Shocking swindling by shoe exporter

FROM PAGE 1

The whole scam was done in such a blatant way that even a novice could see the holes in Crescent's deals. Only Janata did not.

These firms obtained export LCs from an obscure African bank. The authenticity of the LCs has also been questioned by the BB investigators.

The proceeds from the doubtful exports never came to Bangladesh, but Crescent, in collusion with the Janata Bank top officials, took out Tk 684 crore in advance against such exports from January 2017 to February this year, the investigators say.

This is just a part of the story.

It took an even more sinister turn when the investigators found that Crescent had drawn Tk 81 crore in cash incentives from the BB.

To get cash incentives, an exporter has to prove that export proceeds have actually been repatriated to Bangladesh.

But in case of Crescent, the money came not from the destinations of exports but from elsewhere which was shown as export proceeds to get cash incentives.

Crescent claimed to have exported to Hong Kong but its export receipts came from Dubai, often from different remittance companies.

The investigators suspect the "export receipts" were not the result of exports but money sent to Dubai from Bangladesh through legal or illegal means and then brought back again through remittance companies to be shown as export proceeds.

In clear terms, these were fake proceeds that were later used to siphon money from the BB as cash incentive, according to the investigation report. JANATA BANK'S MYSTERIOUS

In every step of the unscrupulous

NON-COMPLIANCE

scheme, deep involvement of Janata Bank officials is clearly evident as the bank violated all security protocols in accepting the LCs and giving money to

Here is the full saga of the scam:

In any overseas financial transactions, the beneficiary bank is supposed to carefully verify the authenticity of the importers to avoid fraudulence. Banks get reports on the importers from credit rating companies such as Standard & Poor's.

But in this case, Janata did not bother to acquire such reports.

When the BB investigators asked the state-run bank to get reports, only then it obtained reports on only eight of the 21 importing companies that reveal how shady these companies were and Janata could have avoided fraud if it had just done due diligence.

SHADY HONG KONG COMPANIES The scam centring Crescent and Janata was apparently committed through 653 export bills all of which are now overdue or non-repatriated as it is termed in the banking world, meaning not a single payment from the exports

These export orders were placed by 21 Hong Kong-based companies, but only nine of the firms placed 90 percent of the orders. Many of the companies have the same address which the investigators found as unusual and

suspicious. "Although the names of the buyers are different, it was found that their addresses and even office numbers are the same. It is very unusual and suspicious that importers of goods worth hundreds of crores of taka will share the same address," the BB investigators

They collected credit reports on eight of the firms from international credit agency Dun and Bradstreet, something that Janata itself should have done as part of its due diligence. The credit reports couldn't provide financial information on any of the firms, seven of which are registered in

Hong Kong and one in Bangkok. Moreover, the BB found that the

firms don't exist at their mentioned

addresses.

Two of the firms -- Mutual Well Investment Ltd and King Profit Asia Pacific Ltd -- not only share the same office address, but their directors and company secretaries are also the same persons. Two other firms -- Sun Paul Leather

Craft and Lixiang Trading Ltd -- also bear the same address though the nature of their business is different. They are owned by two Bangladeshis --Shahriyar Kabir and Masud Mowla. The credit rating agency said no

registration was found for two firms --Bio Li Da Trading Com Ltd and Lixiang Trading Ltd. But they had a Bangladeshi named Manzur Ahmed as their company secretary. Another firm, Merchant Trade

Guarantee Corp Co Ltd, is a freight forwarding company in Thailand. "It is unusual that a freight forwarding company had imported leather goods worth hundreds of crores of taka," the investigation report said.

Janata, however, did not think about this point. The Daily Star talked to Crescent

Group Chairman MA Kader about the allegations, which he refuted flatly. "It is not correct that the importers don't exist," he said, claiming that he

many a time before and received export proceeds. ship may be the same because they

had exported to the same companies

belong to the same group of compa-IANATA PAID CRESCENT

WITHOUT VERIFICATION

When an export is executed, the importer accepts the documents to confirm that the export has actually

In the banking world, this is unprece-

dented but that is what Janata has

taken place and that it has received the This acceptance is given to the issuing bank -- the bank of the importer which opens LC -- (in this case the African bank) which sends the acceptance letter to the beneficiary bank

(Janata in this case) -- the bank of the

exporter -- for release of funds to the exporter. Upon receiving the acceptance from the issuing bank, the beneficiary bank may give the exporter his proceeds after slashing a certain amount as interest. This process is called creation

of Foreign Documentary Bill Purchase.

It serves both parties well -- the exporter gets his proceeds quickly and the bank, which then processes the documents and repatriates the proceeds from the issuing bank, makes profit from interest charged on the exporter.

In this case, Janata had not received any acceptance letter from the issuing bank and yet paid the exporter Tk 684 crore in advance in gross violation of the banking rules.

In Bangladesh Bank investigators' words, "The bank said FDBPs [Foreign Documentary Bill Purchase have been created, but since the export bills bore no acceptance of the issuing banks, they did not turn into bills".

In a letter on September 27 last year, the BB clearly directed Janata managing director not to buy any foreign bills without acceptance of the importer.

But Janata disobeyed the directive, and its managing director also did not notify its branches of this directive until February this year. And during this period of around four months, Janata gave another Tk 334 crore to Crescent by illegally purchasing its export bills, taking the total to Tk 684 crore.

Crescent Chairman Kader admitted that the bills remain overdue because he could not ship the products on time when his operation was disrupted due to relocation of the tannery industry

from Hazaribagh to Savar. "I am negotiating with the buyers to repatriate the export proceeds by providing some concessions to the

CORRUPTION

Goods were sent to Hong Kong but some of the payments came from remittance agencies in Dubai.

Such payments were shown as export proceeds and export incentives were taken against them.

BB thinks these "proceeds" were actually sent from Bangladesh legally or illegally.

Janata's loans to Crescent are 55% of its capital in violation of law.

Total loans of the bank's Imamganj branch to Crescent stood at Tk 2,760cr, which was 98% of its total advance.

UNSOLVED MYSTERY OF AN AFRICAN BANK

Four of the importing firms were registered in Hong Kong, Thailand and the UAE, yet they chose an obscure African Ltd, to open their export LCs. "This is not only mysterious but

extremely suspicious and illogical," the BB report said.

None of these firms has activities in Gambia, nor do they have any offices there. So why they chose this Gambian bank to open LCs now hangs as a big question -- a question that Janata never bothered to ask.

The banker who helped The Daily Star in deciphering the probe report said he never heard about LCs being issued from African banks for exports from Bangladesh and that the whole scheme was a shady affair to skim money off Janata Bank.

But Janata's behaviour was even

Banks remain very alert in case of purchasing export bills before the export proceeds are actually repatri-

The process goes like this: the exporter exports goods and the importer through his bank certifies that the exports have actually taken place. Against this certificate, the exporter then approaches his local bank -- Janata in this case -- for payment in advance.

It is then the bank goes into the whole process of due diligence to ensure that the exports had genuinely taken place and that the importer's bank is authentic and will repatriate the export proceeds in time. Once it is satisfied, the bank buys the export documents and pays the exporters in advance.

But if the exporter's bank is not convinced about the soundness of the importer's bank or if the importer's bank is not a renowned one, it asks for additional confirmation from a reputed foreign bank, say for example Standard Chartered and HSBC. The importer has to bear additional costs for such confirmation. This the bank does to reduce its risks.

In case of this Gambian bank, Janata did not ask for additional confirmation though the Gambian bank was completely an unknown entity.

Even more egregious is the fact that Janata had no way of directly contacting the Gambian bank to confirm the authenticity of the LCs.

Banks rely on SWIFT messaging network to contact each other, and to use this network, banks have to set up an authentication protocol called Relationship Management Application (RMA) between themselves. For this, a unique key is exchanged between the two banks through which they can authentically

communicate and confirm LCs.

With this obscure Gambian bank, Janata had no RMA and so it had no way of knowing if the 221 LCs issued from the Gambian bank were fake or genuine. And yet after the so-called exports, Janata without thinking twice purchased all the export bills and paid Crescent the money in advance.

In their observation, the BB investigators said, "It is doubtful if the 221 LCs were at all issued [by the Gambian bank, and the possibility of getting the export proceeds is very slim." Asked, Crescent Chairman Kader

said, "The 221 LCs issued by the African bank were not fake as many more LCs were issued by the same bank earlier and proceeds were repatriated." The proceeds of the 221 bills remain

unrealised due to delay in shipment, he claimed. The importers issued LCs from the

African bank instead of their local banks to reduce costs, Kader mentioned. "We are trying to repatriate the export proceeds," he mentioned.

MORE ANOMALIES

In matters of exports, the beneficiary bank (Janata in this case) releases money to exporter only when it gets clear confirmation from the LC issuing bank (here the Gambian bank) that the exports had actually taken place tive action against those behind the He said the office address or owner- bank in Gambia, Axios Credit Bank according to contracts. Without such scam. confirmation, paying the exporter in advance is deemed highly risky.

> documents don't comply with LC terms, it notifies the discrepancy to the beneficiary bank, which then stops payment to the exporter. Crescent had also exported goods with LCs from banks other than the

If the issuing bank finds export

Gambian one. These banks had found discrepancy in the exports and duly sent discrepancy notes to Janata through SWIFT message in case of 71 export bills. They had advised in clear terms "representation of documents is

strictly prohibited". This means the issuing bank has found so many anomalies that it will not accept any further documents against the exports. Yet, Janata bought the export bills. The BB investigators concluded

from such messages that "the export proceeds from these 71 LCs can never be repatriated".

EXPORT PROCEEDS LAUNDERED Crescent had exported goods against

export LCs from banks other than the Gambian bank. The BB investigation found that the

issuing banks (banks which opened export LCs) had made payments against 49 export bills to Janata's nostro account -- an account that a bank holds in foreign currency in another bank -with The Citibank NA in New York.

But in gross violation of the BB guidelines, Janata didn't adjust the export proceeds with the advances it paid to Crescent to buy its export bills. The bank officials didn't answer the

BB investigators' queries on how the export proceeds deposited with the February this year, he said. Citibank were used. The investigators said, "It is appar-

ent that the export proceeds of those 49 LCs were laundered to another country at the directive of Imamganj branch [of Janata Bank] in collusion with the client [Crescent]".

Crescent denied its links to the proceeds deposited with Janata's nostro account.

LCS UNADJUSTED, YET NEW

LOANS GIVEN

As repatriation of proceeds from Crescent's exports remained overdue, Janata in no way was supposed to buy any more export bills from the company. The BB had instructed the managing director in this regard in September last year. But the instruction was disregarded by Janata.

According to the probe report, the managing director didn't notify the branch until about four months after the BB order. In the meantime,

No general amnesty for varsity students

Crescent got another Tk 334 crore report. from the branch.

Later, the BB sent four more instruc-JANATA OFFICIALS' ACCOUNTS tions to Janata's head office following which the bank committed not to buy bills before adjusting previous payments against bills.

The BB investigators came to the conclusion that the MD and officials concerned at the particular branch of Janata have helped Crescent siphon off the money.

BOARD SURPRISED

The board of Janata Bank was so concerned about Imamganj branch's activities that it had appointed its executive director to look into the findings. affairs as an observer.

observer in his report to the board said Tk 140 crore of the Crescent's export proceeds were repatriated after the BB investigation. Even after all that happened and repeated instructions from the BB,

Janata continued to provide bill purchase facility to Crescent and bought fresh bills worth Tk 147 crore. While discussing the observer's report, the board was surprised to learn that the bank was continuing bill purchase facility to Crescent and asked Janata management to immediately

bills. It also asked the MD to take puni-During the board meeting, the observer wanted to know if the LCs of the fresh Tk 147-crore export bills were accepted or not by the issuing bank abroad. However, a general manager of Janata, present at the meeting, told the

provide any information in this regard. On December 28 last year, the BB asked Janata to classify the loans given to crescent against the purchase of export bills. However, the state-run bank's officials didn't mention the status of the loans given to Crescent at the board meeting on February 1 this

board that Imamganj branch couldn't

CASH INCENTIVES AGAINST DUBIOUS EXPORTS Crescent has received a total of Tk

1,074 crore in cash incentives against its exports between 2013 and February this year, and a chunk of the cash was given to it although 653 of its export bills that Janata bought remain over-This is another gross violation of the

BB rules which say a company will not be eligible for cash incentives if any of its LC proceeds remain unrealised within two years of its claim for incen-In the latest instance, the company received Tk 81 crore in cash incentives

within a day of filing claims on

February 15 this year. The speed at

which it got its cash incentives is unprecedented. But Crescent Chairman Kader claimed the cash incentive of Tk 81 crore was pending since 2016. The money was not released against the latest application submitted in

The investigators found that Crescent showed export proceeds on 117 export bills but the proceeds came not from the issuing banks but from some third parties that have no relation with the importers' banks.

The export proceeds of these 117 bills were sent from different remittance companies in the UAE.

The investigators suspect that the money was actually sent from Bangladesh to the UAE and then brought back to show as export proceeds with the intention to avail cash incentives.

But Kader brushed aside the allegation, saying payments against exports can be made by any third party notified in the business contract instead of the issuing bank only.

He said on July 25 that he would provide this newspaper with documents to substantiate his claims, but he didn't give any till the filing of this

education minister said he was sur-

prised to see the students of private

universities taking to the streets a day

after they held a meeting with school

and college students who promised to

They changed the entire picture of

the student protest even after the prime

minister accepted the students'

demands and some of the measures

were already in place, he said, adding,

"We cannot support such a situation at

He urged the VCs to be more alert.

"You have to take the responsibility

create instability in the country.

go back to classes.

private universities."

UNUSUAL TRANSACTIONS IN

Investigators checked the bank accounts of the then manager at Janata's Imamganj branch and other officials and found unusual transac-

Besides his salaries, an additional Tk 60 lakh was deposited with the branch manager's account and later withdrawn between 2015 and 2017.

WHO OWNS CRESCENT GROUP? Two brothers -- MA Kader and Abdul

Aziz -- are the main beneficiaries of the Crescent Group, according to the BB Aziz is the chairman of Remax On February 6 this year, the Footwear and also the owner of Jaaz

> Multimedia, a production house of Bangla movies. However, Kader told this newspaper that he solely owns the business and

Aziz has no involvement in it whatso-Kader is the chairman of five companies of the business group --Crescent Leather Products, Rupali

Composite Leatherwear, Crescent

Tanneries, Rupali Composite, Lexco

Limited and Glory Agro Products. His wife Sultana Begum and mother Rezia Begum are directors of all these seize the branch's power to buy export companies.

All the companies except for Glory Agro process raw hides and finished leathers, and produce leather products including shoes, sandals, bags for

women, belts, wallets and key rings for the local and international market. The primary exporting markets for processed hides and leather products are North America, EU countries, Japan, China and the Far East Countries, according to the Crescent group website.

Only about a year ago, Crescent appeared with a bang on the local market with full-page adverts in all major newspapers. It offered shoes on instalments, something no one has ever seen. Anybody could buy any shoe on instalments for up to six months. Shoe is such a commodity that people don't buy on deferred payment, and yet Crescent came up with the idea.

It also went on a spree to open showrooms around the country. In the capital alone, it has 20 showrooms with promises to open three more. It opened four showrooms outside the

JANATA BRANCH'S 98% LOANS TO CRESCENT ALONE

In the banking world, it is simply unbelievable. Janata's Imamganj corporate branch has given 98.4% of its total loans to six firms, all belonging

to Crescent Group. The branch disbursed Tk 2,804 crore in loans as of March 30 this year. Of the amount, Tk 2,760 crore was given to the six companies of the

Group from 2007 to 2017. This means Crescent's loan with Janata is about 55 percent of the bank's equity capital. It's a complete violation of the Banking Company Act which says a bank can in no way give more than 25 percent of its capital as loans to an individual or group.

JANATA'S RESPONSE Asked about the alleged scams, Janata Bank Managing Director Abdus Salam Azad told this newspaper in an SMS that an audit team from the head office

is working on the issue. "We will get back to you upon com-

pletion of the enquiry report." Janata Bank Chairman Luna Shamsuddoha also communicated with The Daily Star through email.

"We have instituted internal investigation. Our legal team is looking into the matter. We have also taken steps against some we have been able to identify for being involved in the irregularities and who have trans-

gressed the law," she said. "We are not in a position to divulge any further information because it is going to prejudice the investigation and legal steps we are contemplating," added Luna.

No one

observed.

FROM PAGE 16 "China's lawful rights should be protected."

German Foreign Minister Heiko Maas warned yesterday that US President Donald Trump's decision to reimpose sanctions on Iran could further destabilise the Middle East and boost radical forces in the region, reported AFP.

"We still think that it is a mistake to give up on the nuclear accord with Iran," Maas said in an interview with the daily Passauer Neue Presse. "We are fighting for the deal

because it also serves our purpose by bringing about security and transparency in the region." Noting Iran's geographic proximity

to Europe, Maas warned that "anyone who's hoping for regime change must not forget that whatever follows could bring us much bigger problems." "Isolating Iran could boost radical

and fundamentalist forces," he said, adding that "chaos in Iran, as we have experienced in Iraq or Libya, would further destabilise an already troubled region."

Massive raid

importers," he said.

FROM PAGE 16 ongoing drive against narcotics, militants and criminals".

He did not say whether anyone

was arrested. On Monday, students of North South University (NSU) and Independent University, Bangladesh

(IUB) clashed with law enforcers. The incident took place when the students were demonstrating against recent attacks on other protesting students. Police fired several teargas shells

leaving at least 40 people, mostly students, injured. The two universities are situated in Bashundhara area.

and rubber bullets during the clash,

Police Deputy Commissioner (media) Masudur Rahman said, "A regular drive was being carried out in the area to arrest drug peddlers and criminals."

Contacted, Dhaka Metropolitan

pers that the law enforcers were mainly raiding students' accommodations. Locals said police had also raided

However, witnesses told the newspa-

areas in Bashundhara and looked for protesting students on Monday night.

bus on July 29.

to a standstill for several days as they took to the streets demanding justice.

university students picked up during Monday's clashes and protested the attack on students. Brac University later announced on

its website that exams were suspended until after the Eid-ul-Azha. Shanto-Mariam University on Tuesday announced suspension of all classes and examinations until further

party activists clashed with students of

East West, North South and

Independent universities when they

tried to take to the streets in support of

University boycotted academic activi-

ties demanding release of 22 private

Meanwhile, students of Brac

the demonstrations for safe roads.

notice. The East West University authorities have suspended classes and exams till August 11. School and college students began

an unprecedented demonstration demanding concrete government steps to improve road safety after two college students were run over and killed by a The students brought Dhaka traffic

At yesterday's meeting, Prof Abdul

echoed a similar view.

who were placed on remand.

North South University VC Prof

University of Bangladesh, said the students should be granted general amnesty. and how he was able to let the students He said his university authorities leave after negotiating with the police. Speaking as the chief guest, the convinced the students that the govern-

them from demonstrating. Primeasia University VC Abdul Hannan Chowdhury urged the government to ensure that law enforcers do not enter campuses of any university without prior permission as it creates

ment had met their demands to keep

Mannan Choudhury, VC of World

not put students in legal tangles. "They took to the streets with legitimate demands. They have some mis-

further unrest.

takes and they were provoked as well," he said, demanding release of the arrestees. Northern University VC Prof Anwar Hossain said the students protested for

a right cause and urged them to return to classes. Prof Md Abdul Mannan, VC of and be accountable. The trustee boards Hamdard University Bangladesh,

Amirul Haque of Eastern University also demanded release of the students

will help you. We will offer all-out cooperation." UGC Chairman Prof Abdul Mannan

Atiqul Islam described how violence flared up on the campus on Monday

Ansar-VDP

the decision yesterday.

The Ansar-VDP Cooperative Society Ltd is an appropriate body to take the outreach programme "Agiye Jacche Bangladesh" to remote areas as it has trained manpower at every union and village, said committee sources.

According to the project proposal, a

function, promoting the government's

development activities, would be organised at schools every morning. "A different chapter began on August In the afternoon, information on 6," he said, adding a quarter had spread He also said law enforcers should rumours and provoked the students to

special initiatives of the PM, as well as TVC and film on drug abuse, child marriage and Liberation War would be projected there. In April, a meeting of the Executive Committee of the National Economic

Council approved the Tk 60 crore project titled "Strengthening the Publicity for Development of Rural People". Under the project, 65 short films

would be made and 21,960 film shows, 9,792 musical programmes and 4,554 outreach programmes would be arranged. Besides, 1,470 women's rallies would be organised.

The project is set to be implemented said, "We don't want our universities by the Directorate of Mass shut for a single day. Please ensure aca-Communication by November 2020. demic environment at the universities."