STOCKS		COMMODITIES		ASIAN MARKETS			
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
2.78%	2.37%	$1,573.81 (per ounce)	$88.24 (per barrel)	0.24%	0.24%	0.53%	0.24%
4,318.78	8,331.33			16,918.08	8,488.09	2,998.44	2,146.59

CURRENCIES — STANDARD CHARTERED BANK

	USD	EUR	GBP	JPY
BUY TK	81.30	97.03	125.04	1.01
SELL TK	82.30	101.13	129.70	1.12

Star BUSINESS

DHAKA WEDNESDAY JULY 25, 2012, e-mail:business@thedailystar.net

Central bank goes tough with farm loan anomalies

Non-compliant banks to lose 3pc of their undisbursed loans

STAR BUSINESS REPORT

Bangladesh Bank (BB) yesterday said banks that fail to disburse targeted farm loans would be penalised.

Bankers also demand an impact assessment study against their farm loans to the economy.

"We will cut 3 percent of undisbursed farm loans from the respective banks' accounts," BB Governor Dr Atiur Rahman told top bankers at the launch of the Agriculture and Rural Credit Policy and Programme for fiscal 2012-13 at the bank's office.

If a bank fails to disburse Tk 20 crore out of its annual target of Tk 100 crore, the BB will cut Tk 60 lakh (Tk 3 lakh per Tk 1 crore) from the bank's accounts with it. The BB introduced the measure last year and 13 banks failed to disburse their targeted loans.

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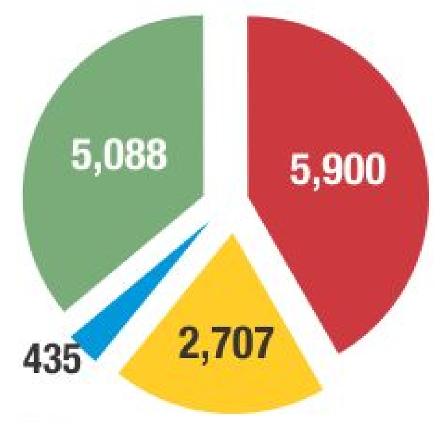
The agriculture sector contributes more than 20 percent to Bangladesh's gross domestic product.

FARM LOAN DISBURSEMENT TARGET BY BANKS FOR FY2012-13

IN CRORE TAKA



- STATE-OWNED SPECIALISED BANKS
- STATE-OWNED COMMERCIAL BANKS
- FOREIGN BANKS
- PRIVATE COMMERCIAL BANKS

BB refutes banks' concerns over new loan rules

SAJJADUR RAHMAN

The central bank has refuted the concerns of the banking sector over a jump in non-performing loans (NPL) due to enforcement of the new rules on classification, provisioning and rescheduling of loans.

"NPL may go up to 8.5 percent from around 6.5 percent now due to the new loan rules," SK Sur Chowdhury, deputy governor, told The Daily Star, quoting an impact assessment study on the new rules.

Bangladesh Bank (BB) carried out the study following bankers' concern that the banking industry would negatively be affected by the new rules that became effective from July 1.

Under the new provisions, an ongoing loan operation will be classified in the event of non-repayment of any installment within three months instead of earlier-fixed six months.

The base for provisioning has been set at a minimum level of 20 percent of the outstanding balance of the credits, while strictly limiting the rescheduling facility of any default loan, up to three times.

According to new rules, non-repayment period against a term-loan for more than two months will be treated as a "specially mentioned account" and the non-repayment period between 3-6 months will be classified as substandard. If the non-repayment period is more than six months, it will be treated as default loan.

READ MORE ON B3

Stocks rally for second day

STAR BUSINESS REPORT

Stocks gained 2.78 percent yesterday, the highest this month, owing to institutional investors' increasing participation in the market.

The rally continued for a second consecutive day as DGEN, the benchmark general index of the Dhaka Stock Exchange, gained 116.91 points to close the day at 4,318.79 points.

The opening 30 minutes of the day saw a rise of 110 points, and the momentum continued until the close of trade.

"Institutional investors, including banks, which publicised their intent to make fresh investments, followed up and bought shares, while some corporate dividend announcements, too, improved investor sentiment," said Ahmed Rashid, senior vice president of the DSE.

Rashid added that the market is on its way to stability and is hopeful of a boost to small investors' confidence.

"New commitments from banking institutions reassured the investors that the liquidity would remain aplenty during the forthcoming period," said LankaBangla Securities in its market analysis.

Latest policy decision by the government regarding the Padma bridge project also added to investors' positive outlook, it said.

"The rally went on for a second consecutive session, with improved turnover as well. Expectation of the rally persuaded investors to make fresh investments," said IDLC Investments in its market commentary.

Turnover stood at Tk 289 crore, a 38.87 percent rise from the previous day.

A total of 0.89 lakh trades were executed on the premier bourse, with 6.58 crore shares and mutual fund units changing hands.

Among the major sectors, non-life insurance gained the most at 4.99 percent.

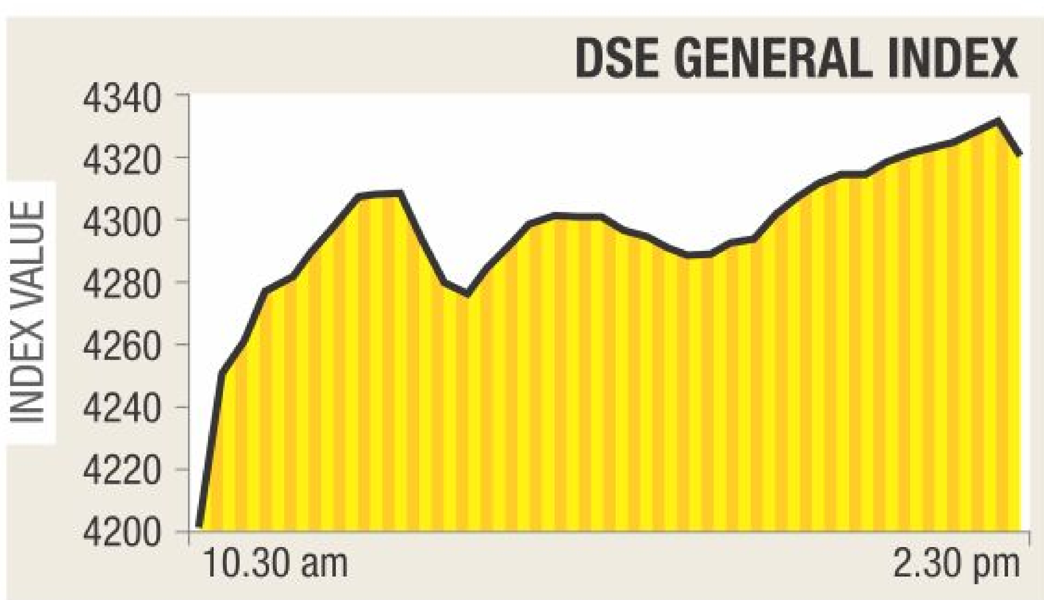
Non-bank financial institutions, power and textile were the other noteworthy movers, having risen by 3.97 percent, 2.66 percent and 2.37 percent respectively.

Of the 268 issues that traded on the DSE, 247 gained, 14 declined and seven remained unchanged.

Grameenphone was the top traded stock of the day, recording transactions of 6.85 lakh shares worth Tk 14.24 crore.

Beximco and Bangladesh Submarine Cable Company were the next popular stocks, registering figures of Tk 13.79 crore and Tk 12.64 crore respectively.

The biggest gainer of the day was Dhaka Insurance with its 9.98 percent rise, while Beximco lost the most, at 12.18 percent.



SEC asks firms not to air price-sensitive info

STAR BUSINESS REPORT

The Securities and Exchange Commission yesterday asked listed companies, including banks, not to put up unauthorised advertisements in the print media to influence investment decisions.

The instruction comes a few days after four listed commercial banks published, through advertisements and press releases, their intention to invest Tk 900 crore in the stockmarket within the next couple of months.

As per SEC rules, listed companies are supposed to inform the regulator and the stock exchanges beforehand of their plans to broadcast information that might influence investment decisions.

The four banks, however, circumvented the procedure and went straight to the news outlets.

"Some listed banks disclosed their investment decision through newspaper advertisements, but these may create confusion in the market," said the SEC through a press release.

Standard, Pubali, EXIM and NCC are the culpable banks who advertised in newspapers their objective to invest Tk 100 crore, Tk 500 crore, Tk 200 crore and Tk 100 crore respectively in the next two months.

National Bank, too, published an advertisement yesterday of its decision to invest Tk 300 crore in the stockmarket, but it did not specify, like the other four, any timeframe for the investment.

The advertisements had an immediate positive impact on the market, with the benchmark index of the Dhaka bourse, DGEN, rising by more than 300 points in the last five trading sessions.

Retail investors, however, are wary of the banks' publicised investment decisions, as the newspaper advertisements were made without following the SEC guidelines.