**ASIAN MARKETS** 

**TOKYO** 

MUMBAI

1.11%

\$86.39

Vard No: 09, Madunaghat Bazar

At New Premises From 15 September 2011 **New Address** 

NCC Bank Ltd.

# DHAKA TUESDAY SEPTEMBER 20, 2011, e-mail:business@thedailystar.net

COMMODITIES



Angry investors chant slogans protesting a sharp fall in share prices in early trade on the Dhaka Stock Exchange in Motijheel yesterday. More pictures on B3.

## Protests mark stock trade

#### BB's move on exposure limit pushes up benchmark index by 40 points

STAR BUSINESS REPORT

**STOCKS** 

DGEN

CSCX

0.49%

Stocks rose yesterday amid a positive step by the central bank and street demonstration by a group of investors. Police detained eight protesters in Motijheel.

Banks with merchant banks and brokerage houses as subsidiaries will now have until December 31 next year to bring down their exposure to an allowable limit. The previous deadline was December 31 this year.

According to Bangladesh Bank requirements, banks are not allowed to lend more than 15 percent of their 'investable' amount to their subsidiaries as a single-party borrower. The investable amount is equivalent to 10 percent of a bank's total liabilities that it can keep as investment exposure to stockmarket.

With the continuation of the previous trend, the market went into freefall since the opening bell and the key index of the Dhaka bourse slid around 100 points in 20 minutes.

The market later turned back on the BB's latest step meant to support the stockmarket that is currently facing high volatility mainly due to a liquidity dearth.

The existing credit level cannot be increased during the extended adjustment time, BB said in a statement.

The move comes a week after the merchant banks urged the regulators to

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extend the adjustment period of singleparty exposure to 2014.

The benchmark general index of the Dhaka Stock Exchange, DGEN, gained 40 points or 0.70 percent to end the day at 5,841.

The market started the day on a negative note, which prompted a group of investors to stage demonstration in front of the DSE building to protest the relentless fall in share prices.

Traffic between Shapla Chattar and Ittefaq crossing also came to a halt for three hours, causing congestion on both sides of the Motijheel commercial

The protesters under the banner of Bangladesh Share Investors' Association set fire to paper and wooden materials, chanted slogans and demanded resignation of the finance minister and the central bank governor.

Police clubbed the protesters as they threw brickbats and vandalised vehicles.

"We lost our money but the government's has no headache," said a small investor, a retired government official. "Save our life," he urged the government.

Investors reacted positively to Bangladesh Bank's decision and the panic started abating at the end of the session keeping the index in green territory, said LankaBangla Securities.

The turnover on the DSE stood at Tk 373 crore, which is 5.7 percent lower than that of the previous day.

Here for good

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### Bangladesh Fund's public subscription in 2 weeks

**CURRENCIES** 

**BUY TK** 

SHANGHAI

1.79%

STANDARD CHARTERED BANK

*∉***EUR** *₩***GBP** *¥***JPY** 

74.40 100.02 115.37 0.96

STAR BUSINESS REPORT

The much-awaited public subscription of Tk 5,000crore Bangladesh Fund will start in two weeks, the leading sponsor of the open-ended mutual fund said yesterday.

"We have set October 2 as the probable opening day," said Md Fayekuzzaman, managing director of Investment Corporation of Bangladesh, the leading sponsor of the fund.

The seven other sponsors are Sonali Bank, Janata Bank, Agrani Bank, Rupali Bank, Bangladesh Development Bank, Sadharan Bima Corporation and Jibon Bima Corporation.

The raised fund from individuals and institutions will be invested mainly in the secondary stockmarket.

The public subscription will be for Tk 3,500 crore, as Tk 1,500 crore has been contributed by the sponsors.

The sponsor portion of the fund is being invested in the stockmarket as per regulatory requirement since the fund was formed in March to support the market after the price debacle in January. Fayekuzzaman said they will organsie a roadshow

on the fund in other countries where the majority non-resident Bangladeshis (NRBs) live in. "The NRBs prefer financial instruments to sending hard cash back home," he said.

The open-ended mutual fund, a professionally managed collective investment scheme with unlimited lifetime and size, was approved by the Securities and Exchange Commission on May 4.

The fund manager pools money from many sponsors or investors through its selling agents and invests it in stocks, bonds and short-term money market instruments, and pays out dividends to the unit holders annually.

# Deposit rate cap at 12pc goes haywire

SAJJADUR RAHMAN

The self-imposed deposit rate cap at 12 percent is not working as some private commercial banks are offering higher rates to gather resources for funding and maintaining regulatory loan-deposit ratio.

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Top bankers said the situation may further fuel unhealthy competition among the banks and give rise to lending rates as well.

action against the non-compliant banks, we will do it from our forum," said Nazrul Islam Mazumder, president of Bangladesh Association of Banks (BAB), a platform for banks' directors.

BAB and Association of Bankers Bangladesh (ABB), a forum of chief executive officers, have jointly decided in June that no bank would offer more than 12 percent rates for deposit. The decision on a uniform deposit rate came into effect on July 1.

The central bank also welcomed the banks' decision on the deposit rate at 12 percent, saying it would bring down lending rate and boost industrial growth. But some banks violated it in less than two months.

It was found that the Gulshan branch of a third generation private bank has offered Bangladesh Road Transport Cor-

poration and Bangldesh Open University 12.5 percent for deposits. Some other banks also offered as high as 13.5 percent for chunk deposits.

Chief executive officers of different banks admitted that some banks are offering higher deposit rates than the ceiling set by themselves. "We have taken a few chunk deposits at

higher rates. Now I don't need deposit as the loan-deposit ratio stands at 83 percent, less than the regulatory 85 percent," "If the Bangladesh Bank does not take said SA Farooqui, chief executive officer of Standard Bank. Acting managinmg director of United

> knows some banks are violating the decision as those are in fund crisis. "A hike in deposit rate also pushes up

> Commercial Bank Shafiqul Alam said he

lending rates," said Alam. But he said, this was a gentleman agreement and neither the BAB nor the ABB can impose the decision.

Helal Ahmed Chowdhury, managing director of Pubali Bank, however, said it was a decision agreed by all banks.

"It (deposit cap) should be followed by all banks, otherwise there will be a distortion in the whole industry," Chowdhury said.

He also said he would raise the issue at the next ABB meeting.

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Opening tomorrow **ABC** House 8 Kemal Ataturk Avenue, Banani C/A, Dhaka 1213 মিউচুয়াল ট্রাস্ট ব্যাংক লিমিটেড www.mutualtrustbank.com

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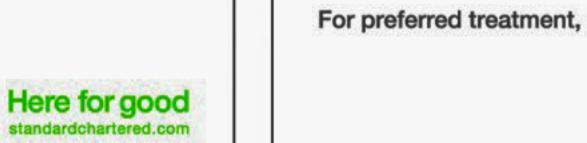
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