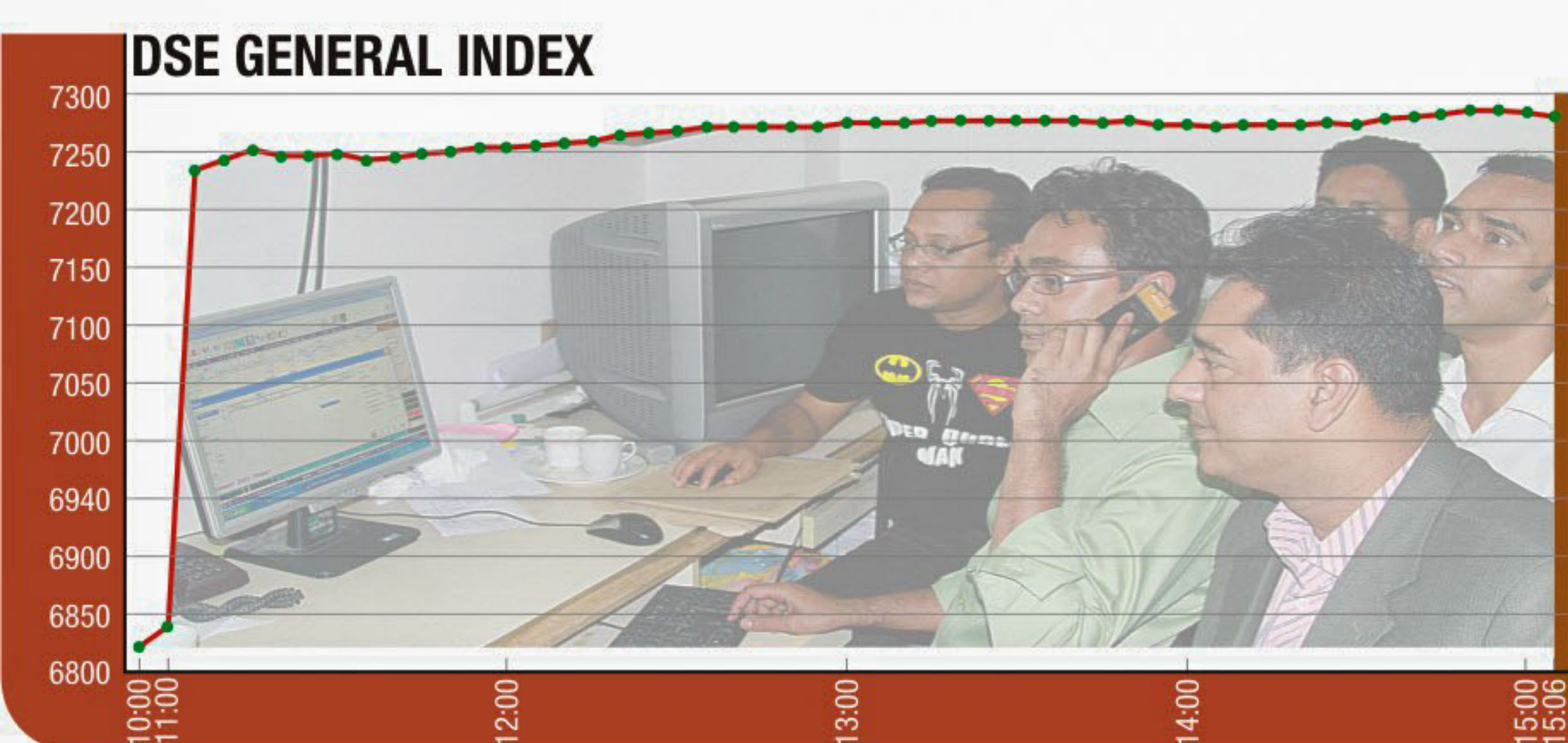
After the present government took over, it asked the state banks to continue the reform programmes on their own, but reconstituted their boards, taking in some former leaders of ruling Awami League and its different associate bodies.

An official of an SCB said many board members interfere in bank activities, including transfers and loans.

However, chairman of another SCB admitted that some persuasions take place, but those do not impact the decision making process.

Optimism lifts stocks

Analysts say risks are far from over



STAR BUSINESS REPORT

Stocks rebounded for the second day amid optimism that support from market intermediaries and the government would continue.

Indices bounced more than 400 points shortly after opening of trade yesterday, as prices of shares started hitting the days' highest limits, spurred by a mood to retain shares to get better returns or minimise losses from the previous free-fall.

The upbeat mood continued through the day, allowing the benchmark DSE General Index (DGEN) to cross the 7,000 mark, or above the level registered before the quick plunge on January 19-20.

The DSE General Index (DGEN) surged 458.93 points or 6.72 percent to 7280.01, reflecting a 15 percent rise since the January 20 level.

The markets are yet to return to normal. Rather such a free ride in share prices might again be risky, analysts said.

"A 6-7 percent variation in index for a day shows that the market is highly unstable," said Mirza Azizul Islam, former chairman of Securities and Exchange Commission (SEC). He said the consistent spike in share prices is not a good sign.

"It appears that investors have not learnt the lesson. Prices of almost all the shares are going up. But experienced investors should now be able to discriminate between issues," he said.

"There are still reasons to be apprehensive," he said.

On the day, turnover almost trebled to Tk 587 crore yesterday from Tk 206 crore a day ago, due to increased participation of institutional investors.

Bangladesh Bank continued to relax grips on liquidity to help merchant banks and other intermediaries recover from the fund crunch.

Analysts linked the post-debacle rebound to the gradual restoration of confidence among investors who banked on hopes that government would maintain its support to stabilise the market.

"The next week is a test case. It cannot be said that the market has become stable until there is a significant rise in transaction volume," said Mahmood Osman Imam, professor of finance at Dhaka University.

One positive sign is that turnover has increased. "The rise in turnover reflects that the market is moving

towards normalcy," he said.

On the day, prices of 89 percent out of 256 issues traded advanced. Some 25 slipped and three closed unchanged at the Dhaka Stock Exchange, the main bourse.

Beximco ruled the turnover board followed by state-run Titas Gas, National Bank Ltd, telecom giant Grameenphone and Bextex, a concern of Beximco Group.

BEXIMCO gained 8.68 percent to Tk 309.10. The remaining four issues on the turnover board also ended higher.

The latest recovery in share prices also pulled the market capitalisation above the level of January 20, the day the DSE recorded the quickest ever slide.

In the past two days' turnaround, market capitalisation increased by Tk 35,473 crore to Tk 319,084 crore.

Yawer Sayeed, chief executive of asset management firm AIMS of Bangladesh said investors are regaining confidence, but there are risk factors. Many investors are still on the sidelines and are observing the market movement, he said.

Indices on the Chittagong Stock Exchange also went up. Of the issues traded, 174 rose, 13 lost and 10 finished unchanged.

Muhith: furnace oil price hike not proper

UNB, Dhaka

Finance Minister AMA Muhith said yesterday the furnace oil price hike was not proper without consulting the business leaders.

He also showed sympathy to the business community.

"The price was increased by the energy ministry showing a price hike in the international market. But it was improper to increase the price without consulting the business leaders," Muhith said while addressing a discussion on International Customs Day 2011 at CIRDAP auditorium.

He assured the business community of looking into the problems caused to the industrial sector due to higher furnace oil price.

The government raised the price by Tk 9 to Tk 35 per litre at consumer level from Tuesday, for an interim period.

AK Azad, president of the Federation of Bangladesh Chambers of Commerce & Industry (FBCCI), said the oil price hike will increase the costs of business.

The FBCCI president also called upon Muhith not to increase income tax and VAT, but expand the tax net.

Insurance industry gets regulators

STAR BUSINESS REPORT

The government has formed the Insurance Development and Regulatory Authority by appointing a chairman and three members yesterday, ten months after the approval of a new law in parliament.

M Shefak Ahmed, former managing director of Pragati Life Insurance, will head the regulatory authority to replace the aged-old controller of insurance.

Ziaulhuq Mamun, a professor of the Institute of Business Administration, Dhaka University, Nabagopal Banik, former central bank executive director and Shamsher Ali, a former joint secretary of the law ministry, were made members of the authority.

The Bank and Financial Institution Division has issued a circular in this regard yesterday.

The government made the appointment in line with the Insurance Development and Regulatory Authority law 2010.

The authority was aimed at proper control and supervision of the insurance sector to protect the interest of insurance policy holders besides strengthening the financial base.

Bangladesh's insurance industry, comprising 43 general companies, 17 life insurers and two state-owned companies (general and life) was passing time without a guardian since the new law was approved.

Insurers hoped that the law that has brought some significant changes including raise in paid-up capital, separation of life and non-life business and Islamic insurance, will come into effect quickly.

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Jute goods duty unexpected

STAR BUSINESS DESK

India's 14 percent duty on exports of jute goods will hurt Bangladesh, the commerce ministry said yesterday.

"This duty imposition is unexpected," it said. The ministry has decided to deal with the issue. The government considers several options to convey its concern to the Indian authority.

International Jute fair

Exhibition and Fashion Show

Bangabandhu International Conference Centre

January 27-29, 2011, 9 am to 9 pm

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