# BB steps saved many banks in 2010 stock debacle: Atiur

STAR BUSINESS REPORT

Around 10 commercial banks would have collapsed during the stockmarket downswings in 2010 had the central bank not remained strict on banks' investment exposure to the capital market, Bangladesh Bank Governor Atiur Rahman said yesterday.

By taking the decision, the central bank not only saved the capital market, but also the money market, he said.

"Many had thought much about the capital market and also about me. But after many days I can say that 8 to 10 banks would have collapsed otherwise," he said.

Rahman spoke at a roundtable -- NRB investment: capital market and real estate scenario -- organised by the Centre for Non-resident Bangladeshis in association with EBL Securities and Al-Arafah Islami Bank at Sonargaon Hotel in Dhaka.

On December 5, 2010, DGEN, then general index of the Dhaka Stock Exchange, surged to a historic high of 8,918 points after a long rally.

But from the next day, the index started falling and finally the market crashed for the second time since 1996.

Many had said that the central bank's stance on banks' investment exposure to the capital market was one of the major reasons behind the market debacle.

Although the commercial banks were allowed to invest 10 percent of their total deposits and liabilities in the share market, all of them had crossed the limit by far due to weak monitoring by the central bank.

After realising the irrational behaviour of the stockmarket, the central bank had ordered the commercial banks to bring down their investment exposure to the permissible limit and was forcing them into share sale.

Bangladesh Bank also introduced reporting system on the exposure limit.

The governor said stability has now come to the capital market with coordinated efforts from all stakeholders, including the government and Bangladesh Securities and Exchange Commission.

However, according to the existing rules, the banks are supposed to lower their exposure by July 2016 to 25 percent of their total equity, which is a bank's paid-up capital plus reserve.

"The capital market has been on strong fundamentals and it will perform better in the coming days," said Rahman.

Commenting on banks' investment exposure, he said most of the banks have brought their capital market investment to the permissible limit.

"There are only a few banks that are yet to adjust the exposure; but they can fix it within the timeframe," he said.

"You (banks) can invest up to Tk 200 crore in the market," he said, requesting the banks to increase their paid-up capital to raise the investment exposure ratio.

The governor said the central bank is willing to simplify the existing rules to attract NRBs to invest in the country's real estate sector through non-resident taka accounts.

Rahman said it is a problem that the real estate sector does not have any regulatory authority. Realtors should take initiatives to create a regulatory framework, he added.

As Bangladesh Bank plans to introduce a pension scheme for NRBs, the governor sought assistance from the government and NRBs to this effect.

The expatriates' contribution to rural economic development is praiseworthy, said Kazi Akram Uddin Ahmed, a former president of the Federation of Bangladesh Chambers of Commerce and Industry.

He said most economic indicators are positive.

"The government should take initiatives to bring state-owned and big multinational companies to the capital market."

Speakers said lack of transparency, poor implementation of policies and regulations, and the country's negative image are discouraging the NRBs to invest, especially in the capital market.

MS Shekil Chowdhury, chairperson of the Centre for NRB, moderated the discussion, which was sponsored by the foreign affairs ministry and Bangladesh Bank.

RRM GROUP

**People visit a stall of Rani Re-Rolling Mills (RRM Group) at the International Exhibition of Bangladesh on Power Generation, Solar, and Renewable Energy that began at Bangabandhu International Conference Centre in Dhaka on Thursday. RRM introduced Rani TMT 550W Gold steel bar at the event.**

# India could ban imports of 24-carat gold jewellery

REUTERS, *Mumbai*

India is planning to ban imports of 24-carat gold jewellery in an attempt to curb the misuse of free trade agreements (FTAs) with Asian countries, the DNA newspaper reported on Friday.

The world's second biggest gold consumer raised the import duty on the metal to 10 percent in 2013 to curb demand but that has boosted smuggling and prompted some importers to use India's FTAs with the Association of Southeast Asian Nations to import 24-carat gold jewellery at just two percent import duty.

The imported jewellery is then melted to make coins and bars and sold in the local market, industry officials said.

The government is now planning to change existing rules to allow imports of only lower-quality 18 and 22-carat jewellery, the newspaper said, citing unnamed government officials.

Finance ministry officials were not immediately available for comment on the report.

Finance Minister Arun Jaitley told parliament on Friday that authorities at Indian airports seized 8.32 billion rupees ($124 million) of smuggled gold in the year that ended in March. Seizures came to 4.3 billion rupees from April 1 to the middle of November.

**Atiur Rahman, governor of Bangladesh Bank; Ali Reza Iftekhar, managing director of Eastern Bank; and Md Ahsan Ullah, project director of World Bank funded Financial Sector Support Projects of the BB, pose at the signing of a participating agreement at BB head office on Tuesday. EBL can now access the International Development Association's $300 million fund, given for disbursement as long-term finance to productive sectors at reduced interest rate.**

EBL

# Pharma sales to treble by 2024

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He however looked at the domestic benefit of the patent waiver. "We will be able to provide high-quality drugs at a very low price," he added.

Bangladesh's goal of growing its pharmaceutical sector by becoming a key medicine exporter to frontier markets has challenges, according to the BMI report.

While there is a latent demand for medicines in the LDCs, transforming these opportunities into revenue growth will be challenging for the Bangladesh pharmaceutical sector.

Underdeveloped healthcare systems are characteristic of LDCs such as Cambodia and Pakistan, and will impinge upon access to pharmaceuticals.

Distribution of medical facilities remains skewed towards the urban economic centres, according to the analysis. The BMI said the greatest commercial opportunities for generic drugs will lie in emerging markets.

"This happens as countries such as China, the Philippines and Malaysia are poised to see significant improvements in healthcare access, on the back of substantial investments into healthcare by the government through the roll-out of universal healthcare."

In addition, regulatory standards will become stricter. This falls in line with the broader development of the regulatory bodies in these markets.

In November 2015, the China Food and Drug Administration had rejected the applications of 11 pharmaceuticals with inadequate or suspect clinical trial data.

# Bhutan asks Bangladesh to limit buses, trucks to border

KUENSEL, *Bhutan*

In what may comfort local truckers worried about the implications of the Bangladesh, Bhutan, India, and Nepal Motor Vehicle Agreement (BBIN MVA), the Bhutan government has requested Bangladesh to limit their cargo and bus services to the Bhutanese border.

The same request will be made to the Nepalese government on the same grounds that Bhutan is a small country in a unique situation, Bhutan's information and communications minister said.

However, the government of Bangladesh is yet to respond to this request.

If the special requests are accepted by the governments of Bangladesh and Nepal, this will mean that Bhutanese trucks and bus services will also have to stop at the Bangladesh and Nepal borders, which is the current situation.

Bhutanese trucks transporting perishables to Bangladesh would have to continue to stop at Burimari, the Bangladeshi border town, instead of being able to go all the way to Dhaka or beyond.

Bhutan's existing informal arrangement with India will continue even if the BBIN MVA is ratified. This is made clear under Article 14 section five of the BBIN MVA which states that existing bilateral agreements or arrangements will not be affected by the agreement.

Currently, trucks from India are allowed only until the border where the goods are then transferred onto Bhutanese trucks.

There are exceptions. Heavy-duty trucks from India carrying large equipment, which local trucks do not have the capacity to carry, are permitted into Bhutan.

Ratification of the BBIN MVA would not alter this arrangement, ministry officials said.

Meanwhile, two Bhutanese bus companies operate to Kolkata. No Indian bus companies operate into Bhutan. While Bhutanese and Indian private vehicles can cross the border with little restriction, taxis are not allowed to.

If Bangladesh and Nepal do not agree with the government's request for a similar arrangement when it comes to cargo trucks and bus services, and if the BBIN MVA is not ratified by parliament, Lyonpo DN Dhungyel said that the economic implications for Bhutan may not be significant.

"The BBIN MVA was mainly intended to promote trade in the sub-region," Dhungyel said.

"It may not have significant economic consequences since the existing informal arrangement with India will continue."

However, he pointed out that trade with Bangladesh for Bhutanese truckers could have been easier as they would not have required to tranship consignments at Burimari. "Avoiding the need to tranship at Burimari would have reduced transportation cost, delay, damage to perishable goods and other inconveniences," Dhungyel said.

But if Bhutanese trucks are allowed into Bangladesh, an equal number of Bangladeshi trucks would have to be allowed into Bhutan as the BBIN MVA is based on reciprocity. This has led to concerns that Bhutan could be overwhelmed by large numbers of regional trucks and vehicles.

Dhungyel pointed out that the number of cargo vehicles and scheduled bus services would be pre-determined between countries, for instance, between Bhutan and Bangladesh or Bhutan and Nepal or vice versa.

And this pre-determined number would be based on how many Bhutanese vehicles would want to operate to either country.

"While the frequency of scheduled bus services might be agreed at 1-2 frequency every week, the number of cargo vehicles might be the same that Bhutanese businesspeople want to operate into Bangladesh or Nepal," he said.

Dhungyel also downplayed concerns that large numbers of Bangladeshi and Nepalese trucks would be entering Bhutan with goods.

"Because of limited trade with Bangladesh and Nepal, it is very unlikely that a large number of cargo vehicles would be operating into Bhutan," he said.

"Bangladeshi and Nepali operators may not find it economically attractive to operate into Bhutan with load only one way."

According to trade statistics, Bhutan exports more than it imports from both Bangladesh and Nepal.

Bhutan imported Nu 169.6 million worth of goods from Bangladesh in 2014 and exported goods worth Nu 1.7 billion to Bangladesh.

Statistics also show that Bhutan's imports from Nepal equalled almost Nu 120 million while exports were worth Nu 178.4 million, last year.

Coming to private vehicles, the minister said only a small number would be permitted from Bangladesh and Nepal but he did not provide specific numbers.

"With regard to non-regular and personal vehicles, the number is not expected to be large and a capping would be agreed while finalising the protocol to keep the number small," he said.

# Travel agents demand fair share of commission on airfare

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If the fuel surcharge is added to the total ticket price and the commission is paid, the country will be able to retain a huge amount of foreign currencies, said ATAB Secretary General Aslam Khan.

In 2014, foreign airlines operating in Bangladesh clocked Tk 4,162 crore in ticket sales, various taxes and fuel surcharges, which was Tk 3,779 crore a year earlier, according to figures provided by the ATAB.

Of the amount, 45 percent were collected as fuel surcharges.

Although the airlines are not providing commission on fuel surcharges, the travel agents have been paying 0.30 percent tax on the item to the National Board of Revenue since July 1 this year, said the association.

At present, travel agencies receive up to 7 percent commission from the airlines on ticket fares.

According to ATAB leaders, the airlines started to impose $5 to $10 per ticket as fuel surcharge in 2002 when jet fuel price went up. But the surcharge has now gone through the roof although the fuel price has hit a record low.

Murshed said the fuel surcharge is not a tax, but it is being labelled as so.

He said, for instance, the base fare for a Dhaka-Kuala Lumpur-Dhaka ticket of an airline is Tk 14,319. But a fuel surcharge of Tk 16,564 makes the total price of the ticket Tk 36,456.

However, the same airlines charge only Tk 310 as fuel surcharge when the travel route is Kuala Lumpur-Dhaka-Kuala Lumpur.

Murshed said Bangladesh Bank rules stipulate that the tax of an air ticket cannot exceed the base fare.

However, many airlines impose fuel surcharges that are higher than the base fare.

# Fire safety expo starts tomorrow

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Most garment factory owners did not have any idea about the need for fire and building safety before the Rana Plaza building collapse, he said.

So far some 28 factory-owners have applied for financial assistance from the inspection agencies, Accord and Alliance, to carry out remedial safety measures, for which five private commercial banks have stepped up, according to Rabin.

"Remediation work on the garment factories in Bangladesh is going on and such an expo is very important to carry out post-inspection activities," Alliance Chief Safety Officer Mark Chubb said.

"Most of the safety equipment needs to be imported and considering the demand for such equipment, the expo will bring internationally certified makers of those under one umbrella," Rabin said.

The expo will be the platform for vendors and factory owners, especially for the SMEs to discuss latest advancements in fire detection and fighting equipment, organisers said.

The products such as fire doors, hydrants, pumps, sprinklers, fire alarms, detection systems and protection machinery and services will be on display.

The expo will also include 11 lectures and two panel discussions on loan management, remediation and installation of fire doors, risk management and affordable finance.

# Taka regains strength against dollar

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The BC selling rate had reached nearly Tk 80 a dollar on November 8, compared to Tk 78.2 on October 26.

It seems the fall of the taka is slowing, said a treasury official of a private commercial bank, adding that payment pressure from imports has eased.

The inter-bank exchange rate, however, remains high: it stood at Tk 78.95 a dollar on Wednesday, Tk 78.1 on November 2 and Tk 77.80 on October 4.

The price of the dollar in the kerb market has also dropped in the last few days: it stood at Tk 81 on Thursday, down from Tk 82.

The bankers had blamed the exchange rate fall on the slow export growth, negative growth in inward remittances in October, payment pressure from oil import by Bangladesh Petroleum Corporation and the increasing foreign currency loans extended by offshore banking units.

Inward remittances fell about 19 percent to $1.09 billion month-on-month in October, while the export earnings rose 21.15 percent year-on-year to $2.37 billion.

# Fenox to fund e-commerce

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It seeks to work with world-class management and technical teams that are targeting opportunities in IT, health IT, consumer internet, cloud computing, big data, mobile, social, payment systems and next generation technologies.

Fenox provides early stage and final-round funds.

Vitaliy Arbuzov and Anis Uzzaman founded Fenox, based in San Jose, California, to help entrepreneurs build successful, transformative businesses that span the US and global emerging markets.

It has invested $1.5 billion in more than 50 start-ups globally, with $650 million alone injected in 2015.

In Bangladesh, the investment plan may exceed $200 million if local banks and insurance companies come forward, said Anis Uzzaman.