

# Most big US banks pass Fed's stress test

REUTERS, New York/Washington

Nearly all of the largest US banks are on steady enough footing to increase payouts to shareholders, the US Federal Reserve said on Wednesday, with just two subsidiaries of foreign banks failing its annual stress test.

The results show that big US banks have not only built up significant capital since the 2007-2009 financial crisis but that management teams have largely proven the merit of their internal disaster planning to the Fed.

However, the Fed criticised some elements of Morgan Stanley's capital planning process - but still allowed the bank to move ahead with plans for a \$3.5 billion stock repurchase program and a quarterly dividend hike while it rectifies the issues.

The regulatory thumbs up prompted a slew of announcements from banks who plan to buy back more stock or increase dividends - good news for investors who saw their bank shares hammered by Britain's vote last week to leave the European Union.

The two banks that failed - Deutsche Bank Trust Corporation and Santander Holdings USA, which are subsidiaries of Deutsche Bank AG and

Banco Santander SA - have also failed in the past. "Broad and substantial weaknesses" persist in their capital planning processes, the Fed said.

The rejection of their capital plans - the third year in a row for Santander and the second straight year for Deutsche - means that they cannot return any profits home.

The Deutsche Bank unit that failed holds its transaction and wealth management businesses in the United States. The bank is consolidating its US business into a new holding company on July 1 called DB USA Corp, a larger unit, which will have its capital plan reviewed by the Federal Reserve in 2018, the company said.

Despite their failures, Deutsche and Santander have improved, a senior Fed official said on a call with reporters. On a quantitative basis, all 33 banks that participated in the Fed's stress tests this year easily passed minimum capital requirements.

Those banks have more than doubled their capital since the crisis, adding more than \$700 billion in common equity capital from the beginning of 2009, according to the Fed.

While the Fed's stress tests are only hypothetical scenarios and the evalu-

ations are subjective, the process is forcing banks to be better prepared for real life events.

Market turmoil that followed the British referendum last week is a good example, said Mike Alix, a bank consultant at PricewaterhouseCoopers and a former supervisory official at the Federal Reserve Bank of New York.

"The benefits of CCAR are an absolute rise in capital ratios and risk management," said Alix.

The Fed's checks on the quality of risk management and capital planning "are driving improvements in governance, infrastructure and controls" at the banks, he added.

At least one bank each year has failed to have its capital plan approved since the Fed began issuing public verdicts in 2012. Those that have failed in the past, including Ally Financial Inc and Citigroup Inc, passed this year, as did those that previously received "conditional" approvals, like Bank of America Corp.

Morgan Stanley's conditional approval on Wednesday was the result of "material weaknesses" in the way it designs and models stressful scenarios. Morgan Stanley has until Dec. 29 to resubmit its capital plan and rectify those shortcomings.

# Moulvibazar tea workers call off strike

MINTU DESHWARA, Moulvibazar

The tea garden workers of National Tea Company (NTC) in Moulvibazar called off their one-day strike for due payments yesterday, as the officials of the state-owned firm ensured them of clearing the dues before July 4.

At a meeting, the NTC urged the tea workers to withdraw the strike, said Nirmal Das Painka, general secretary of Monu-Dhalai Valley of Bangladesh Cha Samik Union. "We will clear the dues before July 4," Mohammad Shahjahan, deputy general manager of NTC, told the Daily Star.

Around 7,000 workers went on a strike on Wednesday, as they have been paid at Tk 69 a day, down from Tk 85 a day which was fixed last year, said Enamul Haq, officer-in-charge of Kamalganj Police Station.

# Al-Arafah Islami Bank reappoints MD

STAR BUSINESS DESK

Md Habibur Rahman has recently been reappointed as the managing director of Al-Arafah Islami Bank.

He will serve the bank till December 31, 2018, the bank said in a statement yesterday. Rahman joined the bank as managing director on July 1, 2013, according to the statement.



Prior to joining Al-Arafah, he was the deputy managing director of Islami Bank Bangladesh. Rahman started his banking career with Sonali Bank as probationary officer in 1978.

He is a diplomaed associate of the Institute of Banks Bangladesh.

He achieved his master degree in accounting in 1974 from Dhaka University.

# Japan regulator approves Canon deal to buy Toshiba unit

REUTERS, Tokyo

Japan's anti-monopoly regulator has approved Canon Inc's acquisition of Toshiba Corp's medical equipment unit, but issued a warning over the way they carried out the deal, which antitrust experts have called questionable.

Toshiba, hurt by an accounting scandal and in a hurry to raise cash before closing its books for the business year that ended in March, structured the 665.5 billion yen (\$6.5 billion) sale in an unorthodox way so that it could book proceeds before securing approval from regulators.

Some antitrust and accounting experts at the time said the method, involving the use of a special entity and the issuance of warrants to allow Toshiba to receive cash from

Canon before regulatory approval, was problematic though not illegal.

The Fair Trade Commission (FTC) said on Thursday the method may be in violation of antitrust laws. However it did not issue any fine and approved the deal anyway.

"Canon thought the deal would be approved without problem if they used this method," FTC official Takeshi Shinagawa told reporters.

"This method should not be repeated by any companies and if they do in the future, they could get a red light."

The FTC typically does not make public any warnings issued to companies over the merger process, he said.

"We have made this particular warning public to show how serious we look at this method," said Shinagawa.



Shafiqul Alam, managing director of Jamuna Bank, and Mir Rashedul Hossain, country manager of MicroEnsure, attend a ceremony when an insurance scheme—Protection Plus—was launched for the debit cardholders of the bank.

# Loftier target for NBR

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"The NBR's capacity has been increased in the last seven years. Its workforce increased by a few thousand and it opened many offices at the upazila level. I think this institution has the capacity to move further up the ladder."

But many taxmen are doubtful, in view of the performance of the economy and trends in revenue collection growth in the past few years.

The NBR logged the highest growth in revenue receipts, of 28 percent, in fiscal 2010-11. Since then, growth in revenue collection slowed and stood between 11 percent and 15 percent in the last three years, according to data from the NBR.

Achieving the goal will largely

depend on the pace of economic activities and implementation of the ADP, some taxmen added.

In fiscal 2015-16, the tax collector recorded an improvement in growth from a year earlier thanks to increased efforts by taxmen, better monitoring on withholding tax and VAT deduction, and higher realisation of some due taxes.

Revenue receipts from imports and domestic businesses accelerated, while growth of income tax collection remained steady.

Receipts from imports rose 17 percent from a year earlier to Tk 44,854 crore, while VAT collection from domestic trade soared 14 percent to Tk 55,684 crore.

Income tax collection rose 12 per-

cent year-on-year to Tk 54,244 crore.

The NBR said it is in the process of realising Tk 13,278 crore from Petrobangla and total collection would exceed the original target of Tk 176,370 crore.

"This is a good sign. It shows that revenue collection has regained some momentum," said Towfiqul Islam Khan, a research fellow at the Centre for Policy Dialogue.

But it is an early estimate of the total collection figure; total tax collection might be adjusted downward with the figures compiled by the finance ministry by obtaining data from the Office of Controller General of Accounts.

He said taxmen will have to double the growth in revenue collection to attain the target for the new year.

# Most garment workers get Eid bonus

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As a result, the factory owners are picking a random percentage of the basic salary for bonus: some are paying 80 percent of the basic salary and some as little as 25 percent.

"The workers are getting their bonus, but in some cases, the amount is too little," Rony said, while urging the government to fix a specific percentage of the basic salary as the bonus amount such that some workers are not short-changed during festival time.

Amirul Haque Amin, president of the National Garment Workers Federation, a trade union for garment workers, echoed the views of both Salam and Rony.

"I also think there will not be any chaos this time like the previous years," he added.

Siddiqur Rahman, president of Bangladesh Garment Manufacturers and

Exporters Association, said a crisis management team has been working to monitor the payment situation of workers ahead of Eid.

Separate crisis management committees have been working in nine zones across the country to keep watch on the matter.

"If there is any crisis anywhere, the central crisis management committee and regional committees will act together to resolve it, as the owners have been asked to complete the payment before July 4," Rahman added.

Earlier, Mujibul Haque Chunnu, state minister for labour and employment, asked the 4,000 active garment factory owners to complete the payment of bonus to workers within 20th day of the Ramadan to avoid any unrest in the sector, where more than 4.4 million are employed.

# WB gives \$200m to help improve health systems, living standards

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"With about half a million new people arriving in the cities every year, the urban infrastructure, particularly housing is under immense pressure. The Low Income Community Housing Support project will take an innovative approach to address housing issues among the urban poor."

In Bangladesh, around 62 percent of the urban population lives in slums, which is one of the highest percentages in Asia, according to the statement.

The \$50 million Low Income Community Housing Support Project will pilot a community driven approach to improve the living conditions of the urban poor in selected municipalities, the WB said.

Around 40,000 low-income urban residents will have access to housing loans, while another 120,000 people will benefit from the improved roads and drainage, it said.

"Bangladesh has made remarkable progress in reducing poverty and accelerating economic growth in the last decade," said Kazi Shofiqul Azam, additional secretary of the Economic Relations Division.

"To achieve its vision of reaching middle-income status by 2021, the country is focusing on key priority areas including improving health care and health systems as well as the living conditions of the urban poor."

The agreements were signed by Azam and Hussain at the Economic Relations Division.

The credits from the World Bank's International Development Association, its grant to low-interest loan arm, have a 38-year term, including a six-year grace period, and a service charge of 0.75 percent.

# BTRC inks deal with Microsoft for cyber threat info

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"Microsoft would inform us about probable cyber threats as per the agreement and we will work together to defuse the threat."

The state minister said the initiative would protect the government's digitally sensitive infrastructures, prevent damage and save money.

Kabir said Microsoft has a global security programme that provides information about government entities.

Md Faizur Rahman Chowdhury, secretary of the posts and telecom ministry, and Md Ahsan Habib Khan, vice chairman of BTRC, were also present.

Earlier this year, Tarana visited Microsoft Corporation's Singapore office and discussed taking the free services from the technology company.

# Wheat imports hit a record high

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Industry operators said the lower prices of wheat than rice also encouraged increased consumption of the grain, which is the second-most important food staple, accounting for about 12 percent of the total cereal consumption, according to a USDA estimate.

Given the strong pace of import, the USDA, in April this year, raised its projection on Bangladesh's wheat import to 40 lakh tonnes for the outgoing fiscal year.

"Private sector import demand is expected to remain strong for 2016-17," the USDA said in its Grain and Feed Annual report, which was released in April.

The report, however, said it is unclear whether the government demand would rise as it is currently providing cash in lieu of distributing wheat via the public food distribution system.

The report forecasted Bangladesh's wheat imports would be 42 lakh tonnes in fiscal 2016-17 due to a rising population and expectations of low international prices.

The DG Food imported 4.16 lakh tonnes of wheat in the outgoing fiscal year, up 25 percent year-on-year, according to food ministry.

# GP employees allowed to form union

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However, as per precedence, the Labour Directorate gives registration within 30 days of receiving judgement," he added. Mia Masud, a leader of GPEU, said they will set their next course of action after receiving the full verdict.

Abdul Baset Majumder, a lawyer who represented Grameenphone, told The Daily Star that they will challenge the judgment at the High Court as soon as possible.

# Education gets highest outlay

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A project directors' pool will also be formed with skilled and experienced officials for quick implementation of the development projects, he added.

The budget, which will take effect from

today, has outlined a gross expenditure of Tk 464,553 crore and net expenditure of Tk 340,605 crore.

The ongoing session of the current parliament, which began on June 1, has been adjourned yesterday until July 17.



Durand Mehdadur Rahman, deputy managing director of Uttara Motors Ltd, hands over two motorcycle keys to the winners of a campaign of the company at a ceremony.

UTTARA MOTORS



HN Ashequr Rahman, chairman of Meghna Bank, opens the Gulshan branch of Meghna Bank Securities Ltd in the capital on June 26. Mohammed Nurul Amin, managing director of the bank, was also present.

MEGHNA BANK