Regulator to go tough on institutional investors

STAR BUSINESS REPORT

THE stockmarket regulator said it is going to change the definition of institutional investors so that they played their due role in the market instead of staying aloof.

Prof Md Khairul Hossain, chairman of the Bangladesh Securities and Exchange Commission (BSEC), said if stock dealers, merchant banks and asset managers don't play their roles, their names will be removed from the list of institutional investors to bar them from enjoying quota benefits in initial public offering (IPO).

According to Public Issue Rules-2015, institutional investors get 60 percent shares of a company if it enters the market through the book building method and 50 percent shares in case of fixed-price method.

Stock dealers, merchant banks and asset management companies are considered as institutional investors irrespective of whether they carry out their responsibilities or not.

In the new definition, they will be considered institutional investors if they abide by rules, said Hossain, also a professor of the finance department of the University of Dhaka.

He said some stock dealers do not operate dealer accounts, while some stock brokers use the money of consolidated account illegally.

Besides, some merchant banks fail to bring any IPO to the market in two consecutive years, while some asset managers have taken the licence but can not bring any fund to the market, said the professor.

"All of them will be struck off from the list of the institutional investors so that they can't get any benefit as an institutional investor. Besides, their registration will be reviewed."

His comments came at a conference organised by Dhaka Stock Exchange (DSE) at the Institution of Diploma Engineers, Bangladesh on Tuesday.

Hossain asked Bangladesh Bank to be strict so that a loan repayment culture in the banking system develops.

"Liquidity problem in the capital market will never be solved if embezzlement culture continues in the banking system."

Prof Md Helal Uddin Nizami, a commissioner of the BSEC, said Bangladesh Bank and the insurance regulator were not helping the stockmarket regulator with policy support.

He said the central bank has not taken any decision yet despite instructions from the finance ministry. Recently, the ministry has sent a letter to the BB asking it to take some initiatives, including changing the definition of capital market exposure of banks.

The commissioner said the BSEC has no power to track the mobile phone conversations of gamblers, which prevents it from stopping the spread of rumours on stocks.

He said some people were trying to create panic among investors ahead of the national election, saying the market would fall further. "These types of rumours affect the market."

"Investors should not pay heed to such rumours and should invest in a company for a long time."

Swapan Kumar Bala and Khondoker Kamaluzzaman, commissioners of the BSEC, Prof Abul Hashem, DSE chairman, and KAM Majedur Rahman, DSE managing director, also spoke.

DSE

Md Khairul Hossain, *third from left*, chairman of the Bangladesh Securities and Exchange Commission, attends a conference on financial literacy organised by Dhaka Stock Exchange (DSE) at the Institution of Diploma Engineers, Bangladesh on Tuesday.

Leaders need to fix broken economic models: IMF chief

AFP, *Nusa Dua, Indonesia*

WORLD leaders need to fix global trading systems instead of trying to tear them down, International Monetary Fund chief Christine Lagarde said Wednesday, in a rebuke to nationalist politicians pushing tariffs and protectionism.

Her comments come as a trade spat between China and the United States threatens economic growth around the world, with IMF experts warning of "new vulnerabilities" in the global system.

"We need to work together to de-escalate and resolve the current trade disputes," Lagarde said at an IMF and World Bank gathering in Bali.

"We need to join hands to fix the current trade system, not destroy it," she added.

Around 32,000 members of the global financial elite are on the Indonesian holiday island for a week of discussions that have been clouded by US President Donald Trump's America First trade policy.

Trump has levied or threatened tariffs on goods from economies around the world, notably China, but also on traditional allies such as the European Union.

A raising of US interest rates has also helped send emerging market currencies into a tail spin, as countries that borrowed heavily in dollars race to pay back their debt.

The IMF's latest report on world financial stability, released Wednesday, said global growth could be at risk if emerging markets deteriorate further or trade tensions escalate.

"New vulnerabilities have emerged and the resilience of the global financial system has yet to be tested," it said in the twice-yearly Global Financial Stability Report.

Market participants "appear complacent" about the potential risks from a "sudden, sharp tightening of conditions" -- like rising interest rates or declining access to capital.

More tariffs and their countermeasures "could lead to a broader tightening of financial conditions, with negative implications for the global economy and financial stability," the fund warned. Lagarde told her audience Wednesday that she did not feel overly gloomy about global conditions.

"It's tempting to be a bit depressed about this perspective but I'm actually hopeful because there is a clear appetite to improve and expand trade," she said.

Prominent US academic Jeffrey Sachs was less diplomatic in his assessment of Trump's shepherding of American trade relationships, slamming the president's repeated claims that deficits with China and other nations meant Americans were being taken advantage of.

"Trade deficits don't (necessarily) mean cheating by the other side... This is the United States trying stop China's growth -- it's a terrible idea," Sachs, director of the Center for Sustainable Development at Columbia University, told a seminar in Bali.

"All the accusations against China are completely trumped up... Grossly exaggerated."

As interest rates rise in advanced economies, prompting investors to take their money in search of higher returns, the IMF said emerging economies should take steps to insulate themselves from an exodus of funds.

That would include boosting foreign currency reserves that could be used in a crisis, as well as working with local bond markets to build a local investor base, rather than relying on financing from abroad.

The fund also pointed to risks from high corporate debt and too much government borrowing, a hangover from fiscal stimulus measures and government rescue spending in the wake of the 2008 global financial crisis.

Since the last stability report in April, global economic conditions have become less balanced, with a more pronounced divergence between advanced and emerging economies.

Despite the Federal Reserve's interest rate increases, financial conditions "have eased further" in the US as equity valuations have stayed lofty.

Conditions in Europe and other major advanced economies have also remained "relatively easy," although investors have pushed back their expectations for the European Central Bank to lift interest rates, the report said. In China, the situation remains "broadly stable," although corporate debt is above historical levels and household borrowing is at the high end among emerging countries.

"China is well aware and is taking steps to slow down the debt buildup," said Vitor Gaspar, director of the IMF's Fiscal Affairs Department.

REUTERS

IMF Managing Director Christine Lagarde talks during a trade conference at the 2018 International Monetary Fund and World Bank Group Annual Meeting in Indonesia yesterday.

China's ultra wealthy buffeted as trade war bites

AFP/FILE

Alibaba founder Jack Ma delivers a speech during the 2018 Computing Conference in China.

AFP, *Beijing*

CHINA'S ultra wealthy saw their ranks thinned this year as the trade war with the US pummelled stocks and shredded billions of dollars of paper wealth, a survey showed Wednesday.

The number of Chinese, or China-based magnates, with a net worth over 2 billion yuan ($290 million) fell by 237 to 1,893 individuals this year, according to the annual ranking compiled by Shanghai-based luxury magazine publisher Hurun Report.

More than half of the richest Chinese saw their wealth shrink or remain unchanged during the year, the survey showed, while a record number of individuals were knocked from the rankings.

A 20 percent drop in the stock exchange, "on the back of a slowing economy and the US-China trade war, resulted in 456 drop-offs this year, the highest since records began twenty years ago," said Hurun Report Chairman Rupert Hoogewerf.

Gone from the list are chemical industry magnate Zhu Shuangquan, lighting titan Zhang Yutao and electric components makers Zhong Xiaoping and wife Liu Qiuxiang, all of whom have seen their companies' share prices sink this year.

The manufacturing sector has been hit particularly hard by US President Donald Trump's tariffs on roughly half of China's imports -- and the proportion of those with fortunes made in the sector fell to 26.1 percent from 27.9 percent last year.

While the world's second largest economy still boasts the most dollar billionaires of any country in the world, their ranks were thinned to 620 people, according to Hurun.

Alibaba's Jack Ma, on the other hand, saw his fortunes improve, retaking the mantle of China's richest from real estate mogul Xu Jiayin, who dropped to number two.

Ma's wealth shot up to $39 billion as his large stake in Ant Financial, operator of the world's largest money market fund and a mobile payment goliath, saw its valuation rise.

His endeavours also boosted the fortunes of 13 others who made the rich list on his coattails.

But Ma lags far behind American titans like Jeff Bezos, Warren Buffet and Bill Gates, with Forbes recently valuing Bezos' wealth at $112 billion.

Ma recently announced his planned retirement from the e-commerce giant he founded with plans to follow Gates down the path of philanthropy.

Chinese women saw their share of wealth shoot up, making up 28.7 percent of the list this year, a 20-year high, according to Hurun.

Fat profits: Asian traders cash in as Europe thirsts for waste oils

REUTERS, *Kuala Lumpur*

Once surreptitiously dumped down drains in the dead of night, Asia's used cooking oil is fast becoming one of the most sought-after commodities in Europe - as a feedstock for biodiesel.

Aggressive green energy targets in the European Union that were bolstered further this year are pushing fuel makers to churn out biodiesel containing recycled cooking oils and fats, phasing out the use of fresh vegetable oils in the process by 2030.

That has unleashed a wave of demand for used oil from places such as China and Southeast Asia, where cooking oils are widely used to prepare everything from stir-fries to piping hot samosas.

Amizuri Abdullah, who picks up used oil from restaurants, fast food outlets and food factories for Malaysian waste oil collection firm FatHopes Energy, said his job had been getting markedly busier.

"When I first joined the company a year ago, there were about 15 or 16 stops to make in a day. Now there can be as many as 25, and more people are asking about it," said Amizuri, who wears bright blue protective gloves to pump used oil into a tank on the back of his truck on the outskirts of Kuala Lumpur.

The oil is unloaded at a collection centre where it is filtered to remove food scraps like chicken bones and skin, before being processed to reduce contamination. It is then transferred into tankers for export to Europe.

FatHopes Chief Executive Vinesh Sinha said the company's exports of waste-based feedstock to European oil majors had grown 40 percent in the last three years, forecasting a threefold increase in Europe's demand for such feedstock by 2030. Used cooking oil makes up a good chunk of what the company collects from thousands of sites across Southeast Asia, but it also buys coffee grinds, animal fats and palm oil mill waste.

"My clients are struggling to find feedstock in anticipation of the EU policy," he said.

Asia's used cooking oil industry was estimated to be worth around $500 million a couple of years ago, but analysts said more recent estimates were not available due to the rapid growth in the number of new collectors and traders.

Justin Yuan, chief executive of the used cooking oil division at Chinese consulting company STIN Group, said shipments from China would likely hit 300,000 tonnes this year, up from 200,000 tonnes in 2017.

He said most cargoes go to Europe and that volumes were set to keep surging in coming years.

"More overseas biodiesel plants will source used cooking oil in China. With soaring demand from home and abroad, it will put great pressure on used cooking oil supplies," Yuan said. "The competition will be fiercer."

Indeed, waste oil demand is already outstripping supply around Asia, with traders estimating that the premium it fetches over crude palm oil prices has doubled from around two years ago to stand at about 10-15 percent.

Used cooking oil is traded at prices pegged to crude palm oil, typically trading at a premium due to its greener credentials. Traders said it currently cost around $600-700 a tonne on average.

That appetite is also good news for the thousands of restaurants and other businesses where the used oil is collected, which typically earn around 40 US cents per kilo of the commodity.

Analysts said that in the past many restaurants and food manufacturers poured old oil down the drain when the time came to replace it, often breaking rules designed to protect sewage systems that are very difficult to enforce.

Today, collectors are competing to lock up supplies from around the region to feed expanding biofuel operations in Europe.

In June, the European Union agreed to phase out crude vegetable oils usage in transport fuel from 2030 as part of a broader plan to increase the share of renewables in the bloc's energy production.

"The industry here (in Asia) is about whether you have the capacity to get more oil. Competition is very fierce now, so the margins we have are little," said Rick Ng, business advisor for Singaporean waste oil collector Go Green Recycle Oil.

In May, French oil major Total said waste material would account for 30-40 percent of feedstock supplies at its new 650,000 tonnes capacity biofuel refinery in southern France.

Britain-based biofuel supplier Greenergy in July acquired an idle vegetable oil processing plant in Amsterdam to turn waste oil into biodiesel.

Greenergy, Europe's largest producer of biofuels made from waste, in September also acquired Singapore-based used cooking oil exporter Rexon Energy to help secure raw material supplies.

REUTERS/FILE

Crude oil is poured from a bottle in this illustration photo.