City Bank plans big as it celebrates 35yrs

AKM Zamir Uddin

WHEN some local banks are struggling to survive amid rising loan irregularities and deteriorating governance, City Bank stands tall with a difference, be it adoption of technology, consumer and retail banking and ensuring global standards.

Compliance and quality services have served the bank well.

The International Finance Corporation, the private sector lending arm of the World Bank Group, has bought equity shares in the bank and sits in its board, an achievement many local banks dream of.

City Bank, established 35 years ago as one of the country's first private commercial banks, now aims even higher.

"We are now dreaming to have a global presence within the next 10 years as we have already achieved a tremendous result in the local market," said its Managing Director Sohail RK Hussain, in an interview with The Daily Star last week.

The bank, which has asset worth $3.5 billion as of February this year, has stayed ahead of many of its peers in many aspects.

It offers a well-diversified portfolio of financial services, including retail banking, commercial banking, SME banking, and internet banking.

The bank is more technologically-advanced than its peers and is the only PCI-DSS (payment card industry data security standard) certified bank in Bangladesh.

The PCI-DSS is a set of security standards designed to ensure that all companies that accept, process, store or transmit credit card information maintain a secure standard.

The private commercial lender has financed power plants with generation capacity of about 2,000 megawatts of electricity in the last five years.

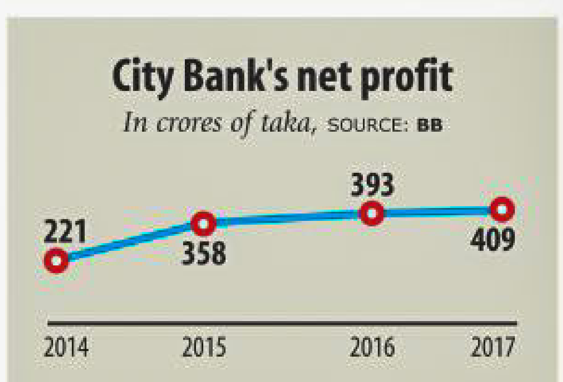
Credit and debit card was launched in the country 25 years ago and foreign banks had dominated the business for long.

The City Bank secured the No. 1 position in 2015 in the business because of its visionary programme, said Hussain, also a vice-chairman of the Association of Bankers, Bangladesh, a forum of chief executives of private banks.

The banks issued about 3.70 lakh credit cards, 7 lakh debit cards, 16,000 PoS terminals as of March this year.

The City Bank is also one of the leading banks that have segmented the banking business to cater different genres of clients.

Majority of banks did not have any IT focus 17 years ago, but City Bank took a different route as it ventured in to make the banking service convenient to the clients in 2000.




Sohail RK Hussain

The bank is now holding one of the top positions in extending the internet banking services to clients.

City Touch, the internet banking product of the bank, has already been recognised by well reputed foreign institutions.

"Previously, people had feared to interact with banks to get service. But we have changed the attitude by introducing different segments of banking services," Hussain said.

Most of the banks started the internet banking service through the software of the laptop, but City Bank introduced the service based on easily downloadable smartphone apps.

The bank was awarded the best digital bank award by the government and the Singapore Monitory Authority, the central bank of Singapore, for adopting IT applications in the ASEAN region.

Hussain said the start-up financing unit of the bank has also got a wonderful success by way of offering banking services to new companies.

The bank holds the pole position when it comes to extending financing to start-ups.

"Historically, the bank gave a low focus on retail banking. But, we started to provide importance to the retail banking since 2000."

Two and a half years ago, the bank became the first lender in the country by launching a separate commercial banking service unit with a view to helping family-owned businesses thrive and cope up with changing business scenario.

Family-owned enterprises—the business volumes of many of which have touched Tk 1,000 crore—get both financing and advisory support from the bank.

The family members of the businesses may not be able to inject equity in the future which may create troubles for them to run their business, according to Hussain.

The bank is advising companies on how to get loans from foreign sources and raise capital from equity markets.

The bank will set up a subsidiary to give a boost to e-commerce transaction within next decade as customers' requirement will change significantly in the future.

The bank plans to raise its number of debit and credit cards to 30 lakh and set up 5 lakh points of sales terminals in the next 10 years to expedite e-commerce transaction, he said.

The bank has taken initiative to extend its SME banking with support from the IFC, which holds five per cent shares in the bank.

The IFC and the bank are now jointly taking initiative to improve the technology-based service.

The bank is now focusing on the SME service based on technology. It will allow clients to get a loan within two to three hours after submitting their application, Hussain said.

The IFC has started restructuring its SME and retail banking business based on the experience of successful customers of other countries.

"We want to hold the number one position in the SME business within the next three years. We strongly believe that we can do it with the help from the IFC," he said.

Eighteen officials of the IFC are now working in the bank, continuously contributing to the bank's growth.

Hussain also touched upon a number of issues confronting the banking sector.

Talking about the latest upward trend of interest rate on lending and deposit, he said a number of banks are now facing liquidity pressure because of the emergence of a deposit imbalance between the private banks and state lenders.

The government's savings tools have been offering 10.50-11 percent interest, which are encouraging people to park their deposits with the high-yielded instruments.

The state-owned enterprises have recently shifted their deposits to state-run banks from private banks.

But, the state lenders cannot invest their fund in the productive sector because of high non-performing loans and lack of corporate governances, said Hussain.

Against the backdrop, the state lenders bought a large amount of treasury bills and bonds where the depositors fund are stuck.

The liquidity pressure will ease if the government agencies park a sufficient amount of funds with private banks, according to Hussain.

He, however, said that the state-owned enterprises should park their deposits in private banks that have a good CAMELS rating.

"We have to take prompt measures to avoid further financial scam in the banking sector, as future shock will put an adverse impact on the industry."

Hussain said Bangladesh is now a role model but it is not enough.

Areas such as doing business index, corporate governance, and cyber security should get more focus.

Four more new banks could enter the banking industry and licences could be given but fourth generation banks have suffering from governance issues.

"We should not repeat the problem as further large scale scam will hurt the confidence in the banking sector," he said.

Hussain is very optimistic about the country.

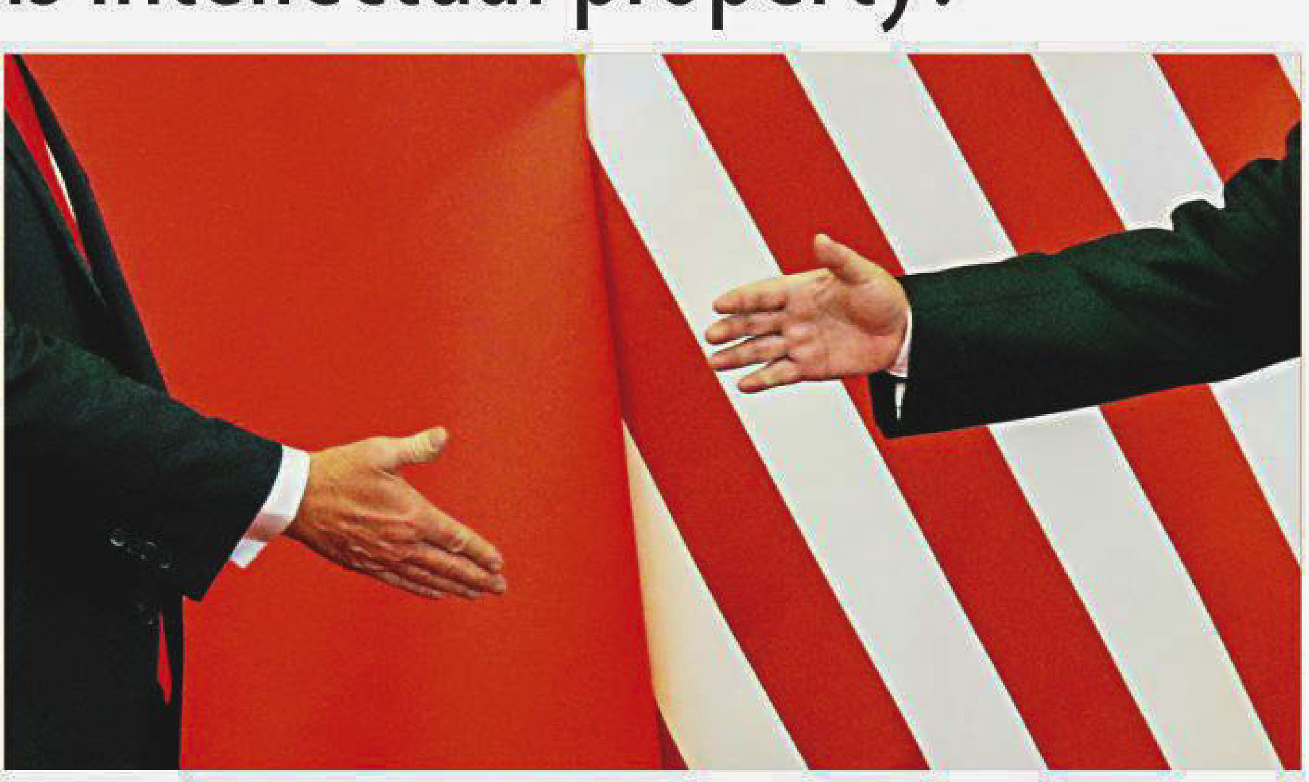
"The country's sovereign rating is now Ba3 as per Moody's evaluation. I hope that Bangladesh will become a full-fledged middle income country in a decade when its rating will strengthen automatically."

The bank will also achieve a Ba1 or Ba2 score similar to the domestic rating, Hussain said.

Hussain holds an MBA degree in marketing from the Institute of Business Administration under Dhaka University.

He started his career in 1990 with ANZ Grindlays Bank and also worked for Standard Chartered Grindlays Bank Bangladesh and Eastern Bank Ltd before joining City Bank in 2007.

In US-China trade dispute, what is intellectual property?


REUTERS/FILE

US President Donald Trump and China's President Xi Jinping shake hands after a meeting at the Great Hall of the People in Beijing.

AFP, *Washington*

AT the heart of the escalation of US-China trade tensions is President Donald Trump's assertion of rampant "theft" of US intellectual property by China.

But what constitutes "intellectual property" in today's global economy?

In order to sell goods in China, foreign companies must form joint ventures with local companies, which are usually state-owned in China.

That's the path General Motors took when it set up shop in China, where it now sells more automobiles than in the United States.

GM, the biggest US automaker, builds most of the cars sold in China in China itself and must share its know-how, or "intellectual property," with its local partner. The situation is the same in other sectors, whether the aerospace, electronics or industrial machinery.

China has managed its interactions with foreign companies in this manner since joining the World Trade Organization in 2001, even though such arrangements are not permitted.

A 2013 report by the Commission on the Theft of American Intellectual Property said the prime goal of the independent panel was "changing the cost-benefit calculus for foreign entities that steal American intellectual property."

The commission, led by former director of national intelligence Dennis Blair and former Intel chief executive Craig Barrett, updated its findings in March, labeling China "the world's largest source of intellectual property theft."

The commission's findings have formed the basis for Trump's threat to impose tariffs on $150 billion on Chinese goods.

The commission has estimated that theft of intellectual property costs the US economy between $225 billion and $600 billion annually.

Questions about intellectual property are not isolated to US investments in China, but also pertain to Chinese ventures in the United States.

Chinese investments in the United States hit $29 billion in 2017, according to the US China Business Council, down 35 percent compared with 2016 due to limits set by Beijing on foreign investment, especially in housing and hospitality.

The US Committee on Foreign Investment in the United States, an inter-agency review committee, has taken an increasingly skeptical approach to attempted Chinese acquisitions of US companies.

In January, CFIUS blocked a $1.2 billion takeover of the money transfer company Moneygram by China's Ant Financial, which is owned by Alibaba.

The committee in September also stopped the acquisition of Lattice Semiconductor by Canyon Bridge Capital Partners, a group funded in part by the Chinese government.

More recently, CFIUS raised worries about the proposed hostile takeover of Qualcomm by rival semiconductor company Broadcom, which is based in Singapore but relies heavily on China for sales.

Some US lawmakers want to beef up CFIUS' role further.

Panic! Don't panic! Navigating the trade talk proves dicey

REUTERS, *New York*

"DON'T overreact," President Donald Trump's chief economic adviser told investors on Wednesday, when US stocks were deep in the red over worries about the administration's plan for $50 billion of import duties aimed at China.

Wall Street seemed to take heart from National Economic Council Director Larry Kudlow's calming words in a Fox Business Network interview during his first week on the job, and the market turned itself around. The Dow Jones Industrial Average rallied more than 700 points from the day's low.

That trust looked misguided a day later, when Trump - seemingly unbeknown to Kudlow - said he had instructed an additional $100 billion of tariffs to be imposed on Chinese goods. Equities swooned again, with the Dow dropping roughly 600 points.

It wouldn't be the first time that traders and investors got caught out by a seeming 180-degree turn on Trump policy, but Wall Street may have to get far more selective in terms of which statements, and from whom, they listen to.

"More typically, there's a lot more cohesion in the messaging between the White House and the markets," said Nicholas Colas, co-founder of DataTrek Research. "Certainly this administration is taking an entirely different tack. It's been much more volatile in trying to understand what they're trying to tell us."

With rapid turn-about in the White House a regular occurrence, investors have made costly decisions based on the words of a rotating door of advisers and policy makers.

Peter Tuz, president of Chase Investment Counsel in Charlottesville, Virginia, said there was some "good cop, bad cop action" between the President and advisers.

"Obviously you listen to them both and you hope cooler heads eventually prevail," said Tuz. "It makes you sit on your hands a little bit more and not make any decision that might come back to bite you should these tariffs really sink in."


REUTERS/FILE

Shipping containers and train wagons are seen at a port in Lianyungang, Jiangsu province, China on Friday.

A similar to-and-fro has played out with the dollar. US Treasury Secretary Steven Mnuchin said in January that he welcomed a weaker currency, Trump said he wanted to see a strong dollar, and then Kudlow in March said he would like the greenback a "wee bit stronger than it is currently." The dollar got whipsawed.

While long-term investors may be finding navigation tricky, the higher volatility that the remarks on trade have produced could be benefiting those traders that have short-term positions on higher volatility.

"I don't think you really want to rearrange portfolios based on this type of volatility," said Paul Nolte, Portfolio Manager At Kingsview Asset Management In Chicago. "This is a trader market and not an investor market."

Wall Street's main gauge of volatility, the CBOE VIX index, has spiked back above the closely watched 20 level.

"Any investment style that relies on volatility should now be roaring back to life, whether you're an options trader, a momentum driven hedge fund, you need volatility to make money and you have it now," said Colas.

As the trade rhetoric escalates, investors are trying to work out whether the endgame is a full-on trade war or just rhetoric that leads to negotiations - and that is causing some investor inaction.

If comments from China's Commerce Ministry on Friday are an indication, then escalation could be in order: the ministry said that under the current conditions, the two sides could not conduct any negotiations.

"I've never subscribed to the theory that this is some position to get a better negotiating stance," said Oliver Pursche, vice chairman and chief market strategist, Bruderman Asset Management in New York, who is not changing investment strategy on the basis of the recent rhetoric. "I've looked at it a little more critically and warily than that."

Trump himself seems resigned to the notion that all the trade talk could put a serious dent in a stock market rally he's touted since his election in November 2016.

In a WABC Radio interview Friday, he said: "I'm not saying there won't be a little pain but the market's gone up 40-42 percent, so we might lose a little bit of it, but we'll have a much stronger country when we're finished."

Most US equity indexes are grinding through choppy corrections after falling 10 percent or more from their record highs earlier in the year. The S&P 500 remains about 9.5 percent lower.

Most investors are standing pat, though, despite the noise. John Surplice, pan-European fund manager at Invesco Perpetual in London, said he also had not changed portfolio positions even if policy clarity is lacking.

"It's quite difficult to have a definitive view," Surplice said. "Trying to pick winners is a bit tricky because if a trade war really takes hold it will lead to lower global growth which is negative for pretty much all companies."