

DSE seeks circuit breaker on new stocks; market hits 18-month low

STAR BUSINESS REPORT

The premier bourse yesterday urged the stockmarket regulator to impose a circuit breaker on new stocks to check an abnormal rise in prices from the first day.

A circuit breaker is a method by which the regulator can automatically halt a share's trading for the day if its price goes beyond set limits.

When a listed firm posts corporate declarations, a circuit breaker is imposed on the company's share price for the next day. But, there is no such check on a newly listed company's shares for the first five trading days, said Swapan Kumar Bala, managing director of Dhaka Stock Exchange.

"So, we requested the regulator to standardise the circuit breaker system for newly listed companies," Bala told reporters after a meeting with Bangladesh Securities and Exchange Commission.

In recent times, the prices of new issues rose manifold just after their debut and the trend continued for the

next few days too, due to the absence of the circuit breaker.

The DSE also urged the regulator to restrict credit services, popularly known as margin loans, for purchasing shares of newly listed companies for at least one month from debut.

Currently, investors can buy into the new issues on credit from the first day of trading.

The Dhaka bourse also identified limiting the banks' investment exposure to the capital market as a major setback to the stockmarket, which has stayed in the red for long.

Pointing to the exposure limit, it asked the BSEC to discuss with the central bank and find ways to overcome the situation.

All banks are scheduled to bring down their investment exposure to the stockmarket to the permissible limit by July 2016.

The BSEC sat with the Dhaka bourse to discuss current market situation as well as capital market development at the backdrop of a high volatility in the secondary market, which hit an 18-month low yesterday.

DSEX, the benchmark index, declined 51.91 points or 1.26 percent, before finishing the day at 4,047.28 points.

Selling pressure mounted from early trading as a bunch of corporate declarations with mixed performances came, making investors cautious, LankaBangla Securities said.

The day's turnover, another important indicator of the market, however rose 20.9 percent to Tk 382.31 crore on transactions of 7.66 crore shares and mutual fund units.

United Power Generation and Distribution Company topped the turnover leader's chart with trade of 27.91 lakh shares worth Tk 53.36 crore, followed by ACI, ACI Formulations, BSRM and MJL Bangladesh.

Losers outnumbered gainers 226 to 54 while 31 securities remained unchanged on the DSE.

Reckitt Benckiser was the day's best performer, advancing 10.67 percent, while RD Food Products was the worst loser, shedding 33.85 percent.

Bangladesh, India to cooperate on high-yielding rice seeds

STAR BUSINESS DESK

Seed bodies of India and Bangladesh yesterday formalised a move to cooperate on expediting trade of high-yielding varieties (HYV) of rice seeds for the benefit of the farmers of the two countries, and help boost food security.

Syed AKM Asadul Amin Dadan, general secretary of the Bangladesh Seeds Association (BSA), and Kalyan Goswami, executive director of the National Seed Association of India (NSAI), signed a memorandum of understanding at a meeting organised by CUTS International, at the conclusion of a two-year research and advocacy project.

The memorandum aims to aid traders, exporters and importers of both the countries to initiate cross-border trade in HYV rice seeds, as well as enable a favourable environment for knowledge-sharing in HYV rice seeds production and trade, CUTS International said in a statement.

It will also catalyse closer ties between the two South Asian nations, particularly between Bangladesh and the eastern states of India, and help boost food security in the region.

The Addressing Barriers to Rice Seeds Trade between India and Bangladesh project was supported by the Bill and Melinda Gates Foundation.

"Due to non-existence of formal trade of HYV of rice seed, steps can be taken to formalise rice seeds trade and knowledge-sharing which will ensure greater cooperation in agriculture between Bangladesh and India," said Salahuddin Noman Chowdhury, Bangladesh's deputy high commissioner in India.

Many new and promising rice varieties have been developed in India and Bangladesh, and farmers in the region can benefit if varieties released in one country can be cultivated quickly in neighbouring countries with similar agro-climatic conditions, said Rajesh Kumar Singh, joint secretary (seeds) of the Indian agriculture ministry.

In Bangladesh and India, serious problems with making a variety of rice seeds available and accessible to farmers prevail as a significant gap exists between demand and supplies of most desired and adaptable varieties, said Bipul Chatterjee, deputy executive director of CUTS International.

The demand-supply gap often results in the use of regenerated rice seeds for several years, compromising rice yield and productivity and leads to informal rice seeds trade, he said.

"Increased cooperation between the two countries can significantly improve the situation," he added.

The countries now need to map the processes of releasing one country's rice varieties in others, so that formal trade and cooperation can be realised efficiently, a point demonstrated by Suresh P Singh, policy analyst CUTS International, and Mahfuz Kabir, senior research fellow of Bangladesh Institute of International and Strategic Studies, at the meeting.



Habibullah Khan, chairman of Reliance Insurance, presides over the company's 27th annual general meeting at Lake Shore Hotel in Dhaka yesterday. Reliance approved 15 percent stock and 15 percent cash dividends for 2014. Md Khaled Mamun, chief executive officer, was also present.

Use remittance to promote growth: ADB

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Both the public and the private sectors, including donors, must think about concerted assistance in these areas. For example, the governments can promote financial education for migrant workers before they go abroad.

The forum also said the donors can support developing financial sector infrastructure IT systems such as core banking system, e-payment and networks to promote digital finance.

They can also help develop enabling legal and regulatory frameworks for remittance securitisation and diaspora bonds.

More essentially, governments and donors must have a vision to leverage remittances to develop viable local industries to generate local employment opportunities, so in the long run workers can find good jobs at home rather than migrate out of necessity, it said.

Bangladesh logged in \$14.23 billion in remittance in fiscal 2013-14 to make it the seventh highest remittance receiving country, according to the World Bank.

The country is expected to receive about \$15 billion in remittance in the current fiscal year, Bangladesh Bank Governor Atiur Rahman said.

There are nearly 1 crore Bangladeshis living abroad. Their contribution accounts for about 66 percent of the country's foreign currency reserves, providing Bangladesh a strong external stability.

The channelling of remittance through informal avenues to Bangladesh has also gone down to single digit now, from 60 percent in the last five years, according to the central bank chief.

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Panel announced for FBCCI election

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Ahmad's panel, under the banner of Unnayan Parishad, comprises 16 candidates each from the chambers and association groups, totalling 32 candidates.

Along with the panel's candidates, 40 contenders will vie for 16 posts for directors of FBCCI from the chamber group; 37 competitors will compete for another 16 director posts from the association groups.

The elected directors, in addition to the 20 nominated directors from 20 leading chambers and associations, will select a president, first vice-president and vice-president on May 25.

Led by the elected president, the 52-member executive committee will run FBCCI for the next two years.

Reliance elects new chair

STAR BUSINESS DESK

Zakia Rouf Chowdhury and Shahnaz Rahman were unanimously elected chairman and vice-chairman of Reliance Insurance respectively, the company said in a statement yesterday.

Zakia Chowdhury replaces Habibullah Khan as the company's chairman.

The elections followed the company's 27th annual general meeting at Lakeshore Hotel in Dhaka.

Reliance announced 15 percent stock and 15 percent cash dividends for 2014, as it achieved pre-tax profits of Tk 458.39 million as against Tk 406.17 million in the previous year, according to the company.

Amanullah Chowdhury and Yasmeen Khan, two new directors from the public shareholders, were also elected during the AGM, it said.

Directors Shamsur Rahman, Rajiv Prasad Shaha, Md Khalilur Rahman Choudhury, Farah Huq, Arshad Waliur Rahman, Imran Faiz Rahman, Atiqur Rahman, Romana Rouf Chowdhury, Faiza Rahman, Anis-uz-Zaman Khan, and Toufiq Ali and Chief executive Md Khaled Mamun also attended the AGM.

Loblaw hit with \$2b lawsuit

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Joe Fresh garments made at Rana Plaza were manufactured by subcontractors including Pearl Global Industries Ltd, New Wave Style Ltd and New Wave Style Bottoms Ltd. The Ontario suit alleges the defendants knew New Wave was able to make Joe Fresh garments for a low cost because garment workers were paid "extremely low" wages.

"The subcontractors often operated sub-standard and unsafe factories which put the garment workers at significant risk of severe personal injury or death."

The plaintiffs named in the notice are three garment workers: Arati Rani Das, Rehana Khatun and Mohammed Alauddin, who were working in the Rana Plaza building in Savar, on April 24, 2013 when the building collapsed.

The proposed class action would cover all those who were in the building, who survived the collapse, and the estates of those who died.

Bob Jeffcott, policy analyst at the Toronto-based Maquila Solidarity Network, a labour organisation aimed at improving international wages and working conditions, said Wednesday that at the time of the factory collapse people regarded the tragedy as a "wake up call" for the garment industry.

"Some companies did wake up, and I have to say Loblaw took action fairly quickly -- quicker than companies such as The Children's Place and Walmart, and did admit that they had some responsibility to the victims and signed the accord, which is about prevention of future disasters," he said.

Loblaw was also one of 200 companies that signed on to the Fire and Building safety accord in Bangladesh to improve industry conditions, a legally binding agreement between global unions, Bangladeshi unions, brands and retailers, Jeffcott said.

In the meantime, a voluntary fund set up by the United Nations-backed International Labour Organisation for Rana Plaza victim compensation is still about \$3 million short of its \$30 million goal, Jeffcott noted.

Between direct and trust fund donations, Loblaw and Weston family-affiliated Primark -- two of the 29 manufacturers producing clothes in Rana Plaza at the time of its collapse -- have been the two biggest contributors to the ILO fund, donating \$3.4 million and \$7.3 million, respectively.

But Jeffcott, whose organisation is supportive of the proposed class action suits, does not believe potential class action suits will deter apparel manufacturing companies from further contributing to the ILO fund for fear that doing so would be an admission of liability.

"All kinds of players have contributed to this fund, some that had no relationship to Rana Plaza at all," he said, including Gap Foundation and VF Foundation.

A lawyer involved in several high-profile class action cases who spoke under condition of anonymity said the class action certification process can take five or six years before a case gets to the trial stage, due to appeals from varying parties.

While Joe Fresh became the brand at the forefront of the disaster and was credited for taking a leading role in reforming worker standards in the region, arguments in such a case would likely hinge on the factory conditions before the collapse and what the companies involved would have or should have reasonably known about those conditions, the lawyer said.

If the class action managed to achieve certification, "I don't think it will come to a trial," the lawyer added.

"I think Loblaw will settle eventually."

Banks holding back staff beyond office hours

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"This may result in the destruction of a long banking career of good officials. Such practices may turn out to be obstructions to the development of the banking sector," Rahman said, adding that strict measures will be taken if the allegations are proved.

About the BB governor's allegations, several private and state bank officials told The Daily Star that some high officials do not start work until afternoon, due to which many are held back until night.

"I don't know what happens in other banks, but Mutual Trust Bank always encourages, especially the female staff, to leave office before 6pm," Anis A

Khan, managing director of MTB, said. "In fact, during winter times, when it gets dark earlier, I encourage the female staff to even leave at 5pm," he added.

Meanwhile, Rahman also said the banks have been setting illogical deposit collection targets for their employees.

As a result, the officials are less interested in serving their clients and more focused on bringing in new deposits, he said. "This has created an unhealthy competition."

The central bank governor also said the banks are setting profit targets beyond their abilities and not giving proper attention to business development.

"The chief executives of banks also accept such illogical profit targets to

appease the boards. And to meet the targets, the officials resort to various immoral tactics. It creates scope for irregularities and fraud."

Subsequently, he urged banks to be more cautious when it comes to collecting deposits and earning profits.

Rahman yesterday completed six years at the helm of BB. At the meeting, all MDs congratulated him and said during this period the foreign exchange reserves crossed the unprecedented \$24 billion mark. The governor also encouraged the bankers to appoint female deputy managing directors, and asked them to fix the maximum age limit of entry into service for children of freedom fighters at 32 years.

GP wants VAT on internet use to go

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The government should also withdraw VAT on internet modem, Hossain told a group of journalists at a session at Istanbul Restaurant in Dhaka yesterday.

Grameenphone also called for reducing corporate taxes for mobile phone companies; the rate currently stands at 45 percent for a non-listed mobile operator and 40 percent for a listed operator.

Excluding banks, insurers and other financial institutions and cigarette makers, companies that are not listed with the stock exchanges have to pay 35 percent

tax on their annual incomes. Listed companies have to pay 27.5 percent in corporate taxes.

The present rate of corporate taxes puts the six mobile operators in the same camp as cigarette manufacturers.

The rate of corporate tax for the mobile phone industry is one of the highest in the world and operators have been seeking a cut for a long time now.

"We want to be treated equally with other sectors in terms of corporate income taxes. We seek rationalisation in the tax structure," Hossain said.

The high tax rates put off investors in the sector, which will hinder the

growth of a Digital Bangladesh, according to Grameenphone.

Mobile operators say they have to pay Tk 55 for every Tk 100 in revenue in terms of tax, VAT, duty and various fees to the state.

Grameenphone also urged the government to withdraw the Tk 300 SIM tax, which operators now pay from their own pockets to acquire subscribers.

Citing problems in getting VAT receipts against supplies from vendors, it said many of its vendors are reluctant to issue receipts. As a result, operators cannot claim VAT rebates on services received.