

STOCKS		COMMODITIES		ASIAN MARKETS		CURRENCIES	
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	USD	EUR
▼ 1.86%	▼ 1.42%	▼ \$1,637.90 (per ounce)	▼ \$100.07 (per barrel)	▼ 0.76%	▼ 0.39%	79.60	103.30
4,968.78	9,039.07			15,881.14	8,519.13	GBP	JPY
						121.28	0.98
						BUY TK	80.60
						SELL TK	106.69
							125.45
							1.08

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From

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# star BUSINESS

DHAKA THURSDAY DECEMBER 15, 2011, e-mail:business@thedailystar.net

# Govt plans to hike interest rates on savings instruments

## Efforts underway to reduce pressure on borrowing from banks

REJAUL KARIM BYRON

In an effort to reduce dependence on borrowing from the banking sector, the government plans to increase interest rates on savings instruments again amid a fall in sales of such instruments.

The rates of interest on three-year and five-year savings instruments are likely to be hiked by around 1 percentage point to 11.50 percent and 12.50 percent respectively.

The present rates of interest that came into being in July are 10.78 percent for the three-year instrument and 11.55 percent for the five-year one.

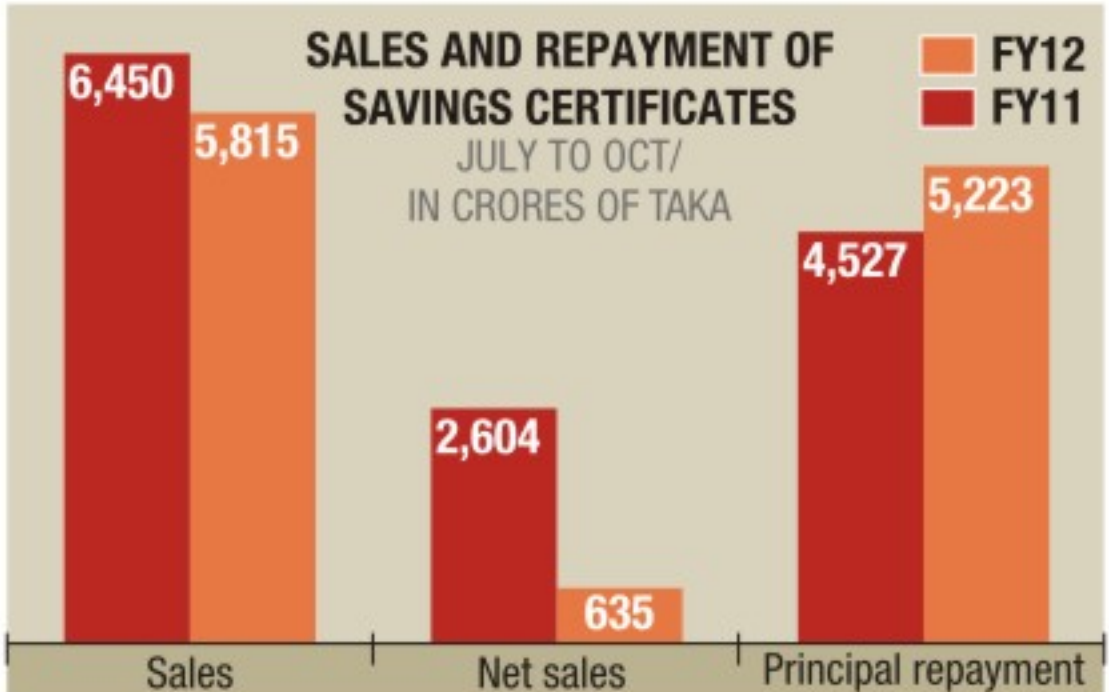
An official of the Internal Resource Division said a proposal in this regard may be sent to the government soon.

The official also said, as the sales of savings instruments fell drastically, the Directorate of National Savings (DNS) earlier sent similar proposals several times but the government adopted a go-slow policy. But now the government is actively considering a rise in the rates of interest to reduce pressure of borrowing on the central bank.

However, a finance ministry official said, if the government borrows more through savings instruments, its expenditure on payment of interest will go up in future. But now the government's main concern is soaring inflation, said the official.

As the sales of savings instruments fell last fiscal year, the rate of interest on all types of instruments were increased by about 1 percentage point on July 1.

A DNS official said, alongside a fall in the sales of fresh savings instruments in recent times, the savers are encashing their savings instruments and depositing the money with banks as they offer



higher interest.

According to DNS statistics, in the first four months of the current fiscal year the sales of the savings instruments fell by 10 percent compared to the same period last year.

The principal amount repayment in the same period rose by around 16 percent.

In the current fiscal year's budget, the government set a target of borrowing Tk 6,000 crore from the sales of savings instruments.

But in the first four months of the current fiscal year, net sales or borrowing through the savings instruments fell by around 77 percent over the last year, and the borrowing stood at only Tk 592 crore.

In the same period last year, the government's net borrowing was at Tk 2,604 crore.

The finance ministry official said the situation has become such that the government is now compelled to borrow from the banking system to pay the principal amount and interest accrued on the savings instruments bought earlier.

In case of borrowing from banks, the situation is opposite.

# Dhaka bourse picks new CEO

SARWAR A CHOWDHURY and  
GAZI TOWHID AHMED

The Dhaka Stock Exchange picked a chief executive officer on Tuesday, a day after the stockmarket regulator served notice on the premier bourse for its failure to appoint a CEO in time.

The DSE at a board meeting chose Mosharaf Hossain for the top post, which has been vacant since September.

"We have picked a new CEO. But the details will be disclosed after receiving regulatory approval," said Rakibur Rahman, a DSE director, on Tuesday.

But the DSE board, with prior

approval from the Securities and Exchange Commission, was supposed to appoint a CEO within three months of the vacancy. The deadline expired on December 8.

Seeing no progress in this regard, the regulator issued the notice and asked the bourse to provide the updates of the appointment process.

The market watchdog was also planning to appoint an administrator for the DSE after the bourse's reply, said a senior SEC member.

"The commission is working to create awareness among the market stakeholders so that they comply with the securities rules and regulations. There is no chance of avoiding any securities laws," said Prof Helal

Uddin Nizami, a senior SEC member.

Earlier on December 1, the DSE in a letter to the commission sought time extension for the appointment till March 8 of next year.

It was also mentioned in the letter that Md Zahurul Alam, chief operating officer, has been carrying out the responsibility of a CEO since September 8.

"DSE board is searching for a suitable person for the position, and an advertisement was published in national dailies on October 13. But we are yet to find a suitable candidate for the post," the bourse said in the letter.

The SEC, however, did not extend the deadline.

## Stocks slip into the red

STAR BUSINESS REPORT

Stocks closed in the red again yesterday following rumours over filing a writ against a Securities and Exchange Commission directive that mandates sponsors and directors to hold 2 percent shares in companies.

The benchmark General Index of Dhaka Stock Exchange lost 94.33 points or 1.86 percent, to end the day at 4,968.78 points. The Selective Categories Index of Chittagong Stock Exchange fell 130.04 points or 1.42 percent.



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