UK to apply banker accountability rules to wider financial sector

REUTERS, London

Britain's markets watchdog has proposed rolling out banker accountability rules to thousands of staff in other parts of the financial sector a decade after taxpayer bailouts and market rigging scandals saw only a few individuals punished.

The rollout will see asset managers becoming directly accountable for giving investors value for money, turning the regulatory screw further on the sector.

The Senior Managers Regime or SMR was introduced for top bankers in March 2016 to try to improve behavior after banks were hit with hefty fines for trying to rig the Libor interest rate benchmark and currencies.

No other country has introduced such detailed and wide-ranging accountability rules.

The government wants the rules applied across the financial sector from 2018 to cover asset managers, foreign exchange and commodities dealers, and on Wednesday the FCA and Bank of England said how they proposed to do this.

Under SMR, key staff are vetted by the FCA and must spell out their job description. They are then directly accountable for misconduct on their patch, making it easier for regulators to pin blame on an individual.

The FCA said almost all of the firms it regulates will have to comply in some form, but there will be a lighter version for small firms.

As with banks, more junior staff will have to be "certified" by the firms for fitness, skill and propriety at least annually.

"In practice, it should not amount to a complete overhaul of governance and senior manager arrangements, but it will be the 'stick' the FCA uses to ensure clarity over such," said Jake Green, a lawyer at Ashurst.

The watchdog proposed that five basic conduct rules will apply to all staff at authorized firms: act with integrity and due care, be open with regulators, treat customers fairly and observe proper standards of market conduct.

Senior managers in non-banking sectors will also be vetted by the FCA, and must set out their responsibilities and be directly responsible for misconduct, the FCA said.

The BoE also proposed that senior staff at insurers, which had been subject to a more limited version of SMR, be subject to the same rules as top bankers.

Lawyers and funds industry officials said the roll out will pile more rules on the asset management sector, which is already facing scrutiny from the FCA over how much "value for money" it gives to customers.

"Interestingly the regime takes forward the changes suggested in the FCA's Asset Management Market Study, requiring individuals to have responsibility for the value for money received by investors," said Emma Rachmaninov, senior associate at Freshfields Bruckhaus Deringer law firm,

The Investment Association, a funds trade body, said it wants the rules to take into account different business models.

General Motors Q2 profits plunge

AFP, New York

General Motors saw profits plunge in the second quarter after it took a hit from the cost of shuttering less profitable overseas operations, and the rest of the year looks challenging, the company said Tuesday.

As car sales dipped in the cooling North American market, net income for the biggest US auto maker dropped 42 percent from the same period of 2016 to $1.7 billion, while revenues fell 1.1 percent to $37 billion.

The automaker also warned that it sees a tougher business environment in the second half of the year, when it plans to suspend production at a number of US factories to make upgrades to enable production of newer pickup truck models.

Chief financial officer Chuck Stevens said the automaker viewed adjusting its production as the "first lever" in addressing a weak market, rather than resorting to consumer rebates to drive sales.

BRACNET

Kiyotaka Miyahara, a director of Toyokeiki Company Ltd; Shigeyoshi Onoda, president of Helios Holding Company Ltd, and Zahir Ahmed, managing director of BRACNet Ltd, pose for photographs at an agreement signing ceremony. BRACNet will import, install and commission IT infrastructure for "Natural gas efficiency" project of Titas Gas Transmission and Distribution Company Ltd while Toyokeiki will implement the project through its local agent Helios Holding.

NRB Bank re-elects chairman

STAR BUSINESS DESK

Mohammed Mahtabur Rahman Nasir has recently been re-elected as the chairman of NRB Bank.

Nasir is also the chairman of Al Haramain Perfumes Group of Companies, the bank said in a statement yesterday.

He is also the chairman of Al Haramain Tea Co Ltd and Al Haramain Hospital Pvt Ltd, the trustee of the University of Asia Pacific and Beani Bazar Cancer Hospital.

He is the founder President of Bangladesh Business Council in Dubai and also the sponsor of Sheikh Khalifa Bin Zayed Bangladesh Islamia (Pvt) School in Abu Dhabi, UAE.

IDCOL

Ahsan-uz Zaman, managing director of Midland Bank; Mahmood Malik, CEO of Infrastructure Development Company Ltd, and Md Motiur Rahman, managing director of Kushiyara Auto Bricks Ltd, sign the documents of a deal at the bank's head office in Dhaka on Tuesday to raise a fund through a syndicated term loan for an auto brick project of Kushiyara Auto.

Suspicious transactions detected

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One of the reasons for the slump in official remittance figures is the growing tendency among migrant workers to send money through hundi.

The money remitted to Bangladesh through hundi is sent from Dhaka to receivers all over the country via mobile banking. The BB detected about 10,000 such accounts through which hundi money is reaching the receivers.

The BB is now working on identifying measures that can be taken, including closing down the accounts.

Besides, anti-money laundering compliance has increased globally in recent times, as a result of which the practice of sending money through official channels has fallen. Another reason for the popularity of hundi is the exchange rate.

Workers' remittance inflows are on a downward spiral not just because of weakened demand for migrant labour, but also because of the high-cost burden of compliance with unduly stringent anti-money laundering and counter terrorism financing regulations. "Counter-productively, this is pushing the migrant workers' remittances increasingly into the informal hundi or hawala channels, which are open to abuse by money launderers and other agents," the MPS said.

While announcing the MPS, the BB high officials also responded to various queries from reporters.

In 2015, the central bank under a policy provided a facility to restrict long-term loans of more than Tk 500 crore. Ten business groups availed the facility. At the time the BB fixed a condition that the facility would not be given in future. If they became defaulters in future, BB will realise the money by filing cases against them.

Of them, five groups again became defaulters within one and a half years.

Asked if they will be given another scope for restructuring, BB Governor Fazle Kabir answered in the negative.

Asked whether the stance of filing case if they default again still holds, BB Deputy Governor SK Sur Chowdhury said, "It is still the case." About the increase in irregularities and default loans in 15 banks despite appointment of observers, Kabir said, "I can tell confidently where there is an observer the question of irregularity does not arise there." In general, irregularities in all banks have decreased, he added.

Chowdhury said the default loans in banks have increased due to the introduction of a new loan classification policy in 2012. "Various steps are now being taken to cut this," he added.

Exporters face tight schedule

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In some cases, containers were allowed entry even two hours before the sailing. On July 19, the Chittagong Port Authority (CPA) withdrew the relaxation and directed all of the 16 private off-docks, where containers laden with export-bound garment products are loaded, to send the containers six hours before the sailing.

The CPA said the move aims to cut the waiting time for vessels. Since then the port authorities have not allowed export-oriented garment containers to enter the port if they had missed the cut-off time, said Ruhul Amin Sikder, secretary of the Bangladesh Inland Container Depot Association (BICDA).

As a result, over 550 TEUs (twenty-foot equivalent unit) of export containers missed their scheduled shipment till yesterday morning, according to data from four private off-docks.

Alone on Tuesday, four vessels -- MCC Medan, MV Orea, MV Robert Rickmers, and MV Sea Master -- left the port without taking 280 TEUs of export-bound containers.

Containers that miss the shipment at the Chittagong port cannot meet the deadline set for mother vessels waiting for them at nearby ports in Malaysia, Sri Lanka or Singapore, said Nasir Uddin Chowdhury, chairman of the BGMEA standing committee on port and shipping affairs.

"As a result, exporters have to send the cargoes by air, which means additional costs," he said.

At a meeting on Monday, CPA Chairman M Khaled Iqbal said, in order to complete the unloading of import containers and the loading of export ones gearless vessels would get 48 hours, shallow draft geared vessels 60 hours and deep-draft geared vessels 72 hours.

He urged the garment exporters to maintain the cut-off time to reduce the waiting time for vessels. This is badly needed to lessen the congestion at the port, he said.

After getting berth, a vessel takes 72 hours to discharge the import containers and load the export cargoes before leaving the port, said BICDA President Nurul Qayyum Khan.

He said a vessel takes almost two-thirds of the time to unload the import containers, leaving a very short time for the off-docks to bring the export containers.

Apparel exports to EU sluggish

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However, this growth was the lowest in 2016-17 as per exporters.

The Brexit in June last year was mainly responsible for the slowdown in garment export to the EU, where nearly 60 percent of garment items are shipped in a year.

Last fiscal year, garment export to the UK declined 5.97 percent to $3.31 billion. It was $3.52 billion in the year before, registering a 21.37 percent year-on-year growth rate.

The UK is the third largest garment export destination for Bangladesh. However, it has been suffering from high inflation stemming from the freefall of the pound against the euro and US dollar.

The rising cost of foreign package holidays and imported computer games pushed the UK inflation rate up to 2.9 percent last month from 2.7 percent in April.

The latest inflation rate is the highest since June 2013 and above the Bank of England's target of 2 percent.

The fall in the value of the pound since the Brexit referendum has increased the cost of imports which has been one of the key factors behind the rise in inflation.

The Retail Prices Index measure of inflation increased to 3.7 percent in June, up from 3.5 percent the month before, according to BBC.

Garment export to some major EU members increased slightly between 3 and 5 percent year-on-year.

To Germany, the second largest export destination for Bangladesh, export amounted to $5.14 billion in fiscal 2016-17. Export earnings from France, Spain and Italy were nearly $2 billion each in the last fiscal year, according to EPB data.

This year was of elections for the major economies of the EU. France, the Netherlands and the UK have already had theirs while Germany is going to hold it on September 24.

During such periods, retailers and consumers tend to wait for the new government's policy decisions, so it has a negative impact on business activities, said exporters.

Bangladesh logged in $34.83 billion in export receipts for fiscal 2016-17, up 1.69 percent year-on-year.

Had there been favourable exchange rates, the earnings could have been at least $3 billion more as the volume of shipments from the country increased. But the receipts belied it.

In August 2016, one euro was exchanged for $1.135. It came down to $1.045 in December. The trend continued until June this year before reversing. In the first week of July, one euro was exchanged for $1.140.

A massive labour unrest in December 2016 at the garment manufacturing hub of Ashulia forced owners to stop production in nearly 100 factories for more than one month.

Production was badly hampered for the closure, intended to avoid a spillover of vandalism by workers for a raise in salary.

Poor services at Chittagong port, where the release of goods takes nearly 15 days, was another major cause of concern for exporters, said Siddiqur Rahman, president of the Bangladesh Garment Manufacturers and Exporters Association.

"We need to reduce the lead-time drastically amid fierce competition of the apparel business," he said. Previously, retailers and brands gave 90 days' lead-time but now they reduced it to 70 days, he said.

Competing countries like China, Vietnam, Cambodia and India can supply to retailers and brands at a shorter lead-time but Bangladesh is still lagging behind due to lower productivity, port congestion and poor infrastructure, Rahman said.

On the prospects of Bangladeshi apparel in the EU, Kurt Salmon Global Sourcing Reference, a European research firm, stated in a study that Bangladesh was gaining the market share with regard to sourcing by both Europe and North America.

It is still mainly focused on less complex products but it has the potential to further strengthen its relative position if production capabilities can evolve and quality can be improved, while ensuring social and environmental compliance standards, the study said.

Help boost exports, get incentives

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He said the producers of the selected items would be given 20 percent cash incentive.

"If any DC displays an extraordinary contribution in boosting exports, he or she will be offered a foreign trip as an incentive," he said.

The minister also instructed the DCs to work sincerely to keep prices of essential commodities within the purchasing power of consumers.

He said the government has to protect the rights of consumers by stopping the spiraling of prices, price manipulation by a section of unscrupulous traders and food adulteration.

Ahmed also asked the DCs to be sincere while performing their duties so that businessmen do not face harassment.

"The DCs should act in a way that businesspeople feel inspired to do business honestly."

Citycell gets back spectrum

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However, a senior executive of the company requesting anonymity said Citycell cannot do anything with the frequency at present as they have no establishment and live network infrastructure.

The management though is working to sell off the company to a foreign party and restoration of Citycell's spectrum would help in negotiations, he added.

The BTRC had blocked Citycell's service on non-payment grounds in October last year, when the operator had 1.25 lakh active customers. The regulator lifted their bar later but the operator could not resume operations, insiders said.

Revenue growth hits 5-year high

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In reply, Rahman said the NBR requested secretaries and heads of various agencies to improve service quality. "Based on our regular contacts with the taxpayers, we can say that the taxpayers will feel more inspired if better services are provided by the agencies under various ministries," Rahman said in a letter to secretaries on July 1.

The growth in revenue collection enabled the NBR to touch the revised target from the initial goal of Tk 203,152 crore set at the beginning of the last fiscal year.

A slump in revenue from cigarette and telecom operators, a decline in shipments and a slowdown in VAT and income tax collection are to blame for the NBR's failure to reach the expected level of revenue collection in previous years. Income tax collection slowed because of the 14 percent fall in profitability in the banking sector.

The introduction of waiver on import duty, VAT and income tax for various ministries and projects, particularly for power projects such as Rooppur Nuclear Power Plant in Pabna, are also responsible for the slow revenue collection growth.

The collection would have exceeded the original target if Petrobangla had cleared its dues, the NBR said. Petrobangla owes Tk 22,824 crore to the NBR.

The revenue collection target for the current fiscal year has been set at Tk 248,190 crore, which is 34 percent higher than last fiscal year's preliminary figures.

Rahman, who is also a senior secretary at the Internal Resources Division, said his office has ordered the field offices to hold "Tax Camps" at upazila and union levels throughout the year to increase the tax net.

BB stands guard against inflation

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With the view to balancing growth and inflationary risks against the backdrop of a subdued global inflation outlook and tightening monetary policy conditions in advanced economies, the BB has decided to keep policy rates unchanged at its current level.

The repo rate would continue to be 6.75 percent and the reverse repo rate 4.75 percent.

Since January, food inflation has been showing an upward trend and non-food inflation too edged up since February.

In the last quarter of fiscal 2016-17, food inflation stood at 7.27 percent, up from 6.74 percent in the previous quarter. A year earlier, it was 3.96 percent. Non-food inflation stood at 3.47 percent during the period, in contrast to 3.12 percent the preceding three months.

The BB's projection shows average annual inflation for the first half of the fiscal 2017-18 would be 5.5 to 5.9 percent. The inflation target set in the budget is 5.5 percent.

The MPS said the BB is cognisant of the inflationary dynamics in Bangladesh, so policy rates will be reviewed on a continuous basis and can be changed promptly if needed.

"The Bangladesh Bank deserves to be congratulated for setting realistic targets and avoiding an expansionary stance," said Zahid Hussain, lead economist of the World Bank's Dhaka office.

The MPS has maintained policy continuity while incorporating lessons from the fiscal 2016-17 monetary programme performance in setting the program targets for fiscal 2017-18, he said.

"The announced stance is likely to be subject to populist critique, but then monetary policy making is not a popularity contest, as this MPS courageously demonstrates," Hussain added.

Meanwhile, the BB projected lower GDP growth than the budgetary target due to several risks including declining remittance and low export growth.

The central bank projects the growth this fiscal year to be between 7.1 and 7.4 percent. However, the forecast assumes continued political calmness.

Hussain said there is pressure on the exchange rate to depreciate given the huge turnaround in the current account balance during the course of last fiscal year.

In the first 11 months of fiscal 2016-17, the current account balance went into deficit of more than $2 billion from over $3 billion surplus a year earlier.

"BB has done well by allowing the market forces to work their way through a creeping depreciation of the taka-dollar rate. This is appropriate, particularly given the feeble export growth and a precipitous decline in remittances," he added.