Star BUSINESS

DHAKA WEDNESDAY FEBRUARY 19, 2014, e-mail:business@thedailystar.net

ANTI-MONEY LAUNDERING EFFORTS

Banks to face random inspections

FATF plans to follow through that correct procedures are observed

REJAUL KARIM BYRON

All commercial banks will be randomly inspected by the Financial Action Task Force for compliance to anti-money laundering and counter-terrorist financing measures by the year-end, following Bangladesh's graduation from the global watchdog's grey list.

Bangladesh Bank yesterday conveyed the message to the banks' chief executive officers and advised the bankers to prepare for evaluation by FATF in a way that Bangladesh is not put back on the list.

FATF's grey list is an index of countries identified to have strategic deficiencies in their systems for fighting money laundering and terrorist financing, due to which financial transactions originating from the countries are subject to intense scrutiny.

"You will have to show the utmost cautiousness over suspected transactions," BB Governor Atiur Rahman said at the meeting.

To heighten vigilance against money laundering and terrorist financing, the central bank has procured the software 'goAML' from the United Nations.

From now, all banks and agencies will have to submit their cash transaction reports through this software, and they have been advised to set up the supporting software at the earliest so that suspicious transactions can be automatically identified.

Foreign banks generally charge from 0.25 to 0.5 percent for opening of letters of credit, but the rate went upwards of 1 percent for Bangladeshi businessmen.

"The charge should come down a lot now, and I hope you exercise your best negotiation skills with the foreign banks in this regard," Rahman told the CEOs.

The decision to graduate Bangladesh from the list came at the FATF's plenary on February 13, following a review of the progress made under the time-bound action plan provided by the global watchdog in October 2010.

The government has fulfilled most of the 28 action items, which includes: criminalising money laundering and terrorist financing; establishing and implementing procedures to identify and freeze terrorist assets; implementing procedures for the confiscation of funds related to money laundering.

A fully operational and effectively functioning Financial Intelligence Unit has been set up.

Suspicious transaction reporting requirements and international cooperation have been enhanced as well.

In November last year, a team of the FATF's Asia-Pacific Regional Review Group

BB

Atiur Rahman, governor of Bangladesh Bank, briefs chief executives of banks on random anti-money laundering inspections by the Financial Action Task Force, at the central bank's headquarters in Dhaka yesterday.

BB warns banks against excessive exposure to stocks

REJAUL KARIM BYRON

The central bank yesterday warned banks against excessive exposure to the capital market, in a bid to ward off a bubble burst witnessed in the previous terms of Awami League.

Bangladesh Bank Governor Atiur Rahman came up with the warning at his first meeting with the chief executives of banks after a new government led by Awami League assumed power last month.

The money market and the capital market will complement each other within the law, and the central bank will strictly monitor all activities to prevent any deviation, he said.

Some banks are investing in the capital market beyond their permissible limit, which goes against the spirit of the recently amended banking law, Rahman said at the meeting at his office in Dhaka.

The governor discussed various issues, including the capital market, default loans and the overall macroeconomic situation.

The stockmarket saw a boom when the Awami League-led government came to power in 2009. The market later went through a debacle, which analysts blamed on excessive investments by the banks.

SK Sur Chowdhury, BB deputy governor, told reporters after the meeting that the banks were asked to remain alert so that the crisis does not repeat.

Banks cannot invest more than 20 percent of their capital in the stockmarket, according to the amended banking companies act. The previous law allowed banks to invest 10 percent of their capital.

In line with the new law, the banks that invested more than the limit were asked to bring down the amount below the ceiling by July 2016.

The central bank found six banks have excessive investment in the capital market. The banks were asked to send a plan to the BB on how they would gradually bring down the amount to the acceptable level.

The amount of default loans decreased by 28 percent or Tk 16,137 crore in the fourth quarter last year. The BB governor said the amount fell as loans were rescheduled under a relaxed policy.

He also advised the banks to form a recovery unit to realise the bad loans.

BTCL, Teletalk owe Tk 3,300cr to regulator

ABDULLAH MAMUN

Two state-run telecom firms—fixed phone operator BTCL and mobile operator Teletalk—owe the regulator around Tk 3,300 crore in the form of revenue sharing and spectrum fees.

Bangladesh Telecommunications Company Ltd (BTCL) was supposed to share more than Tk 1,700 crore revenue with the regulator as the operator became a company five years ago.

Teletalk has been using 3G spectrum for the last 16 months, but it is yet to clear spectrum fees worth around Tk 1,600 crore.

The BTCL is suffering from a serious fund crisis, as it now depends on its fixed deposit receipts to pay salaries to its employees.

Sunil Kanti Bose, chairman of Bangladesh Telecommunication Regulatory Commission (BTRC), told The Daily Star.

The telecom regulator has so far issued more than 25 letters to the BTCL, but the fixed-phone operator could not pay the dues as it failed to collect bills from its international gateways.

The audit department of the government has advised the regulator to collect the money by filing case under the Public Demands Recovery Act, according to the BTRC chief.

READ MORE ON B3

Two foreign banks join NBR's e-payment system

StanChart, Citibank sign deals with Sonali Bank, a partner in NBR's e-payment initiative

SOHEL PARVEZ

Standard Chartered Bank and Citibank have joined the National Board of Revenue's e-payment foray to facilitate their corporate clients to pay taxes online.

"It is a big step forward. It will enable account holders of the two banks to clear big amounts of taxes, including VAT and customs duty, through their accounts sitting in office," a senior official of NBR said, seeking anonymity.

On Monday, Standard Chartered and Citibank signed separate agreements with Sonali Bank, a partner in NBR's e-payment initiative, to offer their corporate client's the facility to pay taxes through their accounts.

This is the first time two banks having online banking facilities joined NBR's electronic tax payment platform, which has so far received a lukewarm response since its launch in May 2012.

NBR officials said the electronic tax payment system did not support paying large amounts of taxes through account to account transactions. So far, individual taxpayers are able to pay taxes by debit or prepaid card.

However, VAT and customs duty online payment remain low as it is not feasible to pay large sums of money through electronic cards, said Sonali Bank officials.

Since the system's launch, NBR has received about Tk 5 crore in taxes through the portal, mainly from individual taxpayers; of the amount, none came from VAT and a negligible amount came as customs duties, officials added.

NBR and Sonali Bank officials expect the trend to change after corporate clients of the foreign banks begin to pay taxes through their accounts.

"We expect a spiral in the payment of large amounts of taxes through the e-payment gateway," said a Sonali Bank official, adding that the system that is currently being developed would be ready for use by mid-March.

More banks with online banking facilities will join the foray this year, he said.

Rashed Maqsood, managing director of Citibank, said the agreement lays the foundation for Sonali Bank to integrate Citi into the tax payment architecture of the government, which currently supports tax payments for individuals only.

"Once the new system goes live under this agreement, Citi's client will be benefitted for being able to pay tax online."

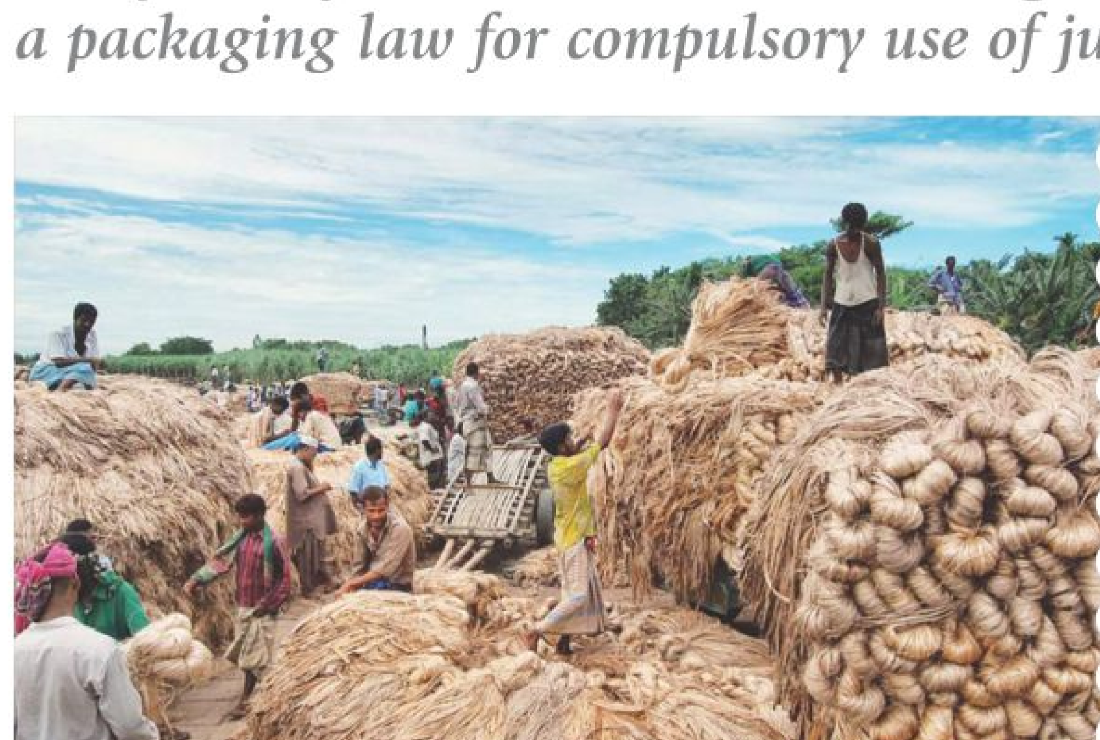
Officials said the payment of taxes online would save taxpayers time.

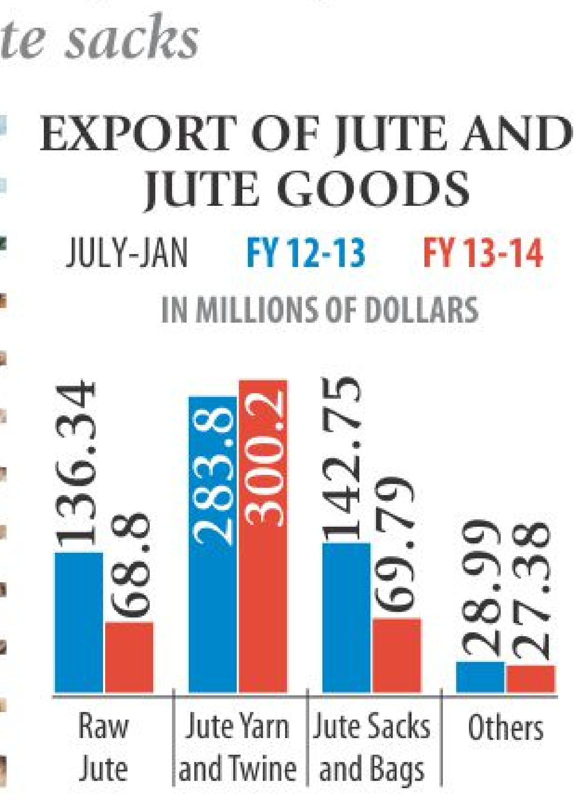
"Our clients will be able to generate challans or receipts for tax payments sitting in their offices," said Abrar A Anwar, managing director for wholesale banking of Standard Chartered.

"This is a great step forward for digitisation of payment services because NBR is one of the main receivers of funds from payment of taxes, VAT and customs duty."

20 jute mills shut for low demand

Many more factories are vulnerable as govt is yet to implement a packaging law for compulsory use of jute sacks





SAJJADUR RAHMAN

Around 20 jute mills were shut down in the last 7/8 months due to a depressed international market and currency devaluation in India, industry people said.

Another major reason behind the closure of the factories that used to make sacks, bags and yarn is the government's failure to implement a packaging law for compulsory use of jute sacks to pack food grains and other items.

The domestic demand would get a boost if the law was implemented properly, they said.

"The current adverse situation has forced us to lay off workers temporarily," said Kaihan N Rahman, deputy managing director of 40-year-old Pubali Jute Mills.

Pubali used to make mainly jute sacks and bags and export those to countries like India, Thailand, Egypt, Syria, Turkey, Iraq and Sudan. Most of these markets have been facing political turmoil for months, while devaluation of the Indian currency has shrunk Bangladesh's exports of jute and jute goods there.

"Our condition has worsened in the last 7/8 months. Many more factories will be closed down soon if the situation doesn't improve," said Abdul Barik Khan, secretary of Bangladesh Jute Mills Association (BJMA).

According to BJMA, 5/6 jute mills, including Pubali, Mohsin Jute Mill and Ajax Jute Mills, were closed in the last several months.

Khan said many mills are running partially and may be shut down anytime.

Bangladesh exported jute and jute goods worth $466 million during the July-January period of the current fiscal year, according to Export Promotion Bureau data.

The earnings in the period declined by more than 21 percent year-on-year and fell 28 percent short of the target.

Exports of raw jute and jute sacks and bags plunged by a half so far this fiscal year. However, exports of jute yarn and twine that account for half of the country's total exports of jute and jute goods increased by nearly 6 percent during the first seven months till January this fiscal year.

"Sluggish demand in the international market, especially in India, has affected our exports," said Gopi Kishon Sureka, managing director of Fiber n Fibre, an exporter of raw jute and jute products.

The fall of the Indian rupee has eroded Bangladesh's competitive advantage over the Indian exporters, he said.

There are 94 spinning mills in the country, of which around 15 were closed down in the last 7/8 months, according to Bangladesh Jute Spinners' Association. Many more mills are running below their capacity.

"Our situation is grave. The global demand has gone down, while production cost has increased," said Shabbir Yusuf, president of the association.

Yusuf said Syria was a big market for Bangladesh's jute yarn and used to import around 70,000 tonnes of yarn a year. But this market is totally off now because of the ongoing political unrest there, he said.

Export to Iran that used to import around 40,000 tonnes of yarn a year from Bangladesh is also at a halt because of US sanctions against the country, he said.

However, industry players said the implementation of the mandatory packaging law could rescue the local millers by increasing demand in the domestic market.

Though the law was passed in 2010, the government is yet to implement it mainly due to an absence of associated rules and regulations. But India, a strong competitor of Bangladeshi jute millers, implemented such a packaging law in 1987.

Textile maker Tung Hai gets approval for IPO

STAR BUSINESS REPORT

Bangladesh Securities and Exchange Commission yesterday gave a green light to Tung Hai Knitting and Dyeing to raise Tk 35 crore from the public.

The textile company will float 3.5 crore ordinary shares worth Tk 10 each to raise the fund to meet working capital needs, purchase machinery and pay the bank term loans.

AFC Capital and Imperial Capital will manage the initial public offering, the commission said in a statement.

The company's earnings per share stood at Tk 1.15 and net asset value per share at Tk 13.73 on December 2012.

At present, 32 textile companies are listed on the Dhaka Stock Exchange, accounting for about 5 percent of the total market capitalisation.

Tung Hai Knitting and Dyeing is a subsidiary of Tung Hai Group, a leading manufacturer and exporter of knitted sweaters and jerseys, according to the group's website. The group's annual turnover is over $50 million.

The regulator also approved a Tk 50 crore open-end mutual fund, ICB AMCL Converted First Unit Fund.

ICB Asset Management Company is the manager of the first of its kind fund which will be converted from a closed-end mutual fund to an open-end unit fund.

The price of each unit of the fund is Tk 10, which will be kept for unit holders of ICB AMCL 1st Mutual Fund and sponsors of the fund.

The conversion will have to be completed by February 20.

READ MORE ON B3

Stock regulator fines six rule benders

STAR BUSINESS REPORT

Bangladesh Securities and Exchange Commission yesterday fined five stockbrokers and an investor Tk 28 lakh in total for breaching securities rules.

Charges against the stockbrokers include extending share credit to its directors, receiving cash higher than the permissible limit, providing excess share loans to single clients or investors and providing credit to purchase non-marginable shares.

Gateway Equity Resources will have to pay the highest amount—Tk 10 lakh, as the stockbroker provided share credit to its managing director from the company's paid-up capital and retained earnings, gave loans to purchase non-marginable shares and failed to submit audited financial reports to the commission on time.

NBL Securities will have to pay Tk 3 lakh, Transcon Securities Tk 5 lakh, Khurshid Securities Tk 3 lakh and Be Rich Tk 5 lakh, BSEC said in a statement.

The regulator also fined Niamul Kabir, an investor, Tk 2 lakh on charges of arranging trade.

Although the regulator asked Kabir to be present at a hearing at the commission with a written explanation, he was not present, which was also a violation of rules.