

# Asia Inc looks to post-sanctions Iran for demand spurt

REUTERS, Seoul/New Delhi

From steelmakers to construction firms, industrial companies in Asia hope an end to sanctions in Iran can provide a new source of sorely-needed demand.

South Korean steelmaker POSCO has been in touch with Iranian firms seeking to do business with it once sanctions are lifted, and Indian industrial conglomerate Larsen & Toubro is eyeing opportunities in oil and gas extraction projects following Tuesday's nuclear deal.

Lifting sanctions could keep a check on oil prices, to the benefit of big Asian energy importers China, Japan, India and South Korea, while a stronger Iranian economy, with a population of some 80 million, would provide a new engine of demand for Asian-made goods - from smartphones and TVs to cars.

For South Korean builders such as GS Engineering & Construction Corp, a deal would give a lift for a sector buffeted by sluggish demand in the Middle East, the industry's biggest market.

Shares in GS E&C, which walked

away from a \$1.2 billion project in Iran five years ago as sanctions escalated, gained nearly 5 percent on Wednesday, and South Korea's construction index ended nearly 3 percent higher on hopes the Iran deal will generate new business.

"When the Iranian nuclear agreement is reached and sanctions are lifted, we plan to actively re-enter Iran's construction market," said Huh Tai-yo, a GS E&C spokesman.

Even though companies such as Samsung Electronics and LG Electronics have continued to sell products in Iran, South Korean exports to the country fell to \$4.16 billion last year from \$6.26 billion in 2012, according to the Korea International Trade Association.

Kwon Oh-joon, CEO of POSCO, which has been battered by sluggish global demand, said Iran was once a significant market for its steel products.

"A few steel companies in Iran already contacted us if we can provide steel production technology," he said after the company reported quarterly results on Wednesday. "We are looking for ways to improve POSCO's

financial structure while playing a role in reviving the Iranian steel industry."

India's Tata Power and Adani Enterprises, respectively eyeing a power project and a port project, sent officials to Iran last month to meet with industrialists and officials, said a senior Indian embassy official in Tehran. Adani declined comment and Tata Power did not respond to requests for comment.

Shares in India's Aban Offshore, which earns a third of its revenue from Iran, jumped more than 16 percent on Tuesday and another 2 percent on Wednesday, while National Aluminium Co gained 2 percent on Wednesday after media reports said it planned a \$3 billion smelter complex in Iran.

Mumbai-based Larsen & Toubro set up a task force ahead of the expected lifting of sanctions to scout for opportunities. The group will visit Iran and report back, Chief Financial Officer R. Shankar Raman told Reuters.

He said there were still geopolitical risks to getting involved in Iran. "It's not going to be an easy decision."

## IBA gets new director



STAR BUSINESS DESK

AKM Saiful Majid has joined the Institute of Business Administration of Dhaka University as director.

He has served IBA as professor, associate professor and assistant professor along with several administrative positions in the last 25 years, the institute said in a statement yesterday.

He has also served Eastern University as the vice chancellor and chairman of the trustee board and worked as a visiting teacher of the University of Kassel in Germany.

He is a recipient of the Senior Fulbright Fellowship awarded by the US Department of

## Former-HSBC boss regrets mistakes made with Swiss, Mexican deals

REUTERS, London

HSBC should have made deeper checks before buying a Swiss private bank that allegedly allowed customers to dodge taxes and a Mexican business that breached anti-money laundering rules, its former chairman said.

"With the benefit of hindsight, it would have been better to have drilled into the detail much earlier. We didn't get everything right," Stephen Green told British lawmakers on Wednesday.

These scandals have damaged the image of Europe's biggest bank and the reputation of Green, who served as the bank's chief executive between 2003 and 2006 and as its chairman between 2006 and 2010. Green and HSBC had managed to come through the 2007-9 financial crisis relatively untainted.

"We had that reputation sullied by things we didn't get right in a couple of different places," Green told the House of Lords Economic Affairs Committee, which was conducting a one-off session on banking culture.

In 2012, HSBC had to pay a record \$1.9 billion fine after US authorities said it had become the preferred financial institution for drug traffickers and money launderers between 2006 and 2010.

"I'm not going to say we covered ourselves in glory because it's not true ... since then they have very substantially reinforced the compliance function and it's clear we

needed to do that," Green said.

HSBC's Swiss business has been in the spotlight ever since a former IT employee Herve Falciani fled Geneva in 2008 with files which were alleged to show evidence of tax evasion by its clients. The bank has admitted past failings in compliance and control at its Swiss bank following the allegations.

Green was also asked how he felt about the high levels of pay in the banking industry.

"It certainly kept me awake. [There was] no possible way on moral grounds of justifying it," he told the committee.

The bank's current chief executive Stuart Gulliver, is among the highest paid bankers in Europe with a pay packet last year amounting to 7.6 million pounds (\$11.8 million).

Win Bischoff, former chairman of Lloyds Banking Group, was asked by the panel about the rationale behind the bank's acquisition of struggling HBOS in 2008. This acquisition has been blamed for forcing Lloyds to seek a 20.5 billion government bailout.

The bank's then chairman Victor Blank said he had been told by then-prime minister Gordon Brown that the deal would not be subject to a competition probe but Bischoff said the decision was not entirely down to political influence.

"It was not done purely because the prime minister encouraged the board of the bank (Lloyds). There had been discussions that this might suit Lloyds very well," Bischoff said.



NRB GLOBAL BANK

Md Golam Sarwar, acting managing director of NRB Global Bank, attends the opening of the bank's 21st branch at Rupganj in Narayanganj on Tuesday. Kazi Mashur Rahman, deputy managing director, was also present.



Ali Imam, a writer, attends a prize giving ceremony of a campaign--Mayer Jite Jawar Golpo 2015--of Fresh Milk of Meghna Group at Bashundhara Convention Centre in Dhaka on Monday. Tahmina Mostafa, a director of Meghna Group, and Asif Iqbal, executive director (marketing), were also present.

## Lower spread raises hope of higher investment

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Though there are no particular rules about what the spread should be, Bangladesh Bank encourages banks to keep it below 5 percent.

Despite a fall in the overall spread, 22 banks, out of the 56 in the country, had their spread above 5 percent, while some had as high as 7-10 percent.

Some banks' spread is high as their deposit rates are excessively low compared to lending rates.

Cost of fund is higher at some banks that disburse more micro and SME credit, as these loans need to be monitored continuously, leading to a rise in their lending rates and spread.

Also, spread is higher at some poorly-performing banks that have large amounts of classified loans.

Spread at state-owned commercial banks, which account for 20.88 percent of the total credit in the banking sector, was 3.55 percent in May, according to central bank statistics. The average deposit rate of these banks was 6.93 percent, while the average interest rate on credit was 10.48 percent.

Spread at specialised banks was only 1.51 percent, with their average deposit rate being 8.17 percent and lending rate 9.68 percent. Their share in the total loans is 4 percent.

Whether the spread will play a positive role in raising investment depends on the lending rates of the private banks as their share in the total banking credit is the highest -- almost 71 percent.

Private banks' overall spread was 5.11 percent -- the average deposit rate 7.25 percent and lending rate 12.36 percent.

Foreign banks' spread was the highest at 7.91 percent, with their average deposit rate being 3.21 percent and lending rate 11.12 percent, though their share in total loans is only 4.31 percent.

Of all banks, Standard Chartered, which accounts for 2.12 percent of the total loans in the banking system, had the widest spread at 10.03 percent. Its interest on deposit was 2.51 percent on average against the lending rate at 12.54 percent.

"Our lending rates are the lowest in the market. However, our spread is a function of our balance sheet efficiency which has been built over a century in the country," said Abrar A Anwar, chief executive officer of Standard Chartered Bangladesh. "It means we optimise our assets and liabilities through efficient management. That's why our cost of fund is lower than other banks," he said by phone.

Brac Bank had the second widest spread at 9.9 percent -- lending rate 14.79 percent and deposit rate 4.89 percent -- mainly due to its huge micro and SME loans that raise costs.

The average lending rate in the banking sector was 11.82 percent and deposit rate 6.99 percent.

## Foreign crewmen forced to bribe immigration officials for passes

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The passes were, however, given the following day after their demands were met, he said on condition of anonymity. Parvez said giving small gifts to duty officials of the immigration department has been in practice for long.

But for the last few months, a number of officials, including Farooqui, have been demanding more items before they issue the passes, he added.

Contacted, Farooqui termed the charges against him false.

Since July 4, in line with a recent order from the higher authorities of the Special Branch of police, the immigration department has stopped issuing passes to crewmen who do not submit photographs, he said.

The order came in the wake of the seizure of consignments containing suspected liquid cocaine last month, according to Farooqui.

Harunur Rashid, deputy commissioner of Chittagong Metropolitan Police for Port Zone, said he came to know about the complaint on Tuesday. He said he would open an investigation into the allegation.

## Ban on vans halts online delivery to districts

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As soon as they learnt about the ban, they advised their customers to place their orders without further ado.

Anwar Hossain Salekh, a manager of Karatoa Courier Service, said his company that halted the service as per the government's instruction is staring at a busy time afterwards.

Karatoa has 13 fully-loaded vans in Dhaka and 20 in Chittagong that need to be dispatched as soon as the service resumes after the Eid.

## Sri Lanka seeks new funding sources in shift away from ally China

REUTERS, Colombo

with the Chinese banks, and the finance ministry is looking at options including borrowing from lenders in Japan, the United States or Europe, a top government official said.

"Money is there at a cheaper rate and for a longer tenure," he said.

Sri Lanka has sought to pursue a more global foreign policy since the new government was formed, breaking with the previous pursuit of close ties with China.

Finance Minister Ravi Karunayake has been exploring ways his nation could borrow at lower rates after concluding from a trip to Japan this month that loans could be obtained for between 0.1 percent and 0.2 percent, a senior finance ministry official said.

Sri Lanka's government has 16 ongoing Chinese-backed infrastructure projects which depend on \$4 billion in borrowing from the Export-Import Bank of China (Exim Bank) and the rates of interest are between 2.5 percent and 9 percent, finance ministry data shows. Chinese officials have said the rates of interest are only 2 percent. But the data shows there are extra fees that add to the servicing of the loan.

Sirisena's reformist coalition is in talks to replace about 70 percent of the more than \$5 billion in debt from Chinese lenders with loans at cheaper interest rates and longer durations from other sources, two finance ministry officials involved in the negotiations said.

The move follows failed government efforts to negotiate more favourable terms

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