

Fed should delve into causes of cash shortage

New York Fed president says

The Federal Reserve will have to delve into the causes of the cash shortage that hit financial markets last week and prompted the central bank to step in, New York Fed President John Williams said Monday.

When the cash crunch worsened, clogging the plumbing for the US financial system, the Fed "acted quickly" and this "had the desired effect of reducing strains in markets," Williams said in prepared remarks.

But he acknowledged that the reaction was more than expected.

The episode highlights "the vital role that the Federal Reserve plays in supplying liquidity to the system when markets are under stress. We were prepared for such an event, acted quickly and appropriately, and our actions were successful."

But it remains important to "examine these recent market dynamics" that led to the situations, Williams said. "We will continue to monitor and analyse developments closely."

The comments came as the Fed continued to offer \$75 billion in short-term cash loans to banks to ensure they have enough reserves to meet the minimum requirement.

However, in a sign the liquidity shortage may be easing, on Monday, the fifth day of emergency cash injections, the New York Fed received requests for only \$65 billion.

Williams said the Fed was expecting some issues at the end of the quarter as an array of conditions converged to dry up liquidity in the banking system -- including quarterly corporate tax payments and a surge in government debt sold to investors, which drained cash out of banks.



The corner stone of The New York Federal Reserve Bank is seen in New York's financial district.

As a result, short-term interest rates were rising sharply, outside of the Fed's desired range. He said "the size of the reaction in repo rates, the spillover to unsecured markets such as federal funds, and the emergence of strains in market functioning were outside of recent experience."

In last week became clear that "markets were not effectively distributing liquidity across the system" and the situation "had the potential to become more acute," Williams said.

After four days of so-called repo operations, the New York Fed announced Friday it would conduct the cash injections daily through October 10.

Banks borrow regularly in markets for very short periods, usually overnight, to make sure their daily cash reserves do not fall below the required level. But interest rates increase with demand. The New York Fed adds or removes liquidity to keep interest rates in line with the desired target range.

India aims to sell Air India, other firms by March 2020

REUTERS, New Delhi

India aims to sell two or three state-owned firms to local or foreign firms to raise up to 600 billion rupees (\$8.5 billion) by March 2020, a senior Finance Ministry official said on Monday.

The government planned to sell Bharat Petroleum Corp, logistics firm Container Corp of India Ltd and debt-laden Air India before the end of the 2019/20 financial year, the official told reporters.

The Prime Minister's Office had voiced reservations about the Finance Ministry's past sales of stakes in one state entity to another, the official said.

Visa to bring QR payment system

FROM PAGE B1

"We think that there is a great opportunity to expand business in Bangladesh. As only 6 percent clients are making payments through digital platforms," he said.

The QR payment system will expand rapidly once banks come on board, helping to build a cashless society, Ramachandran said.

He expressed hope that at least 10 to 15 banks and up to 1 lakh merchants would join the initiative within the next six months.

New top brass for Marine Fisheries Assoc

STAFF CORRESPONDENT, Ctg

Bangladesh Marine Fisheries Association (BMFA) recently elected a new executive committee for 2019-2021.

The election took place at a meeting at Hotel Radisson Blu Chattogram Bay View on September 21, says a statement. Nurul Qayyum Khan was elected president, vice admiral (ret'd) Zahir Uddin Ahmed first vice president, Ahsan Iqbal Chowdhury second vice president, Moshir Rahman Chowdhury secretary general and Md Nazrul Islam treasurer.

Khan is also president of Bangladesh Inland Container Depots Association and co-chairman of FBCCI Standing Committee for the Ministry of Shipping.

Online banks to take bigger share of US deposit market

REUTERS

Online banks, such as Ally Financial Inc and Capital One Financial Corp, are expected to take a bigger chunk of the overall US deposit market, after racking up \$95 billion in customer deposits this year with enticing yields on most savings accounts.

Online savings banks are starting to take market share away from traditional consumer banks, increasingly offering higher interest rates on deposits to a new generation of savvy, affluent consumers, who want higher payouts on their deposits.

According to analysts at brokerage Evercore ISI, these online banks have now cornered about 10% of the overall deposit market in the US - or roughly \$1.26 trillion.

"There are now a dozen plus online only savings banks (and some of the E-brokers) offering much higher yields as a way to entice deposit growth ... and it's working," Evercore said in research note.

The 10 largest banks led by Bank of America Corp (BAC.N) currently dominate industry deposits, owning a 48% share, or roughly \$6.13 trillion, according to the report. Limited overhead and regulatory-light models have helped large online banks pay five to 10 times more on deposits than traditional consumer banks, said the report.

The market share of these online banks have more than trebled in the last decade, buoyed by higher rates during a low-rate environment, among other things.

Gold gains on global growth woes

REUTERS

Gold rose to a more than one-week high on Monday as weaker-than-expected economic data from Europe heightened fears of a slowdown in global growth, while palladium continued its record run driven by short supply of the auto-catalyst metal.

Spot gold was up 0.2 percent at \$1,519.46 per ounce at 1122 GMT after hitting its highest since Sept. 12.

US gold futures rose 0.8 percent to \$1,526.80 an ounce.

"We have to acknowledge that these global growth worries are still there... the German data and data from Europe were weaker than expected. So... we're seeing fundamental support for gold," Julius Baer analyst

Carsten Menke said.

Gold is likely to trade higher in the near term with more monetary easing by the world's central banks and trade issues between the United States and China still on the table, he added.

German private sector activity shrank for the first time in 6-1/2 years in September, while euro zone business growth stalled this month, a survey showed.

The weaker-than-expected economic readings added to investor worries over the effect of the US-China trade dispute on the world economy, denting appetite for riskier assets.

Over the weekend, the US Trade Representative's office issued a statement characterising two days of talks with China as "productive." This comes after Chinese officials

unexpectedly cancelled a visit to US farms following their negotiations in Washington.

Adding to global geopolitical risks, tensions remained elevated in the Middle East after Washington ordered more troops to the Gulf region to strengthen Saudi Arabia's air and missile defences, following an attack on the kingdom's oil facilities.

Meanwhile, palladium surged to a all-time high of \$1,664.50 an ounce.

"There seems to be a shortage of material... the forwards are tightening as well and there is good demand that cannot be met at the movement," said Afshin Nabavi, senior vice president at precious metals trader MKS SA.

Palladium has risen more than 8 percent or about \$125 so far this month.



FH Ansarey, managing director of ACI Motors; Pradip Kar Chowdhury, executive director for finance and planning, and Faisal Rahman, deputy managing director of Prime Bank, attend a deal signing ceremony in Dhaka recently to initiate motorcycle financing options.

Rejoinder and our reply

FROM PAGE B1

Unfortunately, the report seemed to have focused on only one case - the delay to pay the dues of Bangladesh Inland Water Transport Authority Employees' Pension Fund. And this presentation has overshadowed our payment to many large government organisations while the report mentioned only few payments.

This may lead to form a wrong perception of the bank's capability and willingness, which needs to be clarified.

The fact that we want to reiterate is, all these government entities eventually acknowledged to retain these funds with our bank and are extending us their support, which is crucial for this new journey of Padma Bank.

We would also like to inform that as a responsible and transparent institution, we have been paying the due interest to all our term-deposit customers on their funds as per terms of agreement.

To highlight our current financial strength since 2018, the bank recovered Tk 596.17 crore from its disbursed loans previously and collected a fresh deposit of

Tk 1,344.88 crore.

The bank made a total payment of Tk 2,686.24 crore, of which Tk 345 crore was paid to government related institutions and state banks. Additionally, it paid Tk 480 crore to other corporate customers.

From a financial mismanagement in its early years when it was known as Farmers Bank, Padma Bank which took its new name on January 29, has made a spectacular comeback.

Our Reply

The Daily Star ran the report based on the latest central bank statement on Padma Bank's deposit repayment performance till July 2 this year.

According to the central bank, a total of 18 government organisations parked Tk 1,323 crore in deposits with Padma Bank. Of the sum, the lender has returned only Tk 87.47 crore.

On July 14, the central bank also instructed Padma Bank to sit with government and non-governmental organisations to settle their fixed deposits, special notice deposits and call money.

So, we stand by our report.

Facebook to appoint local representative

FROM PAGE B1

At yesterday's meeting, which was attended by senior officials from the NBR, Bangladesh Bank, telecom ministry and law enforcement agencies, security issues were discussed too.

Telecom division officials also asked Facebook to sign an agreement to provide security information but the social media giant declined to do as such types of deals should be done under government-to-government protocol.

Facebook also promised to promote correct Bangla language on their platform and if needed they will move for partnership with a local university and appoint professors to that end, said meeting sources.

As of August, there are about 9.81 crore active internet connections in Bangladesh, according to the BTRC. There are 3.50 crore active Facebook accounts.

Huawei CFO's arrest at airport to be focus of Vancouver hearing

REUTERS, Vancouver

Lawyers for Huawei Chief Financial Officer Meng Wanzhou will be in a Canadian courtroom on Monday to press for details surrounding her arrest at Vancouver's airport nearly 10 months ago.

Meng, 47, was detained on Dec.

1 at the request of the United States, where she is charged with bank fraud and accused of misleading HSBC Holdings Plc about Huawei Technologies Co Ltd's business in Iran. Meng, who is expected in court, has said she is innocent and is fighting extradition. The arrest has strained China's relations with both the United

States and Canada. At Monday's 10 a.m. (1700 GMT) hearing before Justice Heather Holmes of the British Columbia Supreme Court, Meng's defense team will request more disclosure surrounding her detention at the airport, including contacts between US and Canadian authorities.

BB move boosts stocks

FROM PAGE B1

"It is a welcoming initiative which boosted investors' confidence," said Rakibur Rahman, one of the directors of the DSE. The government will have to continue providing the support to the market to keep it alive, said Rahman, also the chairman of Midway Securities.

The central bank measure came after it realised the impact of the liquidity crunch on the market slump in the last few months. The broader index lost around 10 percent in the last three months. The index regained 145.23 points in the last two days.

Earlier this month, the central bank increased the advance-to-deposit ratio to 85 percent for banks from

83.5 percent in a bid to mitigate the liquidity crunch.

Yesterday, the top three positive index contributors of the market were Brac Bank, British American Tobacco Bangladesh and Renata.

Of the traded stocks, 282 gained, 53 dropped and 18 remained unchanged.

Among the major sectors, non-bank financial institutions exhibited the highest positive movements with a 3.58 percent gain, while fuel and power showed negative movement, shedding 0.12 percent.

Turnover, another important indicator of the market, rose 70 percent to Tk 517.34 crore yesterday compared to the previous day.

Prime Finance topped the gainers'

list with a rise of 9.72 percent, followed by Sonar Bangla Insurance, Meghna Condensed Milk, International Leasing, and Provati Insurance.

On the other hand, the worst loser was National Polymer, which gave up 9.93 percent. Grameenphone became the top-traded stock with a turnover of Tk 20.17 crore worth of shares, followed by National Tubes, Summit Power, VFS Thread Dyeing, and Fortune Shoes.

Chattogram stocks also rose with the bourse's benchmark index, CSCX, advancing 164.95 points, or 1.81 percent, to finish the day at 9,241.72.

Gainers beat losers as 199 securities advanced, 36 declined and 18 finished unchanged on the port city bourse.

Private sector can help reduce inequality

FROM PAGE B1

She pointed out that businesses firstly need to be profitable before getting involved with activities of social wellbeing.

Mohammed Emdad Ullah Matin, joint secretary to the Local Government Division, spoke of a national project on "Strengthening Women's Ability for Productive New Opportunities" of which he was the director.

He said they were trying to avail the private sector's involvement in the project to provide skills training and create employment opportunities.

Abdul Mannan, director of another such scheme, "Livelihoods Improvement of Urban Poor Communities Project", said they were working in phases on four million urban poor in 36 city corporations and pourasavas prioritising women and people with disabilities.

Farhina Ahmed, joint secretary to finance division, Asish Goupal, managing director of Marico Bangladesh, and Shaila Khan, assistant resident representative, partnerships and business development, UNDP, also spoke.



M Azizul Huq, chairman of Pubali Bank, opens an "Islamic Banking Window" at the bank's "CDA Corporate Branch" in Chattogram. Fahim Ahmed Faruk Chowdhury, a director, and Md Abdul Halim Chowdhury, managing director, were present.

LOOKING FOR EQUITY PARTNERS

A leading and sophisticated Agro based FMCG company is looking for bonafide Equity Partners for operating business and its overall governance. Interested Local / Foreign Companies / Investors / Group of Companies / Capital Financing institutes / Ventures Capital / Entrepreneurs are cordially requested to communicate to the following mobile phone numbers at the earliest for details.

Contact: 01817-538162, 01712-162802