

Demutualisation will detect stock manipulation: analysts

STAR BUSINESS REPORT

A complete demutualisation will help detect manipulation in the stockmarket and ensure transparency and accountability, the chief of the Securities and Exchange Commission said.

The flow of foreign portfolio investment in bourses will increase after completing the demutualisation process because foreign investors want to know about demutualisation of Bangladesh's stock exchanges before making investment decision, said Prof M Khairul Hossain.

"We are expecting more foreign portfolio investment in Bangladesh."

He spoke at a seminar on "Demutualisation of Stock Exchange: Rationale, Country Practices and Road Map for Bangladesh", organised by Bangladesh Economic Association (BEA).

Demutualisation transforms a stock exchange from an entity owned by mostly brokerage-owning members into a for-

profit company owned by shareholders.

It ensures good corporate governance, alternative business models and operational efficiency. A demutualised exchange can also freely trade on the market like any other public company.

He said lack of institutional participation in the market is the main reason of the recent volatility of the market.

Institutional investors invested only 2 percent of their liability, which is very poor compared to other countries, he said.

Presently, commercial banks can invest 10 percent of their liability. He said they are not supporting the market but they pocketed thousands of crores from the market.

"We are approving initial public offerings according to international practice," he said.

The SEC boss said demutualisation process for Bangladesh should be fixed based on the country's environment and practices and state of economy.

The provision for demutualisation will be added to the 1996 ordinance of SEC after

getting approval from parliament, he said.

Prof Dr Abul Barkat, president of BEA, said demutualised stocks will be helpful for investors to gain confidence.

Insider trading and manipulation in the market will decline after the demutualization of the stock exchanges, said Barkat.

The probe committee, headed by Bangladesh Krishi Bank chairman Khondkar Ibrahim Khaled, had strongly recommended that the government must demutualise the bourses as soon as possible.

Dr Jamaluddin Ahmed, vice president of BEA, presented the keynote paper in the programme.

Ahmed said demutualisation would improve the regulatory framework and ensure transparency in the market.

With the increased confidence in the stock market, the investors will also see the benefits in diverting their savings into investment, he said.

He also suggested merging the two bourses and establishing a national stock exchange.

It should be kept in mind that demutualisation is not without risks and the most challenging issue here is to identify those risks and take appropriate measures to mitigate those in the process of successful execution of demutualisation, he said.

Ahmed Rashid, senior vice president of Dhaka Stock Exchange, said the demutualisation process will be completed within six months from the date of approval of demutualisation act by the parliament.

"If we merge the competitions of bourses will decline," said Rashid.

The committee of demutualisation will receive suggestions from international consultants, he said.

Demutualisation does not give rise to ups and downs or debacles in the market, he said.

The process has some risks as management can resort to manipulations to increase profitability of the stock



Faarid Hussain, director marketing of Globo PLU Import Export Ltd, receives a certificate for completing a three-day training on 'Import and Indenting Procedures', from Shahabuddin Khan, president of Bangladesh Indenting Agent's Association, in Dhaka recently.

Gooryong Fashions plans green building

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Gooryong Fashions Ltd, a Gazipur-based garment group, has signed agreements with two consultancy firms to set up a green building at its existing premises within the next one year.

Green building refers to a structure that is environmentally responsible and resource-efficient throughout the building's life-cycle: from sitting to design, construction, operation, maintenance, renovation and demolition.

The move comes in response to growing demand from international buyers for clothing items manufactured with environment-friendly technologies.

Spectrum Lanka Technology Solutions Ltd and Energy Solve International (Pvt) Ltd will provide consultancy services in exchange for a \$90,000 fee for the construction of the sustainable building that meets the requirements of LEED (Leadership in Energy and Environmental Design), said Delwar Hossain, chairman of Gooryong.

US-based LEED provides building owners and operators with a framework for identifying and implementing practical and measurable green building design, construction and operation and maintenance solutions.

Farooq Hasan, vice-president of Bangladesh Garment Manufacturers and Exporters Association, said the government and the garment makers' associations are working together to enable garment factories to move from traditional production



Akbar Ali Khan, former caretaker government adviser, attends a seminar on 'implementation of development programmes in Bangladesh: role of management consultants' organised by Institute of Management Consultants Bangladesh (IMCB) to mark International Management Consultants Day at BRAC Centre in Dhaka on Friday. A Rab, chairman IMCB, was also present.



Villy Velayappan, chief operating officer of ICB Islamic Bank Ltd, and Mohiuddin Khan Khokon, director sales and marketing of Hotel the Cox Today, sign an agreement in Dhaka yesterday. Privileged clients and cardholders of ICB will get special discounts at the hotel situated in Cox's Bazar.

Energy crisis dominates budget talks

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Former commerce minister Amir Khosru Mahmud Chowdhury said the balance in macro economy which had grown in the last 20 years has been damaged. "The disaster in the energy sector is the main reason for the problem. There has been miscalculation in the governments' plan to fix the energy sector."

Chowdhury, a BNP leader, said there is no effective control in holding back the bank interest rates mainly caused by the monetary policy. "There is a liquidity crisis. The government's excessive bank borrowing has curtailed loans for the private sector drastically."

He said investment-friendly environment does not exist in the country now. "The electricity sector is now in a total mess."

"Electricity crisis has not only damaged the macroeconomic stability; it has also put the balance of pressure under serious strain as the government is borrowing heavily from the banks to import expensive petroleum."

Chowdhury urged the government to publish a white paper on electricity outlining what has happened in the sector in the last three years, how the economy is going to be affected due to this and what price the people are going to pay in the future for the government's failure to fix the sector.

BGMEA President Shafiqul Islam Mohiuddin said the country's infrastructure is now in a very sensitive state. "If the budget fails to address the issue the contribution of industries to the economy would falter in the coming days."

He said the higher rate of interest has become a cause for concern. "Industries cannot run with 19 percent lending rates." He said political stability is a precondition to macroeconomic stability.

Jahangir Alamin, president of BTMA, said their production capacity has been cut by 40 percent due to energy crisis.

Former Bangladesh Bank governor Farashuddin said there had not been investment in the country's energy sector for eight years. "Thanks to sudden heavy investment in the sector people's expectation has gone up."

He said the government has to think whether time has come to review the agreements for producing electricity from rental and quick rental power plants.

"We should give emphasis on solar and biogas. We have to extract coal through open-pit mining. We need to reach national consensus about extracting coal." "There should be unbalanced growth in the energy sector," said the economist.

He urged the private sector to share their profit with their workers and set up low-cost dormitories and healthcare centres for them.

Nasir Uddin Chowdhury, first vice president of BGMEA, who spoke from the Chittagong studio of RTV, said the cost of doing business has gone up due to electricity and gas crises, wobbly infrastructure and higher bank interest rates.

"Our competitors in the neighbouring countries are not facing such crisis. As a result, we are losing our competitiveness," he said.

Abdus Salam Murshedy, president of Exporters Association of Bangladesh, said their factories face load-shedding of four to five hours a day. "Even if we get gas the pressure is too low. As a result, the textile units cannot run when they are supposed to run."

Industries Minister Dilip Barua said

the tariff on industrial raw materials should be lower. It would be better if the duties were brought down to zero, he reiterated.

Md Jashim Uddin, first vice president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), said if the budget only targets raising revenue collection it could affect industrialization adversely.

Asif Ibrahim, president of Dhaka Chamber of Commerce and Industry, said the budget should enable the country's private sector to contribute more to the economy. "The investment to GDP ratio must be raised from the stubborn 24 percent."

He said the existing tax holiday facility, which would expire this month, should be extended to 2015. There should also be special allocation for special economic zone and railways.

Commerce Minister GM Quader said he does not think the ongoing debt crisis in the West has affected Bangladesh's exports.

He also said there is no political instability in the country. "Of course, there are strikes. But they are not affecting the trade and commerce too much," he said.

Atiqul Islam, a member of BGMEA, said the government should help the garment exporters provide food rations to the workers throughout the year. "The government should also come up with budget allocation so that dormitories and healthcare centres for the workers could be set up in industrial areas."

Khondaker Golam Moazzem, senior research fellow of the Centre for Policy Dialogue, urged the government to set

No fresh incentives for stock investors

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The premier bourse also proposed to the government to reset corporate tax at 37.5 percent for all listed companies, as banks, non-bank financial institutions (NBFIs) and insurance companies currently pay such taxes at 42.5 percent.

The DSE would like a gap of 5 percentage points between the listed and non-listed banks, NBFIs and insurance companies.

The bourse also requested the government to reduce the tax on brokerage commission from existing 0.05 percent to 0.015 percent to reduce the cost of transaction -- a move that will increase trade volume and related taxes.

The DSE also asked the government to make it mandatory for companies to issue initial public offerings of Tk 10 crore and above through the stock exchanges' depository network from next year.

The Dhaka bourse said the move would simplify the IPO process and lower costs.

The Chittagong Stock Exchange also in a separate budget proposal urged the government to set tax on brokerage commission at 0.015 percent, instead of the existing 0.05 percent.

It also requested the government to give a 15 percent tax rebate for one fiscal year if any company lists on the stock exchanges, which, the bourse believes, would encourage profitable and multinational companies to be listed.

To encourage long-term institutional investment in the market, the Chittagong bourse urged the government to revise the 10 percent tax on capital profit of share sale by institutions.

The tax rate should be 7.5 percent, if any institution holds investment from one year to two years, and 5 percent for more than two years.

The port city bourse also asked the government to withdraw 3 percent tax on share premium.

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Call to open closed power plants

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In a written statement, Mohammad said the government has been injecting more money into the power sector under the cover of subsidy, but that fails to boost the power production because of the government's wrong and non-transparent planning.

BD Rahmatullah, former power cell director general, said if the government spends Tk 200 crore to repair and rehabilitate a closed power plant in Ghorasal, it will help produce 210 MW of power while a similar plant will need Tk 2,000 crore for installation.

"But the government is not doing this only to serve the interest of the owners of rental power

plants," he added.

They also demanded the government allocate more fund to strengthen Bangladesh Petroleum Exploration & Production Company Ltd and Petrobangla.

Prof Mohammad said Petrobangla paid Tk 3,000 crore to the government as revenue last year. So the government should allocate fund for its capacity development, he added.

Sheikh Mohammad Shahidullah, convener of the national committee, said they will continue its movement to resist the government's 'evil move' to sell out national wealth to local private and foreign companies.

"We will continue our movement so that at least people can know about the evil moves of the government," he said. Columnist Syed Abul Maksud also spoke.



Ilias Kanchon, executive director of Walton, inaugurates a Walton exclusive showroom, G Ahmed Enterprise, at Dhamuirhat in Naogaon recently.

Tripura officials meet Ctg chamber leaders

OUR CORRESPONDENT, Ctg

Northeast Indian states and Bangladesh should increase cooperation to reduce poverty by creating jobs in the region, SK Panda, principal secretary of Tripura, said yesterday.

He was speaking at a meeting with the leaders of Chittagong Chamber of Commerce and Industry (CCCI) at a hotel in the port city.

He said the difference between expectation and reality among the youth is the route of dissatisfaction and chaos in the region which can be eliminated through creating employment by expanding trade and business.

He also invited a potential exploring business delegation from the CCCI to visit Tripura.

Parliament member and former president of the CCCI MA Latif emphasised increasing trade and business with neighbouring countries, overcoming

Mobile phone operators oppose VAS licensing

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More apps would be developed, which would increase the traffic level of the operators.

BTRC Chairman Zia Ahmed believes the licensing regime will ensure that the local content providers finally get a just amount for their intellectual property. Foreign developers will be allowed when locals fail, said the BTRC boss.

However, mobile operators are less welcoming of the regime as it will eat into their revenue sources.

Md Munir Hasan, director of Grameenphone, feels the licensing regime would be unfair on them as they have spent a colossal amount to develop their networks, while VAS providers get to avail and exploit the improved network without having made any investment.

The new system will not be successful if operators are excluded from the service, he added.

Abu Saeed Khan, secretary general of Association of Mobile Telecom Operators' of Bangladesh (AMTOB), said, according to the telecommunication policy of 1998, mobile operators are VAS operators, so the guideline contradicts the policy.

Earlier in an interview, Grameenphone CEO Tore Johnsen said, "We didn't see such a guideline in the world."

In a letter to the telecom ministry, Rohan Samarajiva, chairman of Colombo-based regional think tank LinneAsia, said, "This proposal is harmful to the achievement of Digital Bangladesh objectives and should be withdrawn."

He said licensing is especially inappropriate at a time when mobile apps (primarily for smartphones but also for feature phones) are attracting significant venture capital.

When the trend is for vast numbers of micro enterprises to develop applications that would be bought and sold on virtual "app stores," the last thing the government should do is impose onerous licensing requirements, he said.

The exclusion of operators from the provision of VAS would be unfavorable to the development of VAS for feature phones, used predominantly by the poor. The proposed licensing rules may thus be justifiably described as being anti-poor, said Samarajiva.

Existing arrangement with win-win revenue sharing model will make the business case viable for content owners, providers and operators, while encouraging innovation and improved customer