Market manipulation to blame for spiralling commodity prices

BARRISTER ALI ISHTIAQ

THE recent price surge in kitchen commodities has created uproar in the masses. The backdrop of this bitter outrage amongst our disconcerted population was an erratic increase in the price of onions from Tk 25 to Tk 90 per kilogramme.

The overriding presumption in the present situation has signalled towards the latent employment of market manipulation methods and tactics.

Such a premise is not devoid of facts; needless to say, in recent years, the edible oil market has phased through inflated prices and rice millers have been blacklisted and fined meagrely for deceitfully stockpiling this staple food.

This hoarding effect also propels the incumbent government onto an uneasy platform, to discharge the heavy burden of satisfying the hunger of those it governs through increased spending or slashed tariffs.

As expected, market manipulation not only damages market solidarity and integrity but has vicious consequences on the economy and the government's policies and reputation at large.

Section 25(1) of the Special Power's Act 1974 gives teeth to combat this malignant misconduct, it plainly states that -- a person found guilty of the offence of hoarding can be punished with rigorous imprisonment for a term not exceeding 14 years, life imprisonment or at the discretion of the judge, death is also a potential avenue.

Although fines are a token of legislative finesse, the gravity of these punishments alone should have been a strong deterrent. Liability for hoarding is merely attracted by- 'stocking or storing anything in excess of the maximum quantity of that thing allowed to be held in stock or storage at any one time by any person by or under any law'.

The physical proof required for the foundation of potential charges have been difficult to satisfy due to syndicated storage schemes; albeit, not wholly impossible.

However, logistically, relative blameworthiness cannot be equal throughout the supply chain. A key factor for commodities market manipulation in this scale requires the acquisition and/or control of large resources so as to squeeze the market to create and sustain an artificially engineered price, similar to the pumping and dumping methods in stocks.

For commodities, it is highly unlikely, though not improbable, that your common marketplace wholesalers or retailers would have had such a sway over the market so as to manipulate it.

Fortunately, however, if they have abetted these traders then section 25D of the same Act reserves for them a punishment of equal scale.

For those that have become sceptical of the 'slow' hands of justice, dread not. By virtue of section 32 of the aforementioned Act, the specified offence is one that is cognizable. Under section 54 of CrPC 1898, an overwhelming power has been bestowed on the police to arrest without a warrant any person concerned and involved in any cognizable offence provided a reasonable complaint has been made or credible information is received or reasonable suspicion exists.

It cannot and must not be used as a pre-emptive detention mechanism for the purpose of preventing a prejudicial act before it has been committed. By all accounts, this often misused and abused section is potentially useful here as a veiled threat to market manipulators.

In tandem with the police authorities, it is the Bangladesh Competition Commission that was instituted following the Competition Act 2012.

The said Act was promulgated with the express view of counteracting a wider market abuse regime, namely eradicating collusion in the markets and the abuse of one's dominant position by limiting the market.

A contravention of the commission's order can result in imprisonment or a fine not exceeding Tk 1 lakh for 'each day' of non-compliance.

Nonetheless, Bangladesh still requires a conjunct legal instrument for market manipulation and insider trading so as to maintain a unified great wall against the broader and principal financial market abusers.

Quite recently in 2016, the Market Abuse Regulation (Regulation 596/2014) came into force in all member states of the European Union. It aims to codify the definitions, guidelines, prohibitions and accepted market practices with respect to insider information, insider dealing, unlawful disclosure and market manipulation under the single banner of the market abuse regulation.

STAR/FILE

Commodity market manipulation has vicious consequences for the economy.

Bangladesh is at a critical juncture in all respects, Bangladesh Securities and Exchange Commission (BSEC) is expected to be in the process of formalising a new commodities exchange rules following the amendments in the Securities and Exchange (Amendment) Act 2012.

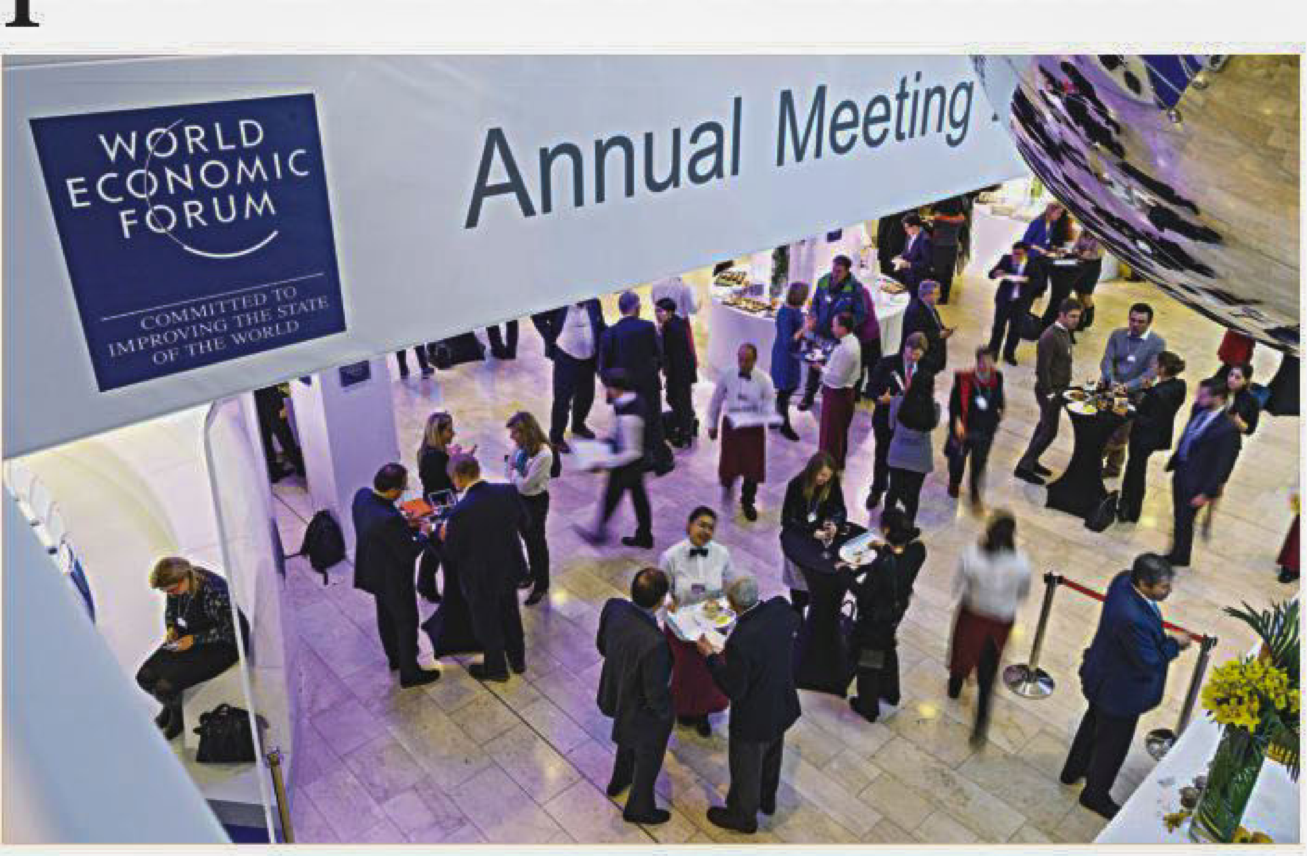
Notable efforts have already been initiated to establish a working exchange—Bangladesh Jute & Commodity Exchange Ltd (BDCOMEX)—but has stagnated owing to BSEC's approval.

Although an exchange is likely to facilitate a more stable price discovery for commodities, it must be regulated carefully. For the first time in 2015, The United States Commodity Futures Trading Commission (CFTC) fined and pressed charges against Arya Motazedi for front-running with non-public and confidential information, a form of insider trading, in the commodities future market for oil and gasoline.

Therefore, if and when the commodity exchange rules are formulated for a working exchange, strong emphasis on the enhanced surveillance of commodities future market, mandatory information disclosures to regulators and enforceable cash settlements should be preserved as this sector is prone to distortion and market manipulation.

The writer is a financial crime consultant at WCC22, an international firm specialising in white collar crime law. He can be reached at aishtiaq@wcc22.com.

France to host 140 foreign CEOs for pre-Davos summit



AFP/FILE

Participants have lunch on the closing day of the World Economic Forum in Davos in 2017.

AFP, *Paris*

Nearly 140 chief executives from companies around the world will gather at the Versailles Palace outside Paris on Monday, as the French government steps up its efforts to attract more foreign investors.

President Emmanuel Macron orchestrated what is being billed as an "attractiveness summit" to take advantage of the convergence of executives for the World Economic Forum in Davos, Switzerland, next week. A handful of economic accords are to be announced, including a major investment in "traditional industry" and two in "high-tech and artificial intelligence", an official in the president's office said.

"We are going take advantage of the fact that on their way to Davos, corporate leaders are coming to Europe and can make a stop in Paris," the official said, asking not to be named.

The session will begin with a lunch with Prime Minister Edouard Philippe, followed by sessions with government ministers and prominent private figures including the mathematician Cedric Villani. Macron will cap the event with a closed-door speech and dinner.

"The president had a quiet straightforward goal, that an 'attractiveness summit' doesn't make any sense unless it comes with concrete projects," the source said.

Roughly half of the participants will come from European companies, including Bosch, SAP, Novartis and Rolls-Royce.

About 25 percent will come from American groups, and the remainder from Africa, the Middle East and Asia.

The bosses of JPMorgan, Goldman Sachs, HSBC and Bank of America are expected to attend, while China's Alibaba will be represented by its deputy CEO.

UK retail sales slide in Dec after Black Friday boost

AFP, *London*

British retail sales slid 1.5 percent in December from the previous month after consumers had brought forward their Christmas shopping, official data showed Friday.

Retail sales had jumped by 1 percent in November, boosted by Black Friday price reductions, the Office for National Statistics said.

Sales though climbed 1.4 percent in December compared with one year earlier, the ONS added.

"Retail sales continued to grow in the last three months of the year partly due to Black Friday deals boosting spending," said ONS Senior Statistician Rhian Murphy.

"Consumers continue to move Christmas purchases earlier, with higher spending in November and lower spending in December than seen in previous years."

Xiaomi to expand store network in Indian tussle with Samsung

REUTERS, *Mumbai*

CHINA'S Xiaomi plans to expand its Indian store network as it attempts to grab the lead in a smartphone market which Korea's Samsung has dominated for more than five years.

A little over three years after Xiaomi entered India, its cheap, high-spec handsets have helped the start-up, which is now valued at close to $100 billion and plans to list this year, to pull neck-and-neck with Samsung in its biggest market behind China.

"If you look at 2017 and 2018 combined, the biggest change in our strategy is our focus on offline," Manu Kumar Jain, Managing Director of Xiaomi India, told Reuters in an interview.

Xiaomi opened its first Mi Home, an Apple store-style sales and experience centre, in May and already operates 17 such outlets in India.

Jain said Xiaomi is ahead of schedule on its plans to open 100 Mi Home stores by mid-2019 in India and also plans to add more preferred partner stores - multi-brand outlets that stock largely Xiaomi products.

In a bid to widen its user base in India, where about a third of its 1.2 billion mobile phone subscribers use smartphones, Xiaomi is looking to strengthen its network beyond online, which accounts for some 70 percent of local revenue.

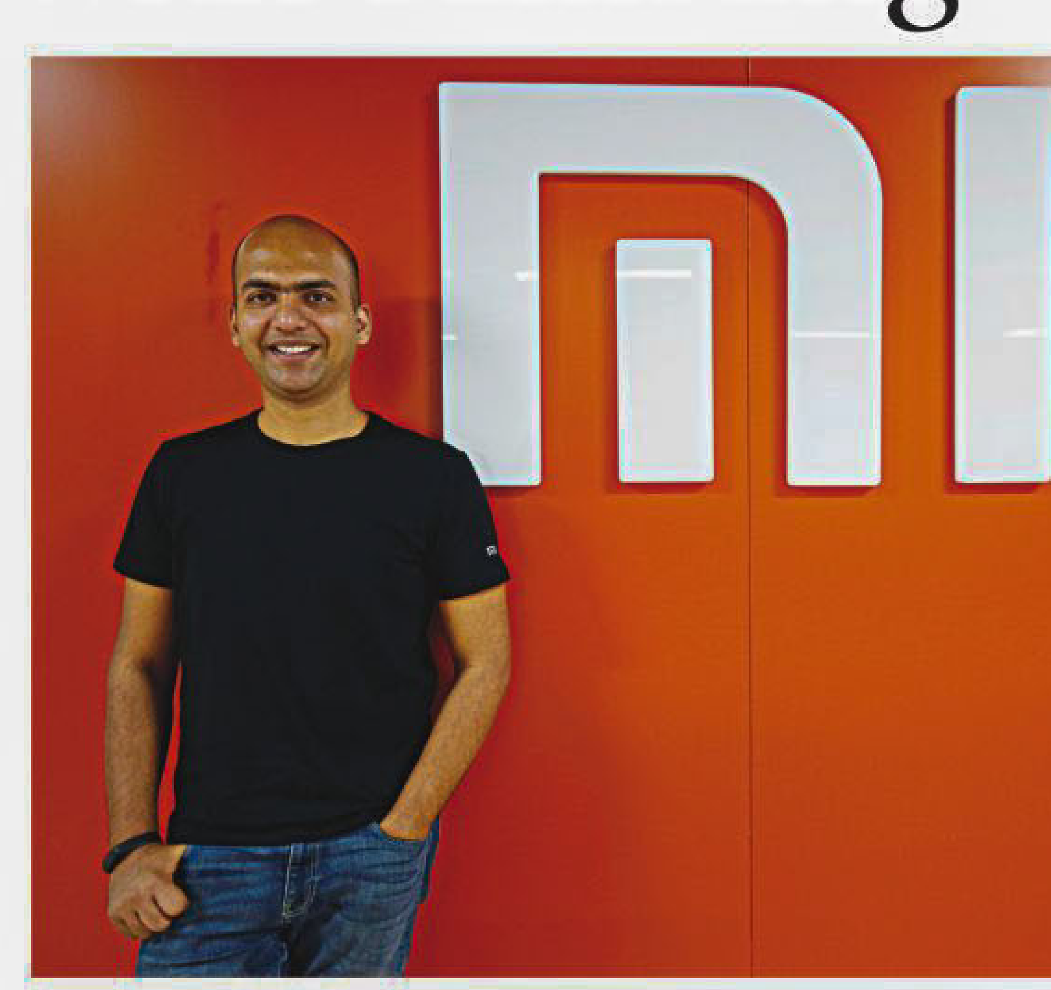
Its strategy in India has so far rested on flash sales on leading homegrown e-commerce player Flipkart and US tech giant Amazon.com's Indian sites, an approach that helped Xiaomi save on expensive marketing spends and grab market share.

Jain, who declined to provide financial metrics, said Xiaomi will launch six to eight new smartphones across key price ranges in 2018.

"We want to improve on whatever we launched in 2017 and also launch and plug whatever we think are the big use cases where we are not present," he said.

Last year, Xiaomi launched eight smartphones priced from 4,999 Indian rupees ($78) to 32,999 rupees ($516).

Samsung, by comparison, offers more than 40 smartphone models in India.



REUTERS

Manu Kumar Jain, managing director of Xiaomi India, poses next to the logo of Xiaomi after an interview with Reuters inside his office in Bengaluru, India on Thursday.

Xiaomi also plans to unveil at least one or two new smart products in 2018. It already sells airpurifiers and fitness bands in India and will likely venture into TVs, water purifiers, scooters and rice cookers in the future, Jain said.

It's a mistake to allow China, Russia to join WTO, says US

AFP, *Washington*

CHINA and Russia have shown no intention of living up to World Trade Organization rules and Washington should not have supported their membership in the global trade body, the Trump administration said Friday.

In strongly worded reports to Congress, the US Trade Representative delivered a laundry list of grievances over unfair trade practices by Beijing and Moscow it says runs counter to global free trade rules.

USTR Robert Lighthizer said the reports show "the global trading system is threatened by major economies who do not intend to open their markets to trade and participate fairly."

"This practice is incompatible with the market-based approach expressly envisioned by WTO members and contrary to the fundamental principles of the WTO," Lighthizer said in a statement.

President Donald Trump has ratcheted up retaliatory measures against foreign trading partners, notably China, as part of his America First economic agenda which lifted him to power a year ago. That included an aggressive new trade probe into possible dumping of aluminum and steel.

The US had a $309 billion trade deficit in goods and services with China in 2016, and that was on track to expand by $10 billion last year. USTR report said after joining the WTO in 2001, Beijing effectively abandoned efforts to adopt market-friendly reforms and instead increased central government control over commerce while erecting barriers to foreign competition.

But WTO rules are insufficient to correct Beijing's interventionist policies, and the United States "erred" in supporting China's membership in 2001, the report said.

US dialogue with Beijing since Trump took office yielded some results, such as renewed access to Chinese markets for US beef, but these were piecemeal changes, the report said.

"China is determined to maintain the state's leading role in the economy and to continue to pursue industrial policies that promote, guide and support domestic industries while simultaneously and actively seeking to impede, disadvantage and harm their foreign counterparts," the China report said.

Chinese authorities also continue to pressure American companies into sharing valuable intellectual property, the report said.

The USTR likewise accused Moscow of an "accelerating withdrawal" from the open market system demanded by WTO membership since joining in 2012, citing burdensome import licensing, opaque customs regimes, and barriers to agricultural imports.

"It was a mistake to allow Russia to join the WTO if it is not fully prepared to live by WTO rules," the report said.