

Finance ministry can't avoid responsibility for banking sector woes

Former BB deputy governor Khondkar Ibrahim Khaled tells The Daily Star

JEBUN NESA ALO

THE finance ministry cannot avoid responsibility for the current wobbly state of the banking sector, said Khondkar Ibrahim Khaled, a former deputy governor of the Bangladesh Bank.

In the parliamentary system, the respective department is liable for all the incidents that happen under it. "So, the finance ministry should be liable for the miserable situation of the banking sector right now," he told The Daily Star in an interview recently.

Khaled went on to criticise Finance Minister AMA Muhith, saying that he should have resigned from his post, for what happened in the banking sector, including the recent debacle in Farmers Bank.

Established in 2013, Farmers Bank plunged into acute liquidity crisis in the past couple of months, failing to pay back clients following the maturity of their fixed-term deposits.

Another fourth-generation bank like Farmers Bank, NRB Commercial Bank is also in a precarious state.

Khaled, however, said the overall health of the private banks is comparatively better than the government-owned banks.

"Though the financial health of the private banks has deteriorated, their bad loan rate of 6 percent plus is still acceptable."

But in state banks, the bad loans account for about 32 percent of their outstanding loans. "This is highly unusual -- no country can run the banking sector with 32 percent bad loans."

Subsequently, the former central banker urged the government to undertake wholesale reforms of the state banks on a priority basis.

The two main causes for the unusually high default loans in the state-run banks are the enormous corruption and inefficiency, according to Khaled, who previously served as the managing director of state banks Agrani, Sonali and Bangladesh Krishi Bank.

The government itself started corruption in public banks by appointing directors and chairmen on political consideration. "Many corrupt people got appointed."

For instance, Syed Abdul Hamid, the former managing director of Agrani, was appointed by the finance ministry even though the BB objected to his appointment.

Sheikh Abdul Hye Bacchu, the former chairman of BASIC Bank, who is alleged to be responsible for bringing the once-sound state bank to its knees now, was also appointed by the finance ministry in September 2009.

"He was the worst choice of the government," said Khaled, who served as the deputy governor of the BB from 1998 to 2000.

Bacchu had to step down from his post in July 2014 following allegations of graft involving Tk 4,500 crore between 2010 and 2013.

A BB investigation found that he had influenced all activities of the bank during his tenure -- and played an active role in the loan scams.

"But Bacchu still has not faced any legal action -- it is because he is backed by the government."

In September 2015, the Anti-Corruption Commission had filed a total of 56 cases over the Tk 4,500 crore graft at BASIC -- but Bacchu was none of the accused.

Although the ACC quizzed Bacchu earlier this month, Khaled doubts anything will happen to the former BASIC Bank chairman.



Khondkar Ibrahim Khaled

"Such incidents prove that the government began corruption in the public banks and that has now started to infect the private sector banks," said the septuagenarian.

Some four or five private banks, including Farmers, have now become involved in financial irregularities on a large scale.

"It is good that the Farmers Bank chairman has been forced to quit. The central bank's move was delayed but it is good that at least action was taken."

Farmers Bank chairman Muhiuddin Khan Alamgir and its audit committee chairman Md Mahabubul Haque Chisty were forced to step down on November 27, when the four-year-old bank was knee-deep in liquidity crisis. On the same day, the BB restructured the board too.

Khaled said the regulatory body should play a proactive role in case of the other private banks that are involved in corruption.

FLASHBACK 2017



"The finance ministry could never remove even one managing director or chairman for their irregularities. Even Bacchu was not removed for his huge corruption. Rather, he was given the chance to quit."

The lack of good governance is another reason for the deterioration of the banking sector's health.

"Good governance always circulates from the top down. If the government itself practises bad governance, then how will there be good governance at the bottom level?"

He, however, spoke well of the current managing directors of state banks BASIC, Agrani and Sonali.

"But, they need the government's support to come out from the system of corruption that has been established."

Khaled, who is now a professor at the Bangladesh Institute of Bank Management, said the interference of politically influential people is getting worse by the day.

"Only the prime minister's intervention can bring discipline here." He also touched upon the government's move to award licences to new banks at a time when the sector is struggling. "This is totally illogical."

The finance minister is defending the government's plan by saying that the existing 56 banks cannot cover all the people across the country; the new banks will bring all people under the banking umbrella.

"This is totally wrong because the

new banks can never give service in the villages due to high costs," he said, adding that the existing banks could have extended their branch network to achieve the same goal.

Moreover, the BB is the only authority for giving licences for banks, but the finance ministry is exercising its power by sending recommendations for new banks.

Typically, when the need for a new bank arises, the BB in its capacity as the banking regulator publishes advertisements in newspapers seeking applications from interested parties.

It followed this process in case of the fourth generation banks, floating advertisements in 2011. But this time, the BB is yet to make such proclamation and it received four unsolicited applications for new banks.

"A recommendation from the government is kind of an order to a body like Bangladesh Bank. So such activities are making the central bank weak, which is ultimately impacting the banking sector negatively."

At present, the central bank is thick in the preparations for issuing new licences for Bangla Bank, People's Islami Bank and Police Bank -- against its judgement. It is also under pressure to issue another licence for Citizen Bank.

"If the control of the banking sector is totally in the central bank's hands, it will be run professionally," Khaled added.

Masayoshi Son: From chicken feed to Japan's richest tycoon



AFP/FILE

SoftBank Group Representative Masayoshi Son speaks during a press conference to announce the company's financial results in Tokyo.

AFP, Tokyo

ONCE asked on Twitter about his receding hairline, Masayoshi Son, founder of Japanese telecoms giant SoftBank, retorted: "My hair is not receding. I'm advancing."

It was a typically bullish remark from the 60-year-old tycoon, listed by Forbes as Japan's richest man with an estimated fortune of \$22.2 billion, who has embarked on a furious spree of purchases culminating in Thursday's deal to take a hefty stake in ride-sharing app Uber.

Under Son's leadership, SoftBank is sending shockwaves through the tech world with its massive new Vision Fund -- a venture capital fund with \$100 billion in its coffers intended for start-ups.

The new fund is expected to dominate the industry to such an extent, it's playfully referred to as a "gorilla".

The bold and flamboyant Son was one of the first personalities from the business world to meet another unconventional tycoon -- Donald Trump -- last year after his election victory.

Son pledged to invest \$50 billion in the US economy and create 50,000 jobs and Trump's off-the-cuff announcement of this gave reporters their first glimpse into the president-elect's unusual communication strategy.

Son's SoftBank has not been afraid to venture outside its core business -- completing deals with the likes of e-commerce Chinese giant Alibaba and French robotics firm Aldebaran, which developed the chatty human-shaped "Pepper" robot.

And on Thursday, Softbank and Uber

announced that the tech titan would take a large stake in the US ridesharing giant -- 15 percent of the equity according to a source familiar with the terms of the deal.

But the wheeler-dealing of today belies a background that could scarcely be more humble.

Son was born in 1957 to ethnic Korean parents on the southern Japanese island of Kyushu.

His family scratched a living raising poultry and hogs in a country where Koreans have long faced discrimination stemming from the Japanese occupation of the peninsula between 1910 and 1945.

"I sat in a cart when I was small. It was so slimy that I felt sick. My grandmother, who is dead now, was pulling the cart," Son recalled in a 1996 speech when accepting a business award.

"We collected leftover food from neighbours and fed it to cattle. It was slimy. We worked hard," he said. "And I've worked hard."

Son went to the US as a 16-year-old and later studied at the University of California at Berkeley where he began his business career. His first big success came when he invented a computer system to translate English into Japanese. He later sold it to Sharp for one million dollars.

In 1981, a year after returning from the US, he founded SoftBank as a software wholesaler and publisher of computer magazines.

Since going public in 1994, SoftBank has consistently made headlines with its aggressive strategy of taking over Japanese and foreign businesses, a jolt to the staid world of corporate Japan.

India likens crypto cash to Ponzi schemes

AFP, New Delhi

INDIA warned Friday against investing in cryptocurrencies including bitcoin, likening them to "Ponzi schemes", as it became the latest country to urge caution.

Despite a boom in trade that has seen prices soar, cryptocurrencies "don't have intrinsic value and are not backed by any kind of assets," the Indian finance ministry said in a statement.

"There is a real and heightened risk of investment bubble of the type seen in Ponzi schemes which can result in sudden and prolonged crash," it said.

Bitcoin prices plunged by almost 40 percent from its record high of \$19,500 this month as investors cashed out following the wildly volatile currency's stratospheric rise.

Analysts and governments have



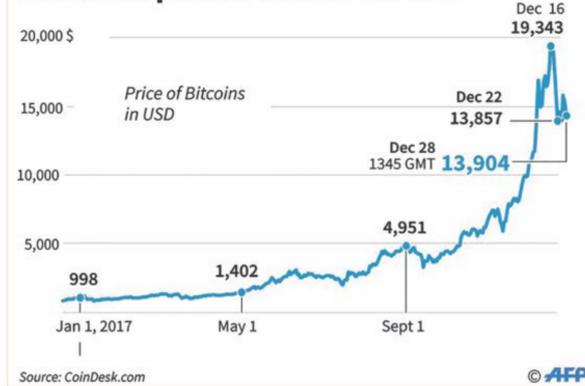
repeatedly warned about a bubble that could burst at any moment as investors, many inexperienced, piled into the currency.

India's government said consumers needed to be "extremely cautious as to avoid getting trapped in such Ponzi schemes".

Its warning came a day after South Korea, a hotbed for cryptocurrency trading, said it would ban anonymous trading of virtual currencies.

On Tuesday Israel announced a move to ban trading in cryptocurrency-based companies on the Tel Aviv market until it can regulate transactions involving

Bitcoin: ups and downs in 2017



Source: CoinDesk.com

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digital coins.

The vice-president of the European Central Bank has also expressed concern about the relentless rise in the value of bitcoin.

US Federal Reserve boss Janet Yellen has said bitcoin is not money and called on banks to be certain their digital currency transactions adhere to anti-money laundering statutes.

Gold soars toward largest annual gain since 2010 on dollar boost

REUTERS, New York/London

GOLD extended its rally to a three-month high on Friday, leaping toward its biggest one-year rise in seven years as a wilting US dollar, political tensions and receding concerns over the impact of US inter-

est rate hikes fed into its rally.

Gold's gains coincide with the greenback, in which gold is priced, sliding toward its worst year since 2003, damaged by tensions over North Korea, the Russian scandal surrounding US President Donald Trump's election campaign, and persistently low US inflation.



REUTERS/FILE

A dealer displays gold bracelets at his jewellery shop in Amman, Jordan.

The dollar index touched three-month lows on Friday, lifting bullion to its highest level since late September at \$1,307.60 an ounce before paring gains.

Strong charts, the weaker dollar and expectations of bullish fundamental factors ahead have bolstered gold prices in year-end trade, said David Meger, director of metals trading for High Ridge Futures in Chicago.

Spot gold prices were up 0.67 percent at \$1,303.37 per ounce by 2:05pm EST (1905 GMT), poised to finish 2017 up 13 percent. Benchmark US gold futures GCv1 settled up \$12.1, or 0.93 percent, at \$1,309.30 per ounce, finishing the year 12 percent higher.

"Going back to the last Fed meeting with its slightly more dovish tone, commodities markets have gotten a bit of a green light," Meger said, referring to indications this month that the US central bank will keep its rate outlook unchanged in the coming year. "This recent bout of weakness in the dollar certainly is fostering a commodities rally and we've seen a light downturn in equities as well."

The metal will be vulnerable next year to a rebound in the currency, as well as any gains in yields, ABN Amro analyst Georgette Boele said. The opportunity cost of holding non-interest bearing bullion increases when yields rise elsewhere.