

Exchange traded fund's minimum size to be Tk 50cr

STAR BUSINESS REPORT

The securities regulator has primarily set Tk 50 crore as the minimum size for an exchange traded fund (ETF), a new product that is expected to enhance the depth of the capital market.

An ETF is a privately pooled investment vehicle that collects funds or other forms of subscription instead of funds from eligible investors with the purpose of investing in accordance with a defined investment policy for the benefit of its investors.

It is an open-end fund in nature but shall be a listed fund with the exchange, meaning it can be traded on the stock exchanges, much like stocks.

An ETF primarily collects subscription in the non-cash form by way of private placement only, and does not offer its units for public subscription unless allowed by the regulator.

The size of the fund, however, may be changed through 'creation' and 'redemp-

tion' by the authorised participants, according to a draft of ETF rules, which was approved by Bangladesh Securities and Exchange Commission recently.

Sponsors will have to subscribe at least 10 percent of the fund, while asset managers will have to buy at least 3 percent of the total fund.

The funds will be allowed to issue only stock dividend in the form of reinvestment to their unit holders, according to the draft rules.

The amount of retained earnings equivalent to the dividend declaration by an ETF should be reinvested in the fund's basket of securities.

The units of an ETF will be traded around its net asset value per unit as authorised participants, who will turn into market makers for the fund, always remain active on the trading floor to keep prices of the units at a certain level.

The BSEC has already received public opinion on the draft ETF rules. The regulator will finalise those after scrutinising the public opinion.

Premier Leasing re-elects chairman

STAR BUSINESS DESK

Mizanur Rahman Shelley has recently been re-elected as the chairman of Premier Leasing and Finance Ltd.

The company also elected Md Nasiruddin Choudhury as its new vice chairman, the company said in a statement yesterday.

Shelley obtained his master's degree from Dhaka University in 1963 and Ph.D. from University of London in international politics in 1976.

He had been a teacher of Dhaka University and a technocrat (non-partisan) cabinet minister for information, according to the statement.

He has served the Directorate of Social Welfare as a director since 1976 to 1980. He is a sponsor director of Premier Leasing and a founder chairman of Premier Leasing and Premier Leasing Securities Ltd.

Choudhury is a civil engineer from Bangladesh University of Engineering and Technology.

He founded Technocon Ltd, a construction company. He is a sponsor director of Premier Leasing and Premier Leasing Securities Ltd.

Choudhury is the chairman of Holiday Travels Ltd, vice chairman of Mercantile Bank Securities Ltd, former director and sponsor of Mercantile Bank Ltd.



Mizanur Rahman Shelley



Rohit Khatter, head of distribution and sales operations at Lenovo, and Mohammad Zahirul Islam, managing director of Smart Technologies, distributor of Lenovo smartphones in Bangladesh, attend the launch of Lenovo branded mobile phones, at Best Western La Vinci Hotel in Dhaka on Saturday.

India cotton exports drop on thin supply pushing prices higher

REUTERS, Mumbai

Cotton exports from India, the world's biggest producer, have nearly halted as local prices have rallied due to tight supplies because of drought, forcing key importers like Bangladesh, Pakistan and Vietnam to turn to other suppliers.

The freeze in Indian export will prompt Brazil, Australia and United States to raise shipments and has pushed global prices to near their highest since August.

The price rise could subsequently push up fabric and clothing prices and put pressure on the margins of garment makers.

"In last three-four weeks Indian exporters could not sign a deal. Our cotton is more expensive than Brazilian or Australian supplies," said Chirag Patel, chief executive officer at Jaydeep Cotton Fibers Pvt. Ltd, a leading exporter.

The landed cost of Indian cotton for buyers in Pakistan and Bangladesh is at 75 cents to 76 cents per lb compared to around 73 cents for Brazilian cotton, he said.



AQM Faisal Ahmed Chowdhury, chairman of First Finance Ltd, presides over the 23rd annual general meeting of the company, at Trust Milonayaton in Dhaka yesterday.



Rezwanaul Hoque, senior director of Edison Group; Ashrafal Haque, head of marketing; Jahidul Islam, deputy general manager, and Shahrear Sattar, chief operations officer of Pickaboo.com, attend the launch of Symphony H400. The handset has a 5-inch HD IPS display and comes with a price tag of Tk 9,990.

Govt's e-purchase jumps seven times in two years

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The e-GP has made doing business easier, and reduced the transaction costs for both the procuring agencies and the bidding community. In addition, the system is becoming self-sustainable with its own generated revenues.

The WB supports the government in implementing e-GP through the Public Procurement Reform Project II. The lender on Monday approved \$10 million in additional financing to set up a large capacity data centre so all government purchasing entities can be brought under the e-GP system.

The WB said the additional financing to the Public Procurement Reform Project II will help set up a new state-of-the-art data centre with a 200 terabyte storage capacity and a mirror site to replace an existing lower capacity data centre.

As a result, the government will be able to keep pace with exponential growth in demand for electronic procurement from public procurement entities.

With robust security features and 180 times more capacity, the new centre will offer storage for 8.6 million tenders and support about 325,000 registered bidders.

The WB said the reform project facilitated developing professionalisation of procurement in the country. Sixty public officials have been certified as national trainers.

Some 89 personnel received the 'blue color' international procurement accreditation following a rigorous screening and qualification process at the UK-based Chartered Institute of Procurement and Supply, and 84 officials received a master's in procurement.

The WB's total support to the project is \$68.10 million, which includes a \$10 million additional financing to project approved on Monday.

"The World Bank believes in strengthening country systems. Since 2002, we have been helping Bangladesh bring systemic changes in public procurement, as a well-functioning system can ensure value-for-money, support fair competition in the private sector, and optimise execution of the national budget," said Qimiao Fan, WB country director for Bangladesh, Bhutan and Nepal.

"We are happy to see how quickly the bidder community, even at the local level, has embraced electronic procurement."

Ambitious budget must be matched with fast execution

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"There are many people who are capable of paying taxes but they don't pay taxes -- either because the system is faulty, tax collectors are incompetent or the working condition of tax collectors is not encouraging."

Farashuddin cited the automation of the tax administration, which began in 1983 when he was at the Economic Relations Division, as a case of the faulty system.

"The automation has not completed yet. This pinpoints the faulty system we have had, and it is largely intentional -- perhaps. All of these factors might have played a part in our situation -- that is why the situation is pathetic."

If the tax administration could be automated and innovative steps taken the government would have generated more taxes.

Bangladesh has 12.5 million emerging middle-class people with annual per capita income of \$5,000, according to Boston Consulting Group, an American management consultancy firm.

And the bracket is growing by 10 percent each year, it added.

"But we have been able to realise taxes from one-tenth of the potential taxpayers. If we can double the number of taxpayers we would have generated more revenues and the tax rate could have been lowered."

He said tax offices should be expanded to the upazila level and some new areas for tax generation must be explored. The areas are e-commerce, which is growing 50 percent annually, and small stores.

Farashuddin also touched upon the new VAT law, which was formulated in 2009 and passed in parliament in 2012.

"It was unfortunate as the government could not start implementing the new VAT law from the upcoming fiscal year largely because of fierce resistance from the business community. The economy can't run on waywardness. There has to be compromise from all parties on the VAT issue."

In the next six months, the government will find out ways to fix value addition at all levels in order to avoid double taxation.

He suggested the government begin implementing the new VAT law from January 1 next year, and two VAT slabs on an experimental basis: 5 percent for small businesses and 10 percent for others.

The former central banker said the uniform tax rate should be set at 10 percent instead of 15 percent.

The proposed tax at source should be fixed at 1.0 percent instead of 1.5 percent for garment exporters. If the rate remains at 1.5 percent there

will be tax evasion.

"The garment exporters should give some taxes. Their corporate tax has been brought down to 20 percent from 35 percent. You can't demand 10 percent. The country needs money to run."

He said the government can earn Tk 5,000 crore every year for the next three to five years if it solves tax-related disputes through proper utilisation of the alternative dispute resolution process.

Asked about the implementation of annual development programme, he said: "It is said that 50 percent of the ADP has been implemented in the first 10 months of the fiscal year, and at the end of the year the rate rises to 90 percent."

Also, project implementation accelerates in inclement weather.

"It is nothing but a joke," he said, while urging the government to make the budget year from January to December, instead of existing July to June.

Farashuddin, the seventh governor of the central bank, said in order to finance the budget deficit major emphasis should be given on using low-cost foreign assistance as much as possible.

More than \$23 billion in foreign aid money is lying idle in the pipeline but no effective step has been taken in the last several years to utilise them, he said.

The government should get the major portion of the windfall made by Bangladesh Petroleum Corporation or BPC thanks to the fall of crude oil prices in the international market.

"The government had lent money to the BPC, whether under the name of subsidies or loans, when it was incurring losses. Now, the government should get at least 80 percent of the profits of the BPC."

Farashuddin, chairman of the board of East West University, also said either the prime minister or the finance minister should hold the portfolio of planning minister to speed up decisions.

He said the government should carry out audits into the state-owned enterprises to find out whether their persistent loss is because of carelessness on the part of management or corruption.

The persistently unprofitable state enterprises will have to be listed in the stockmarket.

The listing of Rupali Bank and much-talked-about BASIC Bank could be a starting point, said Farashuddin, who was the chairman of several banks, financial institutions and corporate bodies in the 1980s and 1990s.

The former governor said the government would have to change its strategy and mindset

about the private sector and create investment-friendly environment to encourage the private sector to invest.

"There is weakness in the private sector. Some might have greed. But they have proved that they are good entrepreneurs. If there were no good entrepreneurs our exports would not have reached \$33 billion."

Farashuddin also said the illicit capital flight, which was \$9.66 billion in 2013, would have to be contained.

"We may not completely eliminate the capital flight taking place through under- and over-invoicing, but bringing it down is within the reach of the administration."

Micro, small and medium enterprises should be given low-cost loans so they create jobs across the country, which will ultimately help alleviate poverty, he said.

Farashuddin also touched upon the banking sector reforms proposed by the probe committee led by him on the Bangladesh Bank reserve heist.

"If the government implements the recommendations most of the problems faced by the banking sector will go away."

He said the capital market's task is to generate equity, but it is currently driving out the equity.

The stockmarket needs reform as the book-building method and placement shares have created scope for stealing money from the market.

"We have seen irregularities in the stockmarket. But the irregularities that took place through the book-building method and placement shares were huge. The book-building method is completely defective whereas the placement shares were used to please the powerful."

He also said the provision that a person cannot be a director of a listed company if he or she does not hold at least 2 percent share has to be changed.

Instead, there should be a rule that a director has to put in a certain amount of equity in a company. "If it is done, people will come in numbers to invest."

Farashuddin said it is unfortunate that the proposed budget has said nothing about the blue economy although the area in the Bay of Bengal offers huge potential for harnessing offshore resources.

He also expressed dissatisfaction for the recent nominal cut in the prices of kerosene, mostly used by the poor, and diesel, which is used in industries and irrigation.

"The cuts in prices for kerosene and diesel should be deeper."

Mobile money accounts will be verified

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The information that the MFS operators have about their subscribers may no longer be valid as the accounts were opened before the biometric re-registration of SIMs.

Mobile phone operators have re-registered 11.60 crore SIMs.

"Mobile financial service is a huge sector and it will only flourish going forward. So it would be better if we bring all customer data up to speed and bring regulation to the sector."

"We have authenticated all the information of the mobile operators, so the MFS operators can cross-check their customers' data," Tarana said.

As of April, there are 3.56 crore MFS accounts in the country and 5.78 lakh active agents, according to BB.

On an average, more than Tk 600 crore is transacted through MFS accounts a day, according to the monthly report of the central bank.

The government also plans to empower the police and Rapid Action Battalion to run raids against pre-activated SIMs and SIMs that have not been re-registered properly or have not been blocked yet.

The operators will face a fine of \$50 or Tk 4,000 for every pre-activated and unregistered SIM, Tarana said.

"I will also write to the home minister to inform him about our decision to run the raids," she added.

In the meeting, officials of Gulshan police station said they have received only one complaint of technology-based extortion in the seven days to June 7, down from 20 complaints a week previously.

Officials of Bangladesh Telecommunication Regulatory Commission said illegal international call termination has also declined after the completion of the SIM re-registration process, which will boost the government's revenue from the sector.