

# BB must cut merchant banks' stock risks: IMF

STAR BUSINESS REPORT

Bangladesh Bank should exercise its authority to ensure merchant banks do not pose any operational risk to their parent companies through their involvement in the stockmarket, said a top IMF official yesterday.

"Banks have exposure to the capital market. It has to be ensured that Bangladesh Bank is doing its part to properly manage the exposure," said David Cowen, chief of the International Monetary Fund's delegation to Bangladesh.

"We will encourage Bangladesh Bank to truly develop a supervisory framework with the Securities and Exchange Commission."

On merchant banks' roles as subsidiaries of banks, Cowen said they are perhaps falling outside the regulatory reach of either Bangladesh Bank or SEC.

"Bangladesh Bank does have the authority and it should exercise that authority to ensure these institutions do not pose any operational risk to their parent banks."

"We do see there is a need for considerable capacity building at SEC. We are looking more closely in this area."

The comments came at a roundtable discussion on "Medium-Term Macroeconomic Outlook and Reform Priorities" at the Policy Research Institute of Bangladesh (PRI) in the city.

On the much-talked-about public private partnership, Cowen said: "PPP is not going to be a panacea. The experience about the issue is mixed around the world."

"I think it does have a place in Bangladesh. But PPP is going to face a number of the same challenges like those seeking to bring foreign direct investment into

the country face."

"We are encouraged by the fact that the government has set up a PPP cell. It will however take sometime before it makes any meaningful contribution to infrastructure development in the country."

Cowen also said the government should pay attention to the quality of the spending. "Our new managing director says IMF should not only talk about growth. When you talk about inclusive growth you cannot avoid talking about quality of spending."

Former Finance Secretary Siddiqur Rahman Chowdhury said the government should revisit quality of spending of its annual development programme. "It is not just about spending; it is poor implementation."

"There is a pressure on a line ministry to have the money released and spend. It is wasteful

expenditure," he said.

PRI Executive Director Ahsan H Mansur said he is really concerned about the government finance this year. "Despite the very high level of bank borrowing last year, the domestic financing was within the planned target of the budget."

He said in the last two months last year a lot of money was injected into the economy. "We will be seeing that down the line this time around."

"What is going to happen this year is a matter of concern because there is very serious lack of action on the subsidy front. We will see a huge government borrowing if something is not done very quickly."

Mansur said if fiscal policies are not corrected without further delay the country will face trouble in macroeconomic front in the coming days. "There are serious challenges ahead they

need to be addressed now. Or things will really go bad."

Former finance minister M Syeduzzaman said: "Although monetary policies seem to be loose I think they are moving in the right direction."

He said the balance of payment is in the negative territory for the first time for a decade, which warrants sincere attention as it would put pressure on exchange rates.

Former caretaker government finance adviser AB Mirza Azizul Islam said there is a debate whether the country would allow private sector borrowing from international sources amid credit crunch. "Recently, Bangladesh Bank has moved in that direction to some extent. It is a policy issue that needs to be addressed."

Former Bangladesh Bank governor Salehuddin Ahmed also spoke.



PUBALI BANK

Moniruddin Ahmed, chairman of Pubali Bank Securities Ltd, a subsidiary of Pubali Bank, presides over the company's first annual general meeting at the bank's head office in Dhaka on Tuesday. Helal Ahmed Chowdhury, managing director of Pubali Bank, was also present.

## Stocks end lower

STAR BUSINESS REPORT

Stocks returned to the red yesterday after a day's gaining streak as investors lost confidence.

The benchmark General Index -- DGEN -- of Dhaka Stock Exchange closed at 5,960, after declining 94.43 points or 1.56 percent. DGEN gained 2.2 percent on Tuesday.

"Investors want to know a clear position from the Bangladesh Bank on single party exposure," said Akter H Sannamat, chartered accountant and market analyst.

Some institutional investors also wait for a clear stance from the central bank, he said.

He said stability will come if the central bank clears its position on single-party exposure to the investors as early as possible.

On Tuesday, the securities regulator assured the investors that the central bank will increase the adjustment period of single-party exposure limit from December 31 in a bid to enhance credit flow in the market.

Ahasanul Islam, senior vice president of DSE, said investors should go for new investment considering the companies fundamentals instead of index.

Turnover on the DSE floor stood at Tk 379 crore, which was 5.4 percent higher on the previous day.

Of the total 257 issues traded on the DSE floor, 25 advanced and 225 declined. Seven securities remained unchanged.

Beximco topped the turnover leaders with 7.76

## Russian team visits nuclear power site in Pabna

AHMED HUMAYUN KABIR TOPU, Pabna

A 14-member Russian team comprising technical experts on geology, hydrology and environment visited the Rooppur nuclear power project site at Ishwardi in Pabna yesterday.

They also discussed the technical issues of the project's capacity with Bangladeshi experts on the sidelines of their two-day visit.

"Russian experts observed our project site and examined the water condition, geological status, hydrological condition and natural environment of the project site," Dilip Kumar Boshak, additional secretary of the science and technology ministry, told The Daily Star.

"Now they physically visited our site to identify the need for technological assistance for installing the atomic energy plant," he said.

The team will meet with the high officials of the Atomic Energy Commission and the science and technology ministry on Thursday in Dhaka, and will report to the Russian government for installing the

## India to start rice exports soon

PALLAB BHATTACHARYA, New Delhi

Shipments for an estimated export of 3.5-4 lakh tonnes of non-basmati rice from India to Bangladesh and African countries are expected to start this month, a top official of rice firm KRBL said yesterday.

The Indian government had last week allowed non-basmati rice exports under open general licence.

"Sales are happening. Contracts have been signed and shipments would also start in next 10-15 days," said KRBL Chairman and Managing Director Anil Mittal.

According to trade estimates, the contracts of about 3.5-4 lakh tonnes have been signed so far, he added.

"About 90 percent of the contracts are for exports to Bangladesh and African continent," Mittal said, adding that contracts have been signed between \$425-460 a tonne, depending on the quality.

He said India can easily export about three mil-



Md Mehmood Husain, president and managing director of Bank Asia, poses with the participants of a three-week foundation training course for the bank's 26 officers at the organisation's training institute at Panthapath in Dhaka on Sunday.

BANK ASIA

## Asset managers seek relaxed rules on stock investment

STAR BUSINESS REPORT

Asset managers yesterday urged the stockmarket regulator to relax the ceiling on company or sector-wise investment in a bid to increase fund flow in the market that is now facing high volatility mainly due to a liquidity dearth.

"As per the existing rules, a mutual fund is allowed to invest 10 percent of its capital on a single security, while 25 percent on sector-based stocks," said Yawer Sayeed, managing director of AIMS of Bangladesh, an asset management company.

The relaxation of the regulation would be by suspending it temporarily that the Securities and Exchange Commission did for three months from January last year, he said on behalf of the asset management companies.

"If it is done again, then we can release more funds in the market," he said while addressing a press briefing after a meeting between the asset management companies and the regulator.

Saifur Rahman, the spokesman for the SEC, said: "The commission would actively consider relaxing the regulation on investment to a single stock or sector based shares by the mutual funds."

The meeting was called to discuss ways to increase liquidity flow to the

bruised stockmarket and rebuild investor confidence. It was the second of a series of meetings the SEC has been doing in the face of a continuous downward trend in the market.

The regulator sat with Bangladesh Merchant Bankers Association on Tuesday, and would sit with a coordination committee today that comprises, among others, representatives from the finance ministry and the central bank.

The commission is holding the series of meetings with various stakeholders to find out ways to rejuvenate the secondary market, said Rahman, also an executive director of the SEC.

Sayeed of AIMS also said a budgetary measure would leave negative impact on the mutual fund industry from this fiscal year, as the mutual funds' income has been brought under taxation.

The mutual funds were exempted from any kind of income tax up to last fiscal. But the exemption was withdrawn from this fiscal year that will result in a 25 percent to 30 percent reduction in distributable dividend by the fund managers, he said.

"The ability of giving profit to the unit holders by the mutual funds will also be decreased in the coming years," he added.

## Exports remain upbeat

STAR BUSINESS REPORT

Exports rose by 32.40 percent to \$2.38 billion in August compared to the same month a year earlier, according to data of state-owned Export Promotion Bureau released yesterday.

The export growth in July, the first month of the current fiscal year, was at 28.70 percent.

The overall exports in July-August registered a 30.44 percent rise to \$4.71 billion, compared to the same period last fiscal year, the EPB data showed.

The export target for the current fiscal year has been set at \$26.50 billion, while the target for July-August was \$4.39 billion.

Like the previous few months, exports of some major products such as knitwear, woven garments, jute and jute goods, home textile, footwear and frozen foods marked a rise in the month of August.

In July-August, Bangladesh exported knitwear worth \$2.07 billion and woven worth \$1.75 billion, with a 29.64 percent and 33.57 percent rise respectively compared to the same months a year earlier.

However, exports of cement, specialised textile fabrics, ceramic products, glass and glassware, bicycles, ships, boats and floating structures have gone down.

Jalal Ahmed, vice-chairman of EPB, said the trend shows the export will continue to be buoyant in the coming months also as huge quantities of orders are pouring in from the international buyers.

Moreover, exports of apparel items to the Indian market will get a boost due to the duty-waiver facility on export of 46 garment items from September 6, he said.

The exporters have started tying up with Indian retail chains for supplying garment products, Ahmed said.

As Bangladesh entered a quota-free regime for exporting 46 garment items to India, the quota issue for 10 million pieces is no more effective.

Ahmed said the demand for Bangladeshi garments in India is so high that the allocation of 10 million pieces already ran out in July and applications for exporting another 10.5 million pieces have now been pending with the EPB.

He said, as Bangladesh is a strong player in basic garment manufacturing, the exports of the garment items to the western world will also continue to go up.

"The export of knitwear items to Europe is going strong despite the bad financial spell. This is why our export is growing," said AKM Salim Osman, president of Bangladesh Knitwear Manufacturers and Exporters Association.

Nasir Uddin Chowdhury, vice-president of Bangladesh Garment Manufacturers and Exporters Association, said garment business outside the export processing zones was dull in July-August.

"But the exporters in EPZs performed well during the period," he said. This is one of the major causes for higher export growth even in the dull season, he added.



Industries Minister Dilip Barua takes a look at a new sports utility vehicle, assembled by the state-owned Pragoti Industries Ltd, at its launch in Dhaka yesterday. The car is priced at Tk 69 lakh. Story on B1

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