

STOCKS		COMMODITIES				ASIAN MARKETS				CURRENCIES										
DGEN	2.24%	CSCX	1.87%	Gold	\$1,592.40	Oil	\$88.24	MUMBAI	0.43%	TOKYO	1.44%	SINGAPORE	0.25%	SHANGHAI	0.49%					
4,222.18		8,175.43		(per ounce)		(per barrel)		16,846.05	8,365.90	2,990.92	2,136.15	USD	81.30	EUR	97.03	GBP	125.04	JPY	1.01	
												BUY TK	82.30	101.13	129.70	1.12				
												SELL TK								

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# star BUSINESS

DHAKA THURSDAY JULY 26, 2012, e-mail:business@thedailystar.net

## BB on a dollar buying spree

**SAJJADUR RAHMAN**

Bangladesh Bank is on a US dollar purchasing bout to thwart the currency's depreciation, which would affect remittance and export earnings.

As per Bangladesh Bank (BB) data, in just the 25 days of the new fiscal year, \$519 million has been bought from banks, when only \$157 million was purchased in the whole of fiscal 2011-12.

BB officials deem the operation imperative to keep the exchange rate stable. "We are yet to sell a single US dollar so far this month. Rather, we are buying greenbacks to prevent its depreciation," a senior BB official told The Daily Star yesterday.

In 2011, Bangladesh suffered its worst currency devaluation in history, when the taka devalued by around 15 percent, and consequently, import cost and inflation went high.

In practice, Bangladesh is on a managed floating regime, meaning the value of the taka is allowed to fluctuate from day-to-day, but the BB intervenes from time-to-time via buying or selling to influence its value.

The average price quoted in the inter-bank foreign exchange market for the



dollar yesterday was Tk 81.70, a fall by Tk 0.10 from last week.

"We'll continue our intervention in line with the market requirement," said the BB official.

In recent months, rising remittances and a drop in imports have increased the flow of the dollar into the market, and

hence the need for intervention, the central bank said.

"Also, there was no payment for petroleum import in July so far," said another BB official.

The dollar purchase is boosting the country's foreign exchange reserve, which stood at \$10.3 billion yesterday, when in May 9 this year it was \$9.58 billion.

"The cost of imports will go down as well," added Monzur Hossain, senior research fellow of Bangladesh Institute of Development Studies.

But Hossain had a couple of questions: how much further would the dollar have slid had the BB not intervened, and is it the right rate for stabilisation?

Bankers said the move to depreciate the dollar may encourage remitters to go for informal channels other than banks to send their money home.

Also the reduced value of the dollar will shrink the earnings of the exporters, they said.

Treasury officials at different commercial banks, however, said had the BB not undertaken the operation now, the price of the dollar would have fallen well below Tk 80.

sajjad@thedailystar.net

## Dealer banks to shake off liquidity strains

**STAR BUSINESS REPORT**

Smaller banks are likely to be relieved of liquidity pressure with the central bank's new rules to devolve investment in government securities to all banks from primary dealer (PD) banks alone.

Bangladesh Bank issued a circular on Tuesday introducing a new policy that says PD banks will have to receive 60 percent of the notified amount of investments in government treasury bills and bonds from earlier 100 percent.

The non-PD institutions must accept the remaining 40 percent, according to the circular to be effective from August 1.

"PD banks, especially smaller ones, were suffering a lot as they have to equally invest in government bills and bonds," said Anis A Khan, managing director and chief executive officer of Mutual trust Bank Ltd.

Sonali Bank with about Tk 60,000 crore in deposits participates equally in the government investment tools with Mutual Trust Bank that has only one-tenth of Sonali's deposits.

Like Mutual Trust Bank, NCC, Jamuna and Mercantile face limitations in commercial investments as a big portion of their money goes to government bills and bonds. But banks with a big deposit base, such as Sonali, Janata, Agrani and Prime, do not face the same pressure.

"Our profitability has gone down as we cannot lend enough because of a liquidity shortage," said Khan. To cash in on the opportunity, he said some banks earned profits by lending in the call money market.

A senior treasury official at NCC Bank echoed Khan. "Our investable fund has shrunk due to our investment in government bills and bonds," said the official, hailing the new policy. "It'll help ease our liquidity pressure."

The central bank's latest move came against the backdrop of liquidity pressure on the commercial banks.

Of the 60 percent quota for the PD banks, they will have to underwrite 30 percent of it at the primary auction as per their Total Demand and Time Liabilities (TDTL), generally known as the size of their balance sheets.

The remaining 30 percent will be distributed equally among the 12 PD banks without any auction.

The cut-off price of the total notified amount will be fixed on the basis of primary auction, according to the central bank circular.

The other 40 percent of the notified amount of investments in government securities will be distributed, without any auction, among 25 non-PD banks as per their TDTL.

However, a treasury official of a non-PD bank said liquidity pressure on them might intensify due to the new rules.

The central bank has selected 15 PDs -- 12 banks and three non-bank financial institutions -- to deal with the government-approved securities in the secondary market.

Currently, three treasury bills (T-bills) -- 91-day, 182-day and 364-day T-bills -- are being transacted through auctions to adjust the government borrowing from the banking system. Four government bonds with five-year, 10-year, 15-year and 20-year tenures are also being traded in the market.

## NBR earnings rise 19pc, beat target

**STAR BUSINESS REPORT**

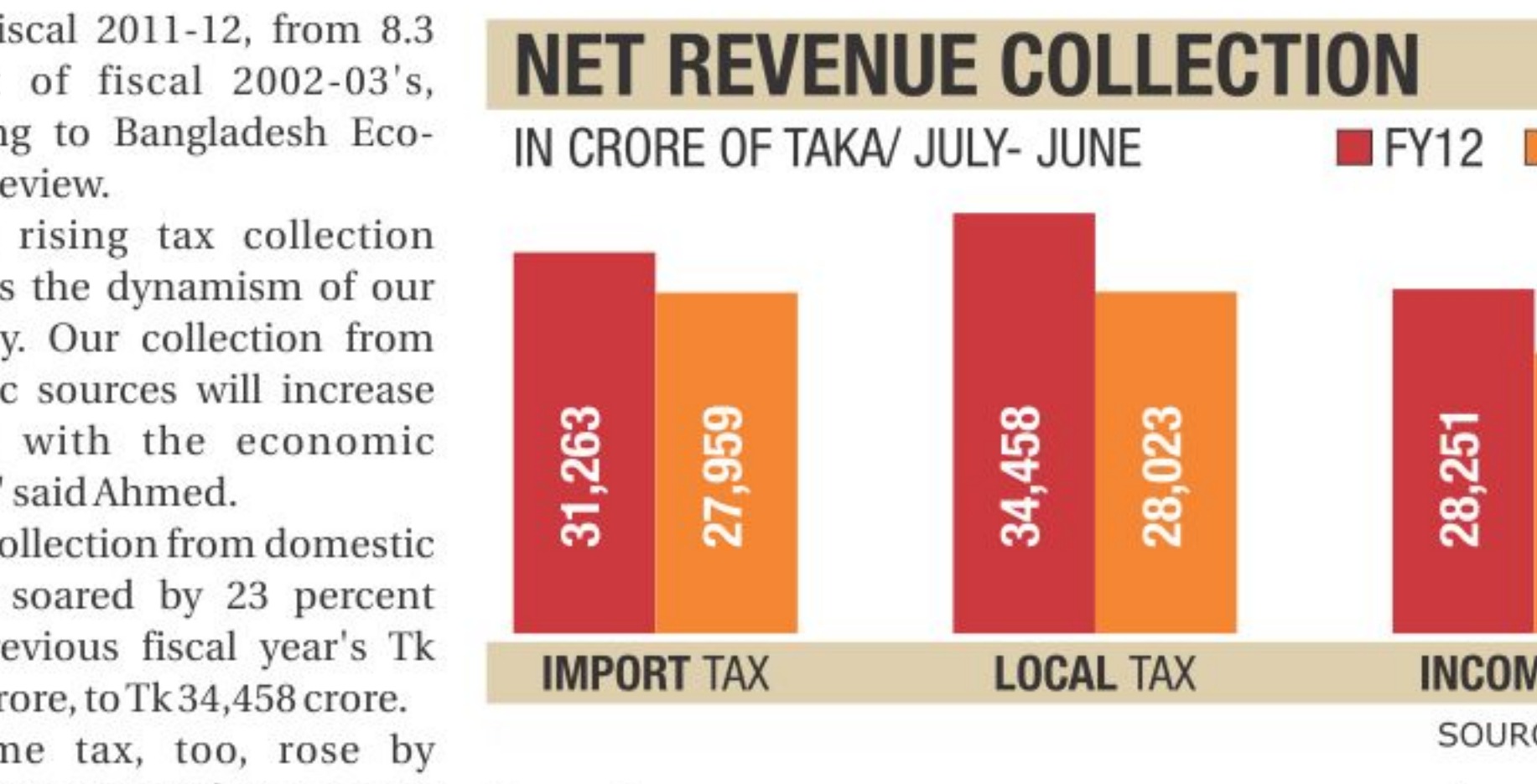
The National Board of Revenue exceeded its target of Tk 92,370 crore for the fiscal 2011-12, recording Tk 94,447 crore in tax receipts.

"We are happy that this is the third year we have registered higher than targeted revenue," said NBR Chairman Dr Nasiruddin Ahmed at a press meet yesterday.

The revenue collection was 18.95 percent higher than previous fiscal year's Tk 79,403.11 crore, Ahmed added, thanks to huge growth in value-added and income tax collection.

Over the past decade, NBR has been registering increased tax collection, allowing the government to reduce dependence on foreign finance.

The ratio of tax revenue to GDP, indicator of a country's strength to finance its expenditures, increased to 10.32 percent



in the fiscal 2011-12, from 8.3 percent of fiscal 2002-03's, according to Bangladesh Economic Review.

"The rising tax collection indicates the dynamism of our economy. Our collection from domestic sources will increase in line with the economic growth," said Ahmed.

VAT collection from domestic sources soared by 23 percent from previous fiscal year's Tk 28,023 crore, to Tk 34,458 crore.

Income tax, too, rose by nearly 23 percent from a year ago to Tk 28,261 crore.

However, tax receipts from customs did not fare as well in the face of sluggish growth of international trade.

The NBR Chairman said the declining contribution of taxes from customs might be a trend given the liberalised global trading regime, therefore to counteract, efforts have been stepped up to augment collections from domestic sources.

"The impressive VAT receipts of the last two quarters of the past fiscal year are due to the increased efforts of the officials, such as intensive monitoring and stimulating mass awareness programmes" said the NBR chairman.

Over the past several years, the tax authority has been organising various events, such as VAT Day and income tax fair,

to encourage people to pay taxes for the sake of country's development.

This year, the income tax fair will be held on September 16-22 in Dhaka and large districts simultaneously.

Work is underway to make the tax administration process fully digital to curb tax evasion, he informed.

Digital facilities such as online tax payment and e-filing have already been introduced, the NBR chairman said, hopeful of attaining the 18 percent higher target of Tk 112,259 crore for the fiscal 2012-13.

"We are strengthening ADR (Alternative Dispute Resolution) system to settle tax-related disputes swiftly," said Ahmed, adding that the mechanism has been introduced in all income tax zones and VAT commissionerates to boost collections.

Other steps the NBR is undertaking to meet the fiscal year's target are: increase in manpower, increased monitoring of advanced income tax at source, strengthening audit and intelligence of Central Intelligence Cell to arrest tax-dodging.

Ahmed, also secretary of Internal Resources Division, said taxes on stamps have been raised in the current fiscal, which is expected to bring in over Tk 5,000 crore, doubling that of the past fiscal year.

## SEC asks four banks to submit investment info

**STAR BUSINESS REPORT**

The Securities and Exchange Commission has asked four listed commercial banks to submit information on investment in the stockmarket that they announced through newspaper advertisements a few days ago.

The stockmarket regulator has sent four separate letters to the managing directors of the banks, instructing them to submit the information within July 31.

The banks will have to inform the market regulator whether the disclosed amount that is to be invested in the stockmarket has been deposited with the concerned stockbrokers and when the investment will be completed.

The SEC also directed the four banks to inform the regulator within seven days of completing their investment.

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## Aim for quick profits sends stocks to red

**STAR BUSINESS REPORT**

Stocks returned to the red yesterday as investors were engaged in massive sell-offs to reap quick profits, thus putting an end to the two-day rally.

DGEN, the benchmark general index of Dhaka Stock Exchange, dropped 96.60 points, or 2.23 percent, to finish the day at 4,222.18 points.

"The market resumed on a positive note but continuous sell-offs, owing to the lure of quick profits and investors' stance to exercise caution, subsequently brought down the index," commented IDLC Investments.

It appears that investors were aiming for short-term profits rather than long-term investments due to a lack of confidence, although many investment-grade stocks are trading at rewarding price level, it said.

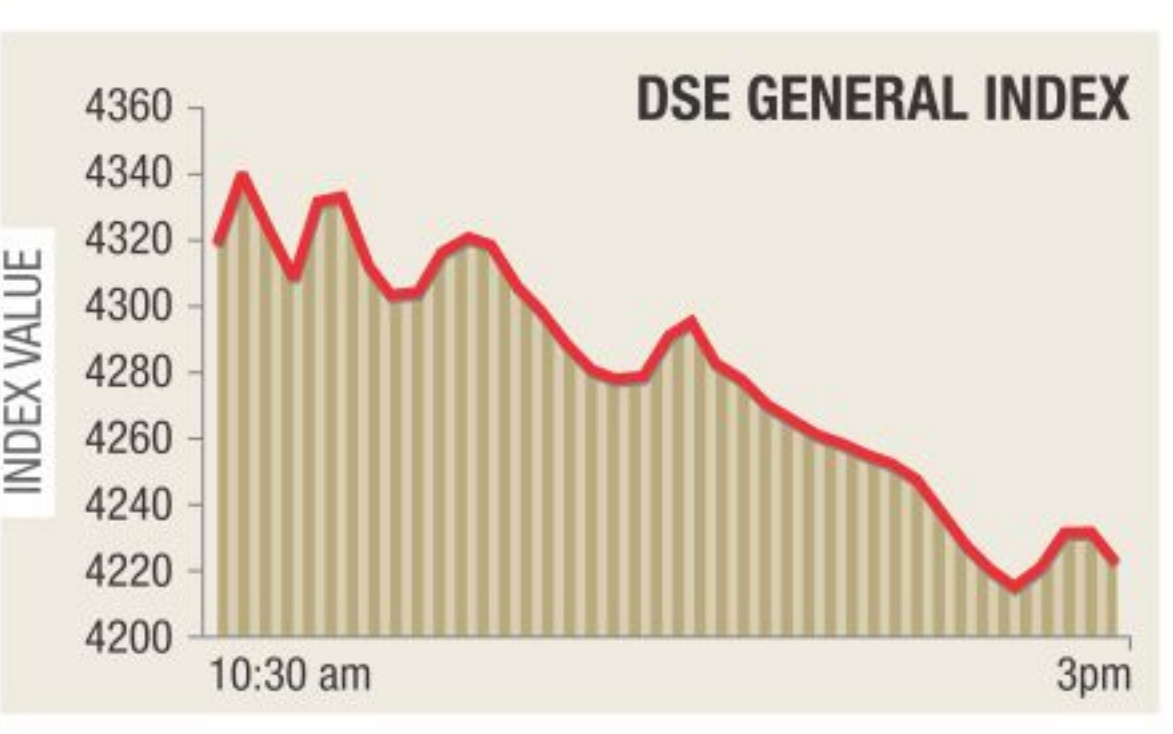
Tuesday's enthusiasm evaporated quickly as there were very few buyers willing to buy stocks at the higher price.

"Market was unable to gather enough momentum to make a strong bull rally," said LankaBangla Securities in its market research.

It appears investors are still skeptical of the market's sustainability even though the liquidity situation remained relatively easy during the first week of Ramadan, it said.

"DSE corrected as investors reaped profits from their previous investments," commented Green Delta LR Holdings in its market research.

Even though there were some intermittent bull-run



during the trade session, the market ultimately failed to counter the selling pressure, it said.

Turnover dropped 12.63 percent from the previous day to Tk 252 crore.

A total of 0.78 lakh trades were executed on the DSE, with 5.63 crore shares and mutual fund units changing hands.

Of the 261 issues that traded on the DSE, 30 advanced, 220 declined and 11 remained unchanged.

Among the major sectors, power lost the most, which went down by 3.23 percent, followed by non-bank financial institutions lost 3.02 percent.

Telecommunications, pharmaceuticals and banks lost too: 1.28, 1.62 and 1.64 percent respectively.

Grameenphone was the most traded stock of the day, owing to its transactions of 8.9 lakh shares worth Tk 18.52 crore, followed by Bangladesh Submarine Cable Company and Beximco.

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## Garment workers demand basic salary at Tk 7,000

**STAR BUSINESS REPORT**

A platform of garments workers' associations yesterday submitted a demand to the minimum wage board to raise the minimum basic salary of the workers to Tk 7,000 from Tk 3,000 now.

Garment Sramik Sangram Parishad, the platform, also demanded that all garment factories should provide at least 50 percent of the basic salary as festival allowance to the workers.

In a written letter they said a five-member family needs a minimum monthly amount of Tk 12,950 for subsistence.

The major expenses include house rent at Tk 3,000, daily commodities at Tk 5,100, medical and transportation costs at Tk 1,100, children's education expenses at Tk 1,500 and others Tk 2,250, they said.

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