

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES				
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY	
▲ 1.70%	▲ 1.71%	\$1,528.00 (per ounce)	\$100.73 (per barrel)	▲ 1.23%	▼ 0.42%	▲ 0.38%	▼ 0.97%	73.35	104.89	121.06	0.90	
5,489.88	9,866.68			18,266.10	9,521.94	3,135.52	2,709.95	BUY TK	73.44	105.05	121.24	0.90

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DHAKA MONDAY MAY 30, 2011, e-mail: business@thedailystar.net

FBCCI offers recipe to tackle cash crunch

STAR BUSINESS REPORT

The country's apex trade body yesterday suggested banks reinvest their profits earned from the stockmarket to help tackle a severe liquidity crisis that is taking a toll on the banking sector and the overall economy.

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) also said raising the lending rate following the recent withdrawal of ceiling by Bangladesh Bank (BB) and inflationary pressure have added further woes to the economy.

"Banks cannot settle LC (letter of credit) and reschedule loan. Many organisations are facing difficulties in paying salaries to their staffs," FBCCI President AK Azad told reporters at a press conference at the Federation Building in Motijheel.

He also took a swipe at the banks and other financial institutions that made hefty profit -- Tk 8,000 crore -- from the stockmarket business, but are doing nothing for the small investors.

The FBCCI president gave a recipe that includes capping the lending rate, reviewing CRR (cash reserve requirement) and SLR (statutory liquidity ratio) hike, and stopping devaluation of the taka to help the economy overcome this critical juncture.

The apex trade body also diagnosed the reasons for the recent stockmarket debacle and blamed scanty supply against huge demand and rapid expansion of merchant banks and brokerage houses across the country, for the huge fall in stock prices.

"Every bank made profits from the capital market operation last year. Now they should come up to reinvest," said Azad, also a director of a private commercial bank.

Saying that the financial institutions have made the profit legally, the FBCCI president called upon the government to bring back those



AK Azad, president of the Federation of Bangladesh Chambers of Commerce and Industry, speaks at a press meet at the Federation Building in Dhaka yesterday.

institutions to reinvest in the stockmarket. "The Bangladesh Bank (BB) as the regulator can take the lead along with the finance ministry, Securities and Exchange Commission and the stock exchanges," he told reporters.

The trade body also stressed offloading of shares by state-owned enterprises and multinational companies.

Azad urged the central bank to review the recent hike in CRR and SLR to address the ongoing liquidity crunch in the economy.

On the rising lending rate, he asked the BB to cap the ceiling for the sake of the economy.

"The gap between lending and cost of fund must not exceed 3 percent," he said. Azad also urged the authorities to ask the banks to set their

sectoral loan targets.

The FBCCI also expressed concern over the continued devaluation of the taka against the US dollar. Azad suggested some other foreign currencies could be considered for foreign exchange transactions instead of a single currency -- the US dollar.

Senior office bearers of the FBCCI were also present at the briefing.

Heavy buy lifts stocks

STAR BUSINESS REPORT

Stocks edged up for a second day as investors yesterday started heavy buying following Bangladesh Bank's decision to extend the deadline for banks to trim their exposure to the stockmarket.

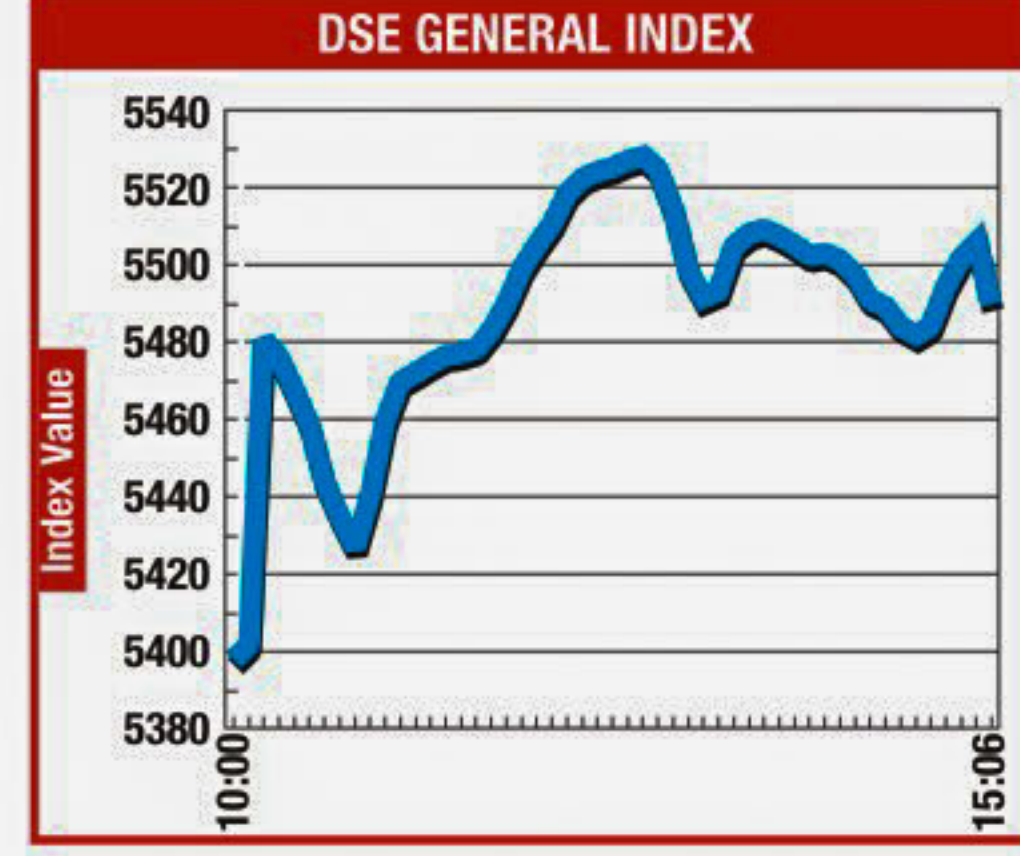
The benchmark general index of Dhaka Stock Exchange (DSE) gained 92 points, or 2.70 percent, to close at 5,489 points. The selective categories index of Chittagong Stock Exchange gained 166 points, or 1.71 percent, to close at 9,866 points.

Bangladesh Bank on Thursday extended the deadline for banks to cut its single borrower exposure limit by four months to December.

The prime index continued to rise in the first two hours after it recovered from its initial bearish mood. Later it hovered around the same level and closed positive at the end of the session.

The country's two bourses will stabilise slowly, as corrective measures to help the capital market are taken in the form of regulations and in the upcoming budget, said an industry insider.

Investors staged a sit-in in front of the DSE building in Motijheel, seeking the prime minister's intervention to calm the market. They



demand some positive incentives in the upcoming budget.

The investors, agitating under the banner of 'Capital Market Unity Council', started the programme around 12:30pm and ended it at 3pm.

"We will continue our sit-in till the budget declaration," said an investor.

"The regulator's declaration that tax identification numbers are not mandatory for continuing beneficiary ownership accounts also boosted the market," said Prof Mahmood Osman Imam, who teaches finance at Dhaka

University. The market is yet to become stable, as the trading volume is low, said Imam, also a member of DSE index development committee.

He added that the appointment of two members for the Securities and Exchange Commission also pulled the market up.

In an effort to cool down the market, the regulator may go for some changes in the rules to help release large funds.

Both general insurance and life insurance gained more than 2 percent, while banks, non-bank financial institutions, fuel and power, telecommunication and pharmaceuticals gained more than 1 percent each.

Turnover on the DSE stood at Tk 330 crore, up Tk 34.49 crore from the previous day.

Of the total 261 issue traded on the DSE, 234 advanced, 25 declined and two remained unchanged.

However, the trading of National Tea Company resumes today on the DSE floor after a halt of one month in the wake of an unusual price hike.

The approval came after the DSE probe committee completed their investigation, which initially found some regulations in trading of shares of National Tea.

SEC gets two more members



Md Amzad Hossain



Arif Khan

STAR BUSINESS REPORT

The government yesterday appointed two more members to the Securities and Exchange Commission (SEC) for three years.

The newly appointed members are Md Amzad Hossain, a former executive director of the Bangladesh Bank, and Arif Khan, managing director of Zenith Investment Ltd and former deputy managing director of IDLC Finance Ltd.

Earlier on May 2, Helaluddin Nizami, a professor of accounting and information system at Chittagong University, was chosen as a member of the stockmarket regulator for three years.

The government on May 15 also appointed M Khairul Hossain, a professor of finance at Dhaka University, as the SEC chairman.

The appointments were made as part of the restructuring process of the SEC as announced by the finance minister while publishing the full probe report on the recent anomalies in the share market.

With the appointments of the two new members, it is now expected that the SEC would start policy-level regulatory works that came to a halt due to a quorum crisis after the resignation of the

immediate past chairman and three members.

Amzad Hossain completed his master's degree in management from Rajshahi University in 1978. He joined the Bangladesh Bank as an officer in 1981.

Before retiring from the central bank this year, he served the Bangladesh Bank's foreign exchange department as deputy-general manager and general manager. He also served the central bank's inspection department as executive director.

After obtaining his master's degree in finance and banking from Dhaka University in 1991, Arif Khan started his career as a banker with AB Bank. He joined IDLC Finance in 1996 and here he served for 15 years.

In the meantime, he completed FCMA (Fellow of Institute of Cost and Management Accountants of Bangladesh) in 1999 and CFA (Chartered Financial Analyst) from the USA in 2001.

He also obtained an MBA from the Institute of Business Administration, Dhaka University, in 2005.

After leaving IDLC Finance as deputy managing director, Khan joined Zenith Investment Ltd as its managing director and chief executive officer this year.

BB forms committee to probe banks

STAR BUSINESS REPORT

Bangladesh Bank has formed a six-member committee led by Executive Director SK Sur Chowdhury to probe whether commercial banks were involved in stockmarket irregularities.

The team will examine allegations of bank-related irregularities mentioned in the share market probe report, which has been submitted to the government by an investigation panel.

On April 7, Khondaker Ibrahim Khaled, chairman of Bangladesh Krishi Bank, submitted the probe report, accusing "all the institutions that have anything to do with the stockmarket for the debacle".

The central bank committee has been asked to submit its report within next one

month, said an official of the central bank.

According to the terms of reference, the committee will examine whether there was any irregularity in the commercial banks' trading in the stockmarket in respect of the Banking Companies Act and different circulars of the central bank.

If required, the committee will be able to conduct inspection.

On the basis of its recommendations, the central bank will later take necessary action, officials said.

The central bank's latest measure will be seen as a step towards regaining some of the confidence it lost in recent months, as retail investors as well as critics think Bangladesh Bank could have done more to avoid the unprecedented collapse in the history of the country's stockmarket.

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