BB clarifies status of merchant banks

STAR BUSINESS REPORT

Merchant banks are different from traditional non-bank financial institutions, the central bank said, putting an end to confusion over the status of such banks.

Bangladesh Bank in a letter to the Securities and Exchange Commission on July 24 said the merchant banks are registered under the SEC Act, 1993.

The BB letter said, as the merchant banks do not take deposit from clients, Financial Institution Act, 1993 will not be applicable to merchant banks. The act is applicable to traditional NBFIs.

The letter also said the merchant banks will not need to take licences from the central bank, and will be regulated by the SEC, the stockmarket regulator.

Earlier, the central bank in a letter to the SEC on June 6 said the merchant banks are considered NBFIs as per Section 2(b) of Financial Institution Act, 1993. A clause of the act included merchant banks, among others, in the category of financial institutions.

> *The stockmarket regulator on May 20 sought the central bank's opinion about the status of the merchant banks, after the National Board of Revenue put the merchant banks in the NBFI category*

The stockmarket regulator on May 20 sought the central bank's opinion about the status of the merchant banks, after the National Board of Revenue (NBR) put the merchant banks in the NBFI category.

The finance minister in his budget speech had also branded the merchant banks as NBFIs, and proposed a cut in their income tax from 42.5 percent to 37.5 percent, deepening the confusion over the status of such banks.

Later, the merchant bankers had said they are involved in stockmarket activities, not in the financial sector.

The merchant banks provide a number of financial services, ranging from underwriting shares to lending to stock investors. Due to their multi-faceted roles as financial institutions, they are not classified in the same bracket as 'banks and non-bank financial institutions'.

Presently, there are 52 merchant banks of which 43 are full-fledged. The full-fledged merchant banks' functions include underwriting, issue management, portfolio management and lending to stock investors.

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From right, Former caretaker government adviser M Hafizuddin Khan; Finance Minister AMA Muhith; Transparency International Bangladesh Trustee Board Chairperson Sultana Kamal; Comptroller and Auditor General Ahmed Ataul Hakim; lawmaker M Tajul Islam; former controller general of accounts (CGA) Shahad Chowdhury; and TIB Executive Director Iftekharuzzaman take part in a seminar on the CGA office at the CIRDAP auditorium in Dhaka yesterday. Story on page 1

State banks swap roles in call money market

STAR BUSINESS REPORT

State banks, which were the traditional lenders in the call money market, have now become the biggest borrowers due to growing financing to the government.

According to Bangladesh Bank data, Tk 6,237.50 crore was traded in the inter-bank call money market yesterday at 12-15 percent interest rates.

Of the total amount, Tk 2,240 crore was borrowed by four state banks -- Agrani, Janata, Sonali and BASIC.

Sixteen private commercial banks (PCBs) borrowed Tk 3,187 crore and 14 non-bank financial institutions (NBFIs) Tk 651.50 crore.

Of the PCBs, Prime Bank borrowed the highest amount, Tk 476 crore, followed by Mercantile Bank Tk 400 crore, National Bank Tk 284 crore and Eastern Bank Tk 275 crore.

"Although the call money rate tends to be high it is still at a tolerable level," said Helal Ahmed Chowdhury, managing director of Pubali Bank, a big lender in the overnight money market.

Pubali yesterday lent Tk 496 crore, the second highest after Dutch-Bangla Tk 1,440 crore, HSBC Tk 1,216 crore, Trust Bank Tk 765 crore and Citibank NA Tk 676 crore.

Of the NBFIs, Delta Brac Housing was the top lender in the market with Tk 88 crore.

Unlike previous years, the inter-bank call money market looks less volatile ahead of this year's Eid-ul-Fitr festival.

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HSBC

Mahbubur Rahman, head of corporate banking, and Steve Ball, chief financial officer of HSBC Bangladesh, attend the first 'Amanah joy of giving' gift distribution ceremony recently for the children of Happy Homes, a project of ActionAid Bangladesh. Sajid Raihan, deputy director for programme, policy and campaign at ActionAid, was also present.

$50 fine for each unregistered SIM

ABDULLAH MAMUN

Bangladesh Telecommunication Regulatory Commission (BTRC) has increased the fine for mobile operators to $50 from $10 for every unregistered SIM card sold in its bid to cut down on misuse of mobile connection.

The move comes following detection of 7,000 unregistered SIM from various operations, including SIM fairs.

Selling unregistered SIM cards is a punishable offence under the telecoms law of 2001.

"Mobile operators in the country are not careful enough when it comes to SIM card registration," said Zia Ahmed, chairman of BTRC. Unregistered SIMs are mostly used for unlawful activities such as extortion and life threats, he said.

With regards to the increase in fine amount, he said the new amount better reflects the current market situation.

A BTRC official said some of the operators are engaged in voice over internet protocol (VoIP) activities, which is forbidden under current regulations, via the unregistered SIM, so the regulator is taking drastic action against it.

When purchasing a new SIM card, he said it is mandatory for the customer to fill in the telecom connectivity form and enclose it with a photograph and a photocopy of photo identity, but many operators are not following it strictly.

A high official of an operator said the distributors often sell SIMs in bulk without registration, which are often used for VoIP.

Mahmud Hossain, chief corporate officer of Grameenphone, said: "It is an old decision of the regulator and we will have to pay the fines."

At the same time, it is difficult to verify the actual information of the SIM purchaser as the operators do not have access to the national database, he said.

The Bangladesh government built a national database during the previous national election when it provided national identity cards.

The operators are working on a system which would take instant photo of the SIM purchaser and undertake verification via SMS, said an industry insider.

Japan's Sharp running out of options: analysts

AFP, *Tokyo*

Japan's Sharp Corp is fast running out of options to repair its disintegrating balance sheet, analysts say, raising fears about its viability as investors bolt for the exit.

The century-old consumer electronics giant suffered a bloodletting this month with its Tokyo-traded shares diving to near 40-year lows after it reported huge quarterly losses and warned of more red ink to come.

On August 3 the shares plunged by about one-third to levels last seen in the early 1970s, shaving more than $1.0 billion off the embattled firm's value.

They staged a recovery towards the end of last week, closing Friday at 209 yen, up from 181 yen earlier in the month.

Standard & Poor's quickly cut Sharp's credit rating after the results -- making it tougher to raise fresh funds -- and the producer of Aquos televisions faces a worrying cash crunch as it scrambles to re-tool its business.

The corporate overhaul includes cutting thousands of jobs from Sharp's global workforce, the first layoffs since 1950, in a bid to chop about $1.3 billion in fixed costs from its detailed balance sheet.

"Sharp needs to stop haemorrhaging... Its bad performance casts doubt on cash flow, the lifeblood of a company," said Toshiyuki Kanayama, senior market analyst at Monex Securities.

Investor fears spiked when Sharp said it lost 138.4 billion yen ($1.77 billion) in the April to June quarter, nearly three times more than in the same period last year, citing falling demand for liquid crystal display televisions.

The Osaka-based firm, which began life making belt buckles and invented the mechanical pencil, warned it expected to book a net loss of 250 billion yen in the fiscal year through March 2013 -- far bigger than an earlier projection for a 30 billion yen shortfall.

The share price plunge also casts doubt on the future of a deal that would see Taiwan's Hon Hai Precision -- best known as a manufacturer of Apple gadgets such as the iPhone and iPad -- inject about $800 million into struggling Sharp and invest in one of its LCD factories.

Urban disasters spotlight strain on Asian cities

AFP, *Bangkok*

Deadly floods, power blackouts and traffic gridlock -- many of Asia's biggest cities are buckling under the strain of rapid economic development, extreme weather and an exodus from the countryside.

Poor strategic planning, paltry investment in infrastructure and a lack of political will have also left the region's overcrowded metropolises highly vulnerable to the pressures of climate change, experts say.

Over the past year Bangkok and Manila have been hit by the most devastating floods in decades, while India recently suffered the world's worst-ever power blackout due to surging demand from industry, homes and offices.

It is a situation that is increasingly out of step with growing affluence in Asia, where millions of people escape from poverty every year but face a return to third-world conditions when disaster strikes.

Many Asian cities are "lagging behind in infrastructure provision, whether we talk about sewers, roads or electricity supplies," said Professor Sun Sheng Han, an urban planning expert at Australia's University of Melbourne.

At the heart of the problem lies a lack of vision in a region where urban development policies reflect a mixture of "political goals and economic ambitions," he told AFP.

In the Thai capital Bangkok, years of aggressive groundwater extraction to meet the growing needs of its factories and 12 million inhabitants have taken a heavy toll.

AFP

A woman holds a young boy as she wades through floodwaters in a street in the township of Apalit on the outskirts of Manila.

Yet despite warnings the city -- built on swampland and slowly sinking -- risks being below sea level in half a century from now, a building boom shows no sign of abating with apartment towers mushrooming around the city.

Rapid urbanisation that blocks natural waterways and neglected drainage systems are also seen as major factors behind the deadly floods that have battered the Philippine capital Manila this month.

On the outskirts of Manila, vital forested areas have been destroyed to make way for housing developments catering to growing middle and upper classes.

Within the city, squatters -- attracted by economic opportunities -- often build shanties on river banks, storm drains and canals, dumping garbage and impeding the flow of waterways.

But perhaps nowhere are the challenges more stark than in India, where a two-day power blackout across half the country last month left more than 600 million people without supplies as high demand overwhelmed the grid.

Yet even now, only 30 percent of India's 1.2-billion population live in cities, far lower than the 50.6 percent in China or the 70-80 percent in developed countries, according to a UN report released last year.

It forecasts India's urban population will grow by 60 percent from its current level of 377 million, to 606 million, by 2030.

As air conditioners, microwave ovens, washing machines and other electrical items become increasingly popular with the country's burgeoning middle class, the strains on the power sector are expected to increase.

According to the McKinsey Global Institute research centre, India also needs 350-400 kilometres (around 250 miles) of new metros and subways a year and 19,000-25,000 kilometres of roads.

Mumbai -- with 20,000 inhabitants per square kilometre -- is one of the world's most densely populated cities.

Its packed suburban trains are estimated to carry seven million people every day, and each year more than 3,000 people are killed on the railway network, sometimes falling from open doors or hit while crossing the tracks.

"The rush hour is the biggest issue. There are times it's so crowded, it's difficult to breathe," said Sudhir Gadgil, 62, an office assistant in Mumbai's southern business district, whose commute to work by train takes 1.5 hours.

In neighbouring Bangladesh, the capital Dhaka is facing the worst transport infrastructure problems in its history.

Soon after taking over in January 2009, the government promised to tackle the crisis with an array of ambitious rail, bus and road projects, but most are still in the design stage.

"Dhaka already is a moribund city. It's dying fast and I see no hope how we can save it," said Shamsul Haq, the country's top transport expert and a professor at Bangladesh University of Engineering and Technology.

Traffic jams are by no means unique to Dhaka, however, and in many teeming cities the prospect of abandoning city life altogether is becoming increasingly appealing for some frustrated residents.

In Jakarta, ranked bottom of 23 cities in Frost & Sullivan's 2011 global commuter satisfaction survey, experts predict that given its ageing bus network and lack of train system, the capital will reach total gridlock by 2014.

"If it doesn't change in the next five years, I'm moving to Bali for a more peaceful life," freelance writer Dian Agustino told AFP in one of the city's shopping malls.