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Banks beef up fight against risk

Sajjadur Rahman

Customers line up for services at a branch of Eastern Bank Ltd in Dhaka. Banks now have to maintain a higher capital to protect depositors or other lenders against unexpected shocks.

AMRAN HOSSAIN

Banks now have to maintain a higher capital -- at 10 percent of their risk-weighted assets -- from July 1 in line with a directive that came as a Basel II requirement.

Risk-weighted capital asset ratio (RWCAR), which is an important cushion to protect depositors or other lenders against unexpected shocks, was 9 percent till June 30 this year.

"The deadline for minimum capital adequacy ratio requirements is September 30 though banks will start maintaining the new capital standard from July 1," said Jahangir Alam, executive director, banking regulations and policy department of the central bank.

The Bangladesh Bank (BB) analyses the banks' capital position on a quarterly basis and accordingly, it will assess the RWCAR at the end of September, said Alam.

In line with Basel II framework, the banks are required to hold capital for different classes of assets, based on a credit risk criterion.

The RWCAR or capital adequacy ratio determines the capacity of a bank in terms of meeting the time liabilities and other risks, such as credit risks and operational risks. Banking regulators in most countries define and monitor the ratio to maintain confidence in the banking system.

Inquiries, however, show that some banks, particularly state-owned and third generation private ones, are not strong enough to meet their capital adequacy requirements in their present situation.

According to BB officials, three state-owned commercial banks, five private commercial banks (PCBs) and two specialised banks owned by the government ran short of capital to meet the target of 9 percent set by the central bank.

"These banks will face difficulties in meeting the new capital requirement," said another BB official, requesting not to be named.

However, no foreign banks have any such shortfall, he said.

The BB officials said many banks at the time of profit distribution did not take the risk factor into consideration. On the other hand, some banks distributed more dividends to their shareholders than the profit they made. As a result, they could not preserve the required amount of capital.

According to BB decision, the banks that will fail to maintain the minimum capital requirement will face regulatory actions including a downgrade in their ratings.

Even, the noncompliant banks will not be able to open any branch or exchange house abroad and also face restrictions in opening new branches at home.

The state banks' shortfall in maintaining the minimum capital may be addressed by issuing bonds by the government.

Bangladesh entered the Basel II regime, the latest version of risk-based capital standards set for banks worldwide, on January 1 2010.

sajjad@thedailystar.net

NBR pares down revenue loss

Receipts from previously evaded tax rise 84pc

Rejaul Karim Byron

Revenue receipts from previously evaded tax rose almost 84 percent in fiscal 2010-11 from a year earlier, officials of National Board of Revenue said yesterday.

The disclosure came yesterday when officials of NBR's central intelligence cell presented the revenue collection scenario on the dodged tax to NBR Chairman Nasiruddin Ahmed at his office.

NBR prepared a five-year modernisation plan, and its implementation began in the outgoing fiscal year. The plan will take various measures to stop tax evasion.

NBR officials said they collected Tk 103 crore in previously evaded tax in 2010-11. Of the amount, income tax accounted for Tk 80 crore, VAT Tk 18 crore and import duty Tk 5 crore. In fiscal 2009-10, NBR collected Tk 56 crore in evaded tax.

Ahmed told The Daily Star that in the new fiscal year they would collect more revenue from evaded tax. He said they have already prepared a plan for NBR modernisation. Under the plan the CIC will be strengthened.

The officials said changes brought to the June 9 budgetary tax and tariff proposals will cut the government's income from internal sources by Tk 1,000 crore.

For 2011-2012, the NBR has set a target to collect Tk 91,870 crore in revenues, which is Tk 16,270 crore more than the last fiscal year's revised budget.

NBR will earn about Tk 700 crore less than its target after the finance minister on Wednesday reset income tax at source at 0.7 percent from 1.5 percent imposed in the proposed budget. It was 0.5 percent in the outgoing fiscal year.

However, NBR officials said the loss of revenue would be made up for through enforcement of CIC. Two teams comprising CIC officials will go to the USA for training.

They will gain experience on how the US internal revenue service collects taxes. The two teams will visit the USA in July and August.

According to NBR, tax evasion and waiver in total cause Tk 40,000 crore in revenue loss every year.

Officials said if enforcement is intensified at Chittagong Customs an additional revenue of Tk 50 crore can be collected every month through cutting on tax evasion.

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Black money move keeps up market tempo

Star Business Report

Stocks gained for a fourth day as the government has recently given a green light to undisclosed money to be invested in the market.

"The government decision will help increase the tempo of industrialisation and exports as well as establish its Vision 2021," said Shakil Rizvi, president of Dhaka Stock Exchange, in a press briefing.

The benchmark index, DGEN, the yardstick of Dhaka Stock Exchange, rose 78 points or 1.30 percent to 6,117.

The port city's selective categories index, CSCX, clocked up 118 points or 1.09 percent to close at 10,974.

Turnover on the premier bourse increased the most in two and a half months. It stood at Tk 954 crore, up from Tk 937 crore the previous day.

The market started the day on a negative note and declined 20 points in the first five minutes of trading.

Rizvi said the government should take necessary steps to offload shares of state-owned profitable companies and some foreign companies to adjust the demand and supply of shares in the market.

The government can consider 'green-field' companies -- the organisations that have a good future and are able to give healthy dividends -- to list them on the market, said Rizvi.

"We request the opposition political party not to use the stockmarket as an element of politics as it is an economic instrument of the country," Titu said.

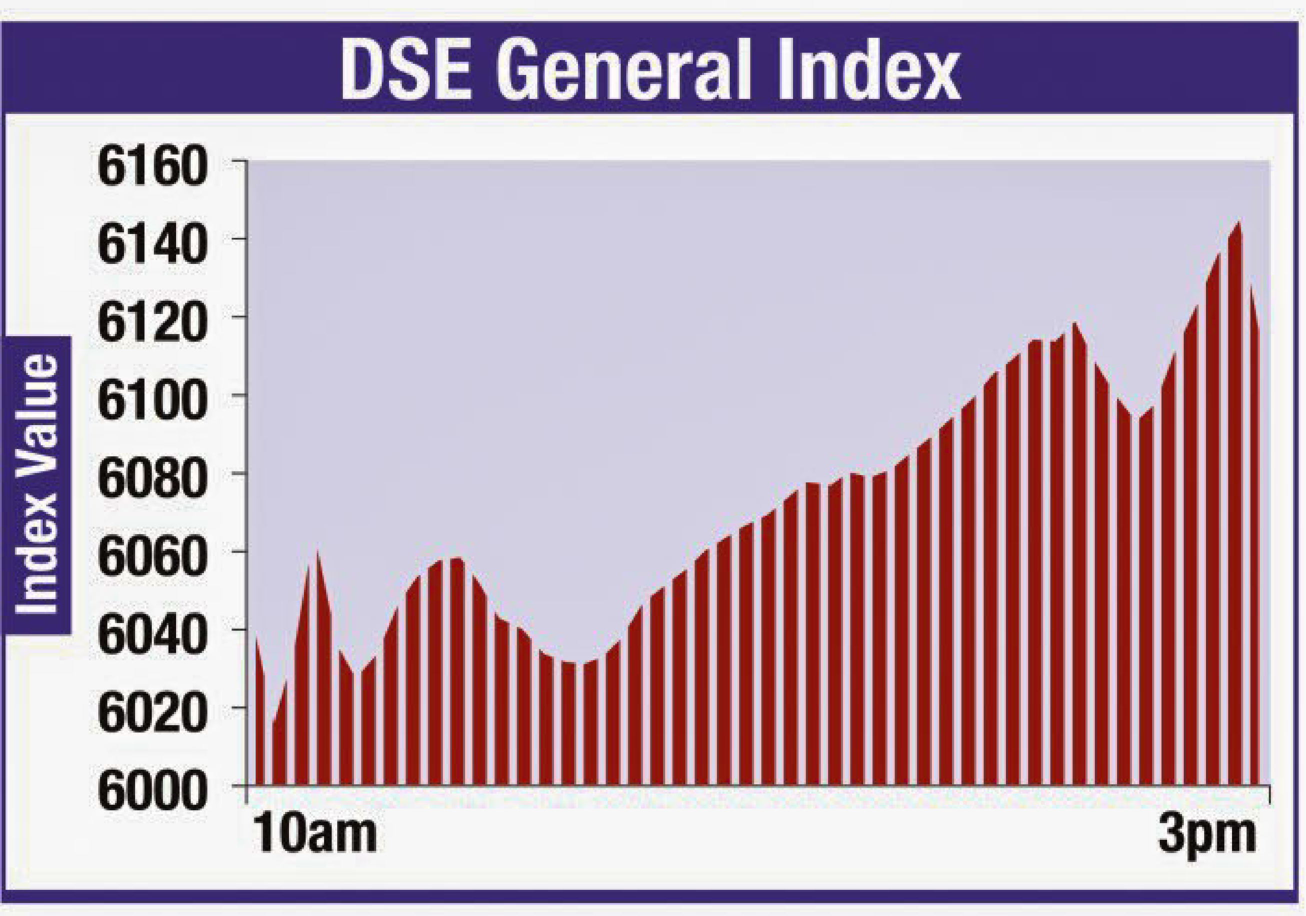
Rashid said the liquidity flow will surely increase in the stockmarket due to undisclosed money, and the banking channel will also get some credit.

Some big institutional investors are inactive in the market for which the government should bring some market-friendly policies for them, he added.

Grameenphone, which represents the telecoms sector, gained 5.88 percent. GP topped the turnover chart with 23.75 lakh shares worth Tk 38.15. It also was the second biggest gainer of the day.

The banks gained 1.04 percent, non-bank financial institutions 1.18 percent, pharmaceuticals 1.71 percent and fuel and power 1.75 percent.

EBL NBR Mutual Fund was the biggest gainer of the day, posting 6.06 percent rise, while Samata Leather Complex was the worst loser, plummeting 6.26 percent.



Muhith flies to Saudi Arabia

Star Business Report

Finance Minister AMA Muhith yesterday left Dhaka for Saudi Arabia for a six-day visit aimed at increasing manpower exports, obtaining more loans for oil imports and wooing foreign investors.

Muhith will discuss the manpower issue with his Saudi counterpart during his stay to convince Riyadh to hire more Bangladeshi workers.

Saudi Arabia is a major destination for Bangladeshi migrant workers, but in the last few years the number of job-seekers going to the oil-rich country has sharply fallen.

The government has fixed a target to send five lakh workers in fiscal 2011-2012.

On Saturday, the minister will hold a meeting with the president of Islamic Development Bank in an effort to realise more loans from the lender.

In 2011-2012, the loan from IDB, which every year gives credit facilities to Bangladesh for importing petroleum products, will be crucial for Dhaka, as it will have to import a huge amount of petroleum products to feed quick rental power plants, said a finance ministry official.

On the same day, an agreement will also be signed between the two countries on construction of a flyover bridge in Dhaka.

During the visit, Muhith will also hold several meetings with Saudi businessmen and investors. He will also discuss with expatriate Bangladeshis about their problems. Economic Relations Division Secretary Musharraf Hossain Bhuiyan has already reached Saudi Arabia. Muhith will return on July 6.

India offers to export rice to Bangladesh

Star Business Report

India has finally offered to export two lakh tonnes of parboiled rice to Bangladesh as part of its earlier commitment, an official said yesterday.

A food ministry official said the government received the offer from State Trading Corp of India Ltd or STC, on Wednesday. Each tonne of rice has been priced at $547.

The Indian government had committed to supply five lakh tonnes of rice under state-to-state arrangement last year as rice prices rose on the international market along with a global crisis in supply. The food ministry official said the exports have been delayed due to price negotiations.

India, the world's second-largest wheat and rice producer, had put exports of the two staples on hold for more than three years, but in August 2010, it allowed limited shipments to Bangladesh under a government-to-government deal.

The export offer comes, as Indian policymakers are becoming increasingly open to allowing limited shipments to reduce the strains on government stocks, according to a Wall Street Journal report.

Indian Food Minister KV Thomas said Wednesday that his ministry was open to considering export of up to 30 lakh tonnes of grains. Indian government's stocks have hit an all-time high of around 6.6 crore tonnes, forcing storage of some grains in the open as granaries have run out of space.

The Indian government had earlier authorised STC to export two lakh tonnes of non-basmati rice and one lakh tonnes of wheat from government stocks to Bangladesh. It had also asked PEC Ltd, another Indian state-run trading agency, to oversee the shipment of one lakh tonnes of rice and an equal quantity of wheat to the neighbouring country.

In May, STC received two bids against a grain shipment tender while PEC received one bid for exports of a total three lakh tonnes of rice. Now, only STC has made an export offer to Bangladesh, an Indian food ministry official said.

"We have asked the Bangladesh government to respond to our offer price over the next 10 days," Wall Street Journal quoted another official of India's food ministry as saying.

"The prospects of wheat exports to Bangladesh are bleak," said a senior executive with a state-run trading firm of India. He added that Indian wheat will likely cost more than some international varieties even if a price discount is offered.

"Indian wheat will cost between $360 and $375 a tonne as it has more protein content, whereas there are other varieties available in the market costing around $320 a tonne with less protein content," he said.

HSBC to cut 700 jobs in Britain

AFP, *London*

Global banking giant HSBC said yesterday it will cut 700 jobs in Britain, and blamed upcoming changes in the law for providing financial advice to consumers.