NRB Bank

STOCKS	
DSEX	CSCX
Closed	Closed

COMMODITIES	
Gold ▼	Oil ▲
$1,335.00 (per ounce)	$47.62 (per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
Closed	▼ 0.30%	▼ 0.01%	▲ 0.45%
	16,869.56	2,867.21	3,125.40

CURRENCIES — As on Sunday, STANDARD CHARTERED BANK

	USD	EUR	GBP	JPY
BUY TK	77.75	85.85	99.45	0.75
SELL TK	78.75	89.25	102.85	0.79

Star BUSINESS

DHAKA TUESDAY AUGUST 16, 2016, *BHADRA 1, 1423 BS*

Sales of savings tools hit record

SAJJADUR RAHMAN

Net sales of savings instruments hit a record high in fiscal 2015-16, as investors were lured in by interest rates which are 5 percentage points higher than those offered by commercial banks on term deposits.

The amount was more than double the target set by the government for the fiscal year: it stood at Tk 33,688.6 crore -- the highest in the country's history -- against the target of Tk 15,000 crore.

"The high interest rates are the main reason for this surge in sales in recent years," said Ayezuddin Ahmed, director of administration and public relations at the National Savings Directorate.

People, be it government employees, private service holders, businessmen or housewives, are running to invest their savings in these tools because of the returns, which are beyond any market rate.

Currently, banks offer a maximum of 7 percent interest rate for term deposits and it is a minimum of 11 percent for investments in savings schemes, said the official.

The government sold Tk 28,732.66 crore worth of savings instruments in fiscal 2014-15, while the amount was Tk 11,707 crore the year before.

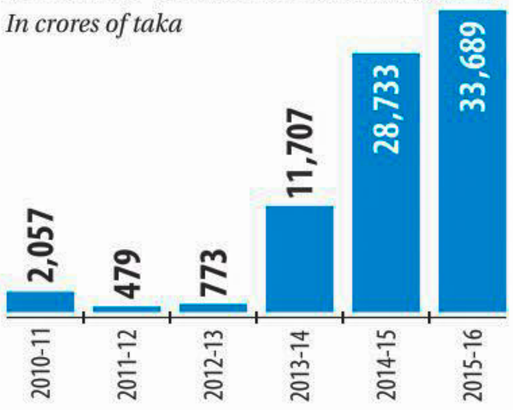
In fiscal 2012-13, the total sales of the instruments were a meagre Tk 772.84 crore.

The high yields are not only creating a heavy burden on the government but are also distorting the interest rate market, economists and bankers said.

"If the trend continues, money will flow out of bank deposits and end up in savings schemes,

NET SALES OF SAVINGS CERTIFICATES

In crores of taka



shooting the government's interest liability up," said a senior Bangladesh Bank official.

In May last year, the government slashed deposit rates on savings instruments by up to 2 percentage points. But still it is higher than the others.

The interest rate on the five-year family savings certificates has been brought down to 11.52 percent from 13.45 percent, according to a notice of the Internal Resources Division.

The five-year pensioner savings schemes saw its interest rate slashed to 11.76 percent from 13.19 percent.

The interest rate on the three-year post office savings certificates came down to 11.28 percent from 13.24 percent. For Bangladesh Savings Certificates, the rate is fixed at 11.28 percent from 13.19 percent.

The three-year profit-based savings certificates saw their deposit rates go down to 11.04 percent from 12.59 percent.

On the other hand, commercial banks offer 5.5-6 percent for term deposits and the average return on five-year bonds is 6.5 percent.

The call money rate has come down to around 3.5 percent in recent days.

The capital market is not lucrative for investors either.

A senior commercial banker said the rates on government savings schemes are distorting the market in different ways.

"The government set the target to borrow Tk 15,000 crore from savings scheme last fiscal year, but it got more than double the sum. Consequently, the government's interest liability will shoot up."

On the other hand, the target to borrow from commercial banks remained hugely unachieved, so the banks would get demoralised as their excess liquidity would be soaring, he said.

Bangladesh Bank data also supports the observation.

The government borrowed only around Tk 4,000 crore from the banking system against the target of Tk 38,523 crore for fiscal 2015-16, meaning the banks were sitting on excess liquidity.

For the current fiscal year, the government has planned to borrow Tk 43,000 crore from the banking sector to meet its budget deficit.

"We are in trouble as the BB is not buying the banks' money. The repo and reverse repo are totally inactive," said a frustrated managing director of a private commercial bank requesting not to be named.

Presently, an individual can invest up to Tk 30 lakh in five-year term certificates and three-month profit-bearing certificates.

READ MORE ON B3

Floods cut vegetable exports by half

REFAYET ULLAH MIRDHA

Exports of perishable goods dropped about 50 percent as floods damaged crops in most of the vegetable growing districts, exporters said yesterday.

Vegetable shipments out of the airport in Dhaka plummeted to 70-80 tonnes a day from 150-180 tonnes prior to the floods, said Mohammed Mansur, general secretary of Bangladesh Fruits, Vegetables and Allied Products Exporters' Association.

Floodwaters are preventing traders from collecting the vegetables from the fields in the major vegetable growing districts, including Manikganj, Jessore, Barisal, Bogra, Sirajganj, Savar and Munshiganj.

As of last week, crops on 1.25 lakh hectares in more than 23 districts have been inundated by floodwaters, according to the Department of Agricultural Extension or DAE. Vegetable exports have been affected since the first week of June, when floodwaters first started damaging the crops.

Moreover, the prices of vegetables doubled at the growers' level, Mansur said.

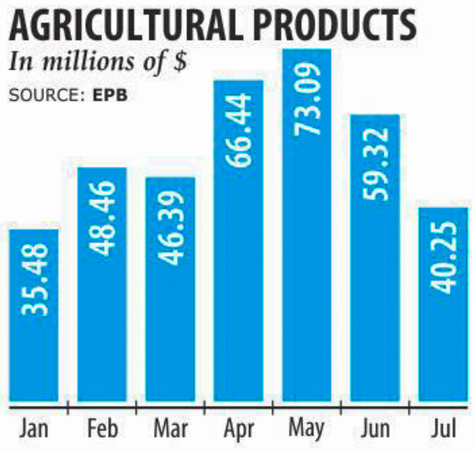
Exports of papaya, green chillies and seasonal vegetables have been hampered the most due to the floods, according to Mansur.

Bangladesh is a major supplier of vegetables and fruits worldwide; the UK and Middle Eastern nations are the major markets for vegetables from Bangladesh for its large diaspora. Bangladesh exports carrot, tomato, potato, eggplant, spinach, cauliflower, papaya, pumpkin, bottle gourd, cabbage, coriander

EXPORT TREND OF MONTHLY AGRICULTURAL PRODUCTS

In millions of $

SOURCE: EPB



leaves, okra, cucumber, bitter gourd, beans, jute leaves, radish, dry fish, fish and meat.

"Demand for local vegetables and fruits is high among the non-resident Bangladeshis and foreigners," Mansur said.

Foyez Ahmed, proprietor of Tahura International, a clearing and forwarding agent and exporter of perishable goods, said: "I used to send 30 tonnes of vegetables, betel leaves and other fruits a day through the Dhaka airport. But now the quantity fell to 12-13 tonnes a day."

On the screening and rescreening of perishable goods at the airport, both Mansur and Ahmed said it improved a lot after the installation of a separate screening machine at the airport.

READ MORE ON B3

Ollo to resell telecom equipment to Russia

MUHAMMAD ZAHIDUL ISLAM

WiMax operator Ollo will export around 4,000 pieces of used subscriber equipment terminals to Russia that they bought from China six years ago.

A renowned internet service provider in Russia will import these terminals to be used in areas near an airport where the 2100, 2700 and 900 band spectrums are restricted, said Igor Grakovich, chief executive officer of Ollo.

Only the 3500 band is allowed to operate there.

"Some other equipment will also be exported as scrap. We are waiting for the telecom regulator's no-objection certificate," said Grakovich.

Ollo applied to Bangladesh Telecommunication Regulatory Commission for approval to export used equipment, which the regulator in a recent meeting has approved, according to a BTRC official.

This may be the first official export of used telecom equipment from Bangladesh, said industry insiders.

Grakovich said they are adopting the fastest data network across Bangladesh and exporting the outdated equipment as part of an effort to replace the WiMax equipment.

However, Ollo did not mention the export prices of the equipment. Ollo, the first LTE operator of the country, launched its LTE operation in 14 areas across the country.

Replacing the outdated equipment, Ollo is also going to import dual-band equipment for use with the 800 and 2600 bands, which will give better internet speed and coverage.

There are some regulatory issues that need to be addressed, after which, it will start LTE operations in Dhaka -- from Uttara to Dhanmondi, said Grakovich.

Ollo is also building sites for the access to information programme under the Prime Minister's Office and Dhaka North City Corporation.

READ MORE ON B3

Regulator moves to prop up secondary market

SARWAR A CHOWDHURY

Stock brokers and dealers with minimum paid-up capital of Tk 50 crore will be allowed to play the role of a market maker -- an effort to keep the secondary market stable.

A market maker is a person or a licensed firm that is always ready to buy and sell securities to provide liquidity as well as stocks to the markets.

After receiving the regulatory permission, one can act as a market maker for a maximum of three authorised securities, according to a draft of market-maker rules recently approved by Bangladesh Securities and Exchange Commission.

The stockmarket regulator has sought public opinion on the draft rules. The regulator will finalise the rules after scrutinising the public opinion that would have to be submitted to the commission by August 21.

The BSEC has formulated the draft rules by amending the existing market maker rules, which was enacted in 2000, as none of the stakeholders in the last 16 years expressed their interest in becoming a market marker.

Updated market-maker rules are

Brokers and dealers with more than Tk 50 crore in paid-up capital can act as market markers for more than three authorised securities, according to draft rules

vital to make the trading of exchange-traded funds functional, as the stockmarket regulator finalised exchange traded fund rules in June, paving the way for entities like the stock exchanges to run index-based funds.

Those with more than Tk 50 crore in paid-up capital can act as a market marker for more than three authorised securities, according to the draft rules. And a maximum of five market makers will be allowed for each authorised securities.

However, the net portfolio investment of a market maker can never exceed five times its net worth, according to the proposed rules.

A significant part of the draft rules is that a market maker will be allowed to go for short sale of shares, which is now prohibited by the regulator.

Short selling is the practice of selling securities that have been borrowed from a third party with the intention of buying back identical assets later to return to the lender.

A market maker can make short-selling up to 20 percent of its total sales on particular securities on a day, according to the draft rules.

No market maker will be allowed to borrow 10 percent or more shares from the issuer, employee or other shareholders of the authorised securities.

The stocks exchanges will set procedures for automatic settlement and execution of short selling of securities done by the market makers.

The licensing period for a market will be one year, and it can be renewed every year upon fulfilling the regulatory requirements.

The regulator can also scrap or suspend the licence of a market maker anytime on legal grounds.

Talks on bandwidth export to Bhutan to start soon

START BUSINESS REPORT

The government is set to start discussions on exporting internet bandwidth to Bhutan through India, officials said.

Bhutan plans to import bandwidth from Bangladesh's Rangpur and through India's Guwahati border.

"We have gotten the green signal from India to use their territory," said Monwar Hossain, managing director of Bangladesh Submarine Cable Company Ltd, who is heading a three-member panel on the matter.

A Bhutanese expert team will visit Bangladesh this month to initiate the discussion, he said.

The development comes after a high-powered delegation headed by Tarana Halim, state minister for telecom, recently visited Bhutan and India, along with the BSCCL chief, to discuss the issue. All the issues related to exporting bandwidth will be discussed when the Bhutanese expert team visits Dhaka, Hossain said.

Bhutan introduced internet only in 1999, after years of deliberate policy of isolation fearing outside influences would undermine its absolute monarchy, freedom and culture.

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