ICMAB awards best corporate players

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Winners of ICMAB awards pose with Commerce Minister GM Quader, Chief of Naval Staff Vice Admiral Zahir Uddin Ahmed, Vice President of South Asian Federation of Accountants A Mannan and Award Selection Committee Chairman Muzaffar Ahmed at Ruposhi Bangla Hotel yesterday.

STAR BUSINESS REPORT

The Institute of Cost and Management Accountants of Bangladesh (ICMAB) yesterday awarded 49 companies for their efforts to establish corporate governance in their entities.

The ICMAB Best Corporate Award, now in its fourth year, recognises the country's best corporate enterprises and encourage others to adopt good corporate culture and management.

Commerce Minister GM Quader bestowed this year's awards at a ceremony held at Ruposhi Bangla Hotel in Dhaka.

Speaking as the chief guest, Quader said the awards would further encourage the recipients to foster professionalism in their fields of work.

"I hope their reports will reveal transparency of workplace and give direction to the companies. It is important to do professional work in a professional way."

The minister also said the cost and management accountants should call a spade a spade.

"They should say what is right and wrong. In this way, they will be able to help the organisations become transparent and practice good governance."

Janata Bank Ltd retained the top award in the state-run commercial bank category, while Agrani Bank and Rupali Bank came out second and third respectively.

Standard Chartered Bank, HSBC and Commercial Bank of Ceylon, too, retained their positions from last year in the foreign commercial bank category, coming in first, second and third respectively.

Habib Bank won a certificate of merit in the same category.

Islami Bank Bangladesh won the first prize in private commercial bank (Islamic operations) category, with Al-Arafah Islami Bank and Shahjalal Islami Bank filling in the next two spots.

EXIM Bank and Social Islami Bank won certificates of merit.

In the private commercial bank (traditional operation) category, Prime Bank retained its top position, followed by National Bank and Eastern Bank in the second and third positions respectively.

Bank Asia, Dhaka Bank, Dutch-Bangla Bank and One Bank also won certificates of merits.

Like the 2011 edition, IDLC Finance won the top award in the non-bank financial institution category, while Prime Finance & Investment and Delta Brac Housing Finance Corporation came in second and third.

In the same category, Uttara Finance and Investments and LankaBangla Finance won certificates of merit.

Reliance Insurance topped the general insurance category winners, to be followed by Pioneer Insurance and Green Delta Insurance.

Eastland Insurance, Phoenix Insurance, Bangladesh General Insurance and Prime Insurance were awarded certificates of merit.

Square Pharmaceuticals retain its top position in the pharmaceuticals category, followed by Beximco Pharmaceuticals in the second position and GlaxoSmithKline Bangladesh in third.

IBN Sina Pharmaceutical Industry and Advanced Chemical Industries won certificates of merit.

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Liquidity crisis pulls investors out of market

GAZI TOWHID AHMED

STOCKS investors are leaving the market, which continues to bleed due to a liquidity crisis.

In 2012, around 5.69 BO (beneficiary owner) accounts were closed and the number came down to 24.76 lakh, according to statistics available from the Central Depository Bangladesh Ltd (CDBL).

The market declined by more than 22 percent in the last one year, according to the data from Dhaka Stock Exchange.

Advocate Faruk Ahmed closed his BO account last week, as he counted severe losses last year.

"I lost my investment of Tk 12 lakh that I had injected in the market in the last two years," he said.

"I made a profit of Tk 3 lakh in the last two years for once. But I did not cash it expecting more profits."

Ahmed is one of the hundreds of thousands investors who left the market as their portfolio became negative.

Tens of thousands of investors became inactive with empty portfolio or no stocks in their accounts as they refrained themselves from making fresh investments.

"I know some investors who lost their confidence and want to leave the market after incurring the losses," he said.

Around 8.3 lakh BO accounts were closed in 2011, according to CDBL data.

Opening a BO account with the CDBL, which operates the central depository system, is mandatory for electronic share transactions.

The IPO (initial public offering) market lost investors' attraction last year as investors failed to make expected profits from newly listed companies, said Arman Hossain, a small investor, who started share trading in 2000.

Last year, 10 companies raised Tk 774 crore from the market through IPOs, and a mutual fund worth Tk 100 crore was floated, according to the data of Dhaka Stock Exchange.

Investors lost confidence due to a liquidity crisis caused by a tight monetary policy, said Hossain.

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Investors wearing black gags take to the streets to protest a fall in stock prices in the capital on January 10. The liquidity crisis takes a heavy toll on the market.

No clear path for Obama to act alone on US debt cap

REUTERS, *New York/Washington*

THE White House would be taking a risk if it tries to make a constitutional end-run around Congress' authority to raise the debt ceiling, legal experts said.

The "public debt" clause of the 14th Amendment is being cited by a number of lawmakers as giving President Barack Obama a legal way to issue debt and pay bills, working around the debt ceiling and avoiding default.

The 14th Amendment is best known for extending civil rights protections in the wake of the Civil War. The amendment's fourth section was designed to guarantee Union debt incurred during the war, including compensation due to Union soldiers and their widows.

The clause states: "The validity of the public debt of the United States, authorised by law, including debts incurred for payment of pensions and bounties for services in suppressing insurrection or rebellion, shall not be questioned."

On Friday, Senate Democratic leaders told Obama to be ready to take "any lawful" steps to ensure that the United States did not trigger a global economic crisis.

Obama has said he would not negotiate with Republicans in Congress on the debt ceiling, increasing the prospect that they may try to block an increase in the borrowing limit.

Democrats hope to avoid a replay of the 2011 debt ceiling deadlock that pushed the country to the brink of default.

One congressional aide said using the provision was the only potential option available to Obama if Congress balks.

But some legal scholars say the provision does not give the president the authority to raise or ignore the $16.4 trillion debt cap.

"I don't think the language of the 14th Amendment authorizes it," said Erwin Chereminsky, professor at University of California Irvine School of Law. "The debt ceiling is set by statute, and the president can't change statutes unilaterally."

Eric Posner, a University of Chicago law professor, said the provision is vague and "does not implicitly give the president authority to do anything."

"It's not a very strong legal argument," Posner said.

The public debt section's only Supreme Court test, in 1935, had nothing to do with the debt ceiling.

"Nobody really knows what would violate that section (the 14th Amendment) since it's so far removed from what the original idea was," said Gerard Magliocca, a professor at Indiana University School of Law. "There's not much law on it, so it's really hard to come up with any firm conclusions."

AFP

Lip balm with US President Barack Obama's likeness on its container is seen at a shop in Washington on January 8. Preparations continue for Obama's inauguration for his second term on January 21.

On Dec. 31, the Treasury reached the limit on how much it is legally allowed to borrow and is now using emergency maneuvers to continue paying government bills such as interest on US bonds and military salaries.

Those measures, which include tapping certain government pension funds, are due to run their course around mid-February, giving Congress around five weeks to raise the ceiling.

The debt limit only allows the Treasury to borrow funds to pay for existing obligations that Congress and the president have already agreed upon. Although Congress has routinely increased the limit since it was established in 1917, it has become more contentious since annual federal budget deficits have been topping $1 trillion, with conservatives in Congress using it as leverage to demand spending cuts.

With fears that Congress will not act in time, the 14th Amendment provision has surfaced as a backup plan along with another offbeat proposal to mint a trillion dollar platinum coin.

Although the White House has said it does not believe that there is a constitutional workaround for the debt ceiling, Obama has repeatedly said he will not negotiate with Republican lawmakers who want to win concessions on federal spending before agreeing to a debt limit increase.

That has raised speculation that the Democratic president will eventually be forced to rely on the Constitution to avoid a debt default and ensuing havoc on global financial markets.

Even if Obama tried to move forward without congressional approval, the action could come too late to shore up investor confidence if it is already shattered. Bonds could be challenged as unconstitutional.

"The Treasury market is viewed as the largest, most liquid and from a credit stand point, the least risky market in world," said Ward McCarthy, chief financial economist at Jefferies & Co. McCarthy said if the credibility of the United States were to take a hit, that market would lose all of those attributes.

India's plan to shield IPO investors has merit

ANDY MUKHERJEE

THE Securities and Exchange Board of India (SEBI) has come up with a novel solution to the problem of failed initial public offerings: give small investors who lose money a refund.

The proposal would appear to undermine the basic idea that common shares represent ownership rights -- and risks. But unless company owners face consequences for ultra-aggressive pricing, they won't stop abusing their information advantage -- and the market for IPOs will remain moribund.

SEBI is right to worry that small investors are being fleeced by insiders with superior information. Between 2008 and 2011, 55 out of 117 Indian IPOs traded at least 20 percent below the offer price after six months of listing.

Bankers have slammed the proposal as a draconian intervention in a free market. But SEBI is not seeking to eliminate the risk of underperformance altogether. Only small investors - those who had applied to buy less than $900 in stock - will be allowed to return their shares at the offer price. The option will only be triggered if both the absolute share price drop and decline relative to the broader market index are 20 percent or more within three months. And majority owners' repurchase obligation will be capped at 5 percent of the IPO size. Insiders will still have an advantage over new investors. But they will be discouraged from using it too blatantly.

Being responsible for ensuring positive trading in the secondary market might scare away a handful of IPO aspirants. But it will prompt those that remain to pay more attention to pricing their offers fairly. It will also put more pressure on investment banks to avoid dud issues.

There's no question that India needs to restore investor trust. Last financial year, households pulled out a net 93 billion rupees from equities and mutual funds. In September, IPOs raised less than $7 million, while rights issues, where the market has already established a price, scooped up more than $1 billion.

It's not yet certain whether SEBI's proposal will be formalised: chairman UK Sinha recently hinted that a "milder form" of safety net might be introduced. But if the final rules are watered down too much, they might be ineffective. And that would defeat the whole point.

CONTEXT NEWS

- The Securities and Exchange Board of India (SEBI) plans to implement a safety net for retail investors in initial public offerings, chairman UK Sinha said on January 9.
- SEBI has proposed giving small investors one chance to return their shares to controlling shareholders, or "promoters" as they are called in India, at the original offer price. The option will trigger if both the absolute drop in the share price and the decline relative to the broader market index are 20 percent or more three months after listing.

The author is a Reuters Breakingviews columnist.