NBFIs asked to set up cybersecurity teams

Star Business Report

Bangladesh Bank has asked non-banking financial institutions (NBFIs) to form their own cybersecurity management teams in order to monitor and thwart digital threats.

The cybersecurity teams will have to present the overall status of the IT security and system backup during board meetings, according to a notice of the BB yesterday.

At the end of each working day, the backup of the overall ledger and database should be collected and stored properly as per the guidelines. There are 36 NBFIs operating in the market in Bangladesh.

Bangladesh's financial sector is increasingly embracing digital banking by rolling out various retail products. For instance, many lenders have already introduced app-based banking, enabling clients to carry out banking activities online. In addition, some banks are setting up cash recycling machines to replace the existing automated teller machines.

The ongoing coronavirus pandemic has given a boost to these digital initiatives as they helped people settle transactions without having to visit their local branches.

Against this backdrop, there is a strong requirement to strengthen IT security in the financial sector. Accelerated digitalisation and remote working arrangements have increased the global financial sector's exposure to cyber-risks and could lead to more complex cyberattacks that trigger higher losses, according to global rating firm S&P.

Tangail brush makers losing out for lockdowns

Lack policy support

MIRZA SHAKIL

Lockdown-induced fall in sales, rising cost of raw materials, competition from China, and a lack of state initiatives have left brush makers of a small Tangail village in a fight for survival. The photo was taken recently.

Mirza Shakil, *Tangail*

An apparent lack of coordination and disconnect with state initiatives is causing brush makers of a small village in Tangail to lose out to the Covid-19 fallouts and competition from China.

Herendrapara is situated in Lauhati union of Delduar upazila, just around 80 kilometres northwest of Dhaka.

It is home to three entrepreneurs who set up their own brush making factories nearly three decades ago, earning hands-on experience on the trade at the capital's Lalbagh.

The entities employ about 500 people from the village, including 300 women and girls, who earn Tk 150 to Tk 200 a day assembling the tuft of hairs from cow tails and plastic, nylon and metal wires in a variety of factory-made wooden frames.

These earnings, a shift from traditional livelihoods from making earthenware, fishing and as farm hands, empower the women through their contributions to family and personal needs and enable educating their children.

Dhaka-based shops and traders mostly purchase the end products, which have various uses, such as polishing shoes, cleaning coats and toilets, shaving and painting.

But now the factories are struggling to survive due to the lockdowns and declining sales, which have had a trickle-down effect on their employees.

"We cannot sell our brushes. So, my factory has to be kept closed," said Abdul Mannan, one of the three entrepreneurs.

His peer, Ramzan Ali, said, "We couldn't sell old stocks, so we have had to suspend production and send the employees on leave. If there is no work, how can I give work to the people of the village?"

Moreover, Chinese brushes, made from hair out of cow tails from Bangladesh, have grabbed the market the local brushes had with the police department, said Ali.

Every kilogram of the hair cost Tk 60 to Tk 70 four years ago. It now costs Tk 350. The rise in the production cost is one of the causes behind the business downfall, he said.

About 3 lakh shoe brushes are purchased by the police department every year, said Ali.

"As far I know, every Chinese shoe brush was bought for Tk 85 four years back, but ours was only Tk 27," he said.

The Chinese ones had a better finishing for being made with machines, and the hairs also did not loosen that easily, he admitted.

However, if loans were available for the purchase of the machinery, each of which costs Tk 17 lakh to Tk 18 lakh, and if the hair export was barred, the locals can produce brushes of the same quality at Tk 55 to Tk 60, he claimed.

"We request the forces to use our brushes to keep the country's small industry alive," Ali added.

The factory owners allege the Bangladesh Small and Cottage Industries Corporation (BSCIC) did not extend any assistance.

Shahnaz Begum, assistant general manager of the BSCIC in Tangail, said she did not know about this situation. "No one from there came to us," she added.

BUDGET 2021-22

MFS recognised for pivotal role, but tax hike could stall progress

Tanvir A Mishuk

OPINION

The continuous support of the mobile financial service (MFS) industry to the government and individuals to face the challenges of Covid-19 in the last 16 months has been recognised by the top policy-makers.

In the first week of June, Finance Minister AHM Mustafa Kamal, while unveiling the budget for the 2021-22 fiscal year, pointed out the industry's role several times and proposed to include the payment system to carry out various transactions.

There is no doubt that the MFS has brought forth new possibilities and changed the mode of transactions to a large extent through the handheld device. It has accelerated financial inclusion and ensured transparency in the disbursement of government financial assistance.

When the unprecedented pandemic was wreaking havoc on the economy and the entire country was suffering in so many ways, the MFS emerged as a saviour.

The industry has created enormous opportunity for new businesses and introduced the country to the world anew. But it is going to face a significant burden in the form of corporate tax from the upcoming fiscal year.

We were stunned to see that among all the sectors, only the MFS sector will see a hike in the corporate tax rate in the next fiscal year as per the budget proposals. The rest of the businesses either have seen a cut in the corporate tax rate, or their tax rate has remained unchanged.

It seemed to me that there must be a misunderstanding. Whether right or wrong, we must take the initiative to resolve it. Otherwise, the journey of digitalisation and our aspiration to become a higher middle-income country and ultimately a developed economy will be dealt with a major blow.

Currently, the MFS pays 32.5 per cent corporate tax. It has been proposed to increase it to 37.5 per cent and 40 per cent in two categories.

The MFS that is listed on the stock market will pay 37.5 per cent corporate tax, and the non-listed will have to fork out 40 per cent. As no firm has gone public yet, all MFS providers will have to bear a corporate tax rate of 40 per cent if the proposal does not see any revision before the budget is passed in the august Parliament.

As no MFS operators are making any profit, they don't have to pay the corporate tax. As a result, the tax burden is not affecting the customers. But it will have a long-term impact on attracting investment to the sector. With such a tax rate, the potential investors will backtrack from making any investment in the sector.

As for Nagad, several world-renowned companies are in talks with us to invest in the company. With the new tax structure, many of them might be discouraged. So, we should not miss out on the opportunities of drawing international investment to the sector as it will speed up digitalisation.

The MFS industry is already a lucrative tax providing sector.

For each transaction, the government gets 15 per cent as a value-added tax (VAT). Moreover, a 10 per cent advance income tax (AIT) at the agent level and a 12 per cent AIT at the distributor level is already applicable. So, the government collects a significant amount of tax from the sector. As it is an easy source for generating revenues, the government might have been prompted to raise the corporate tax rate.

The MFS sector has been recognised in the national budget. In order to obtain information for government records, MFS transaction information was proposed to be included.

Using banks has been mandatory to pay salaries above Tk 15,000. Now, MFS has been included as a compulsory medium. Moreover, house rent can be paid through MFS, which can also be presented as proof in the income tax return.

Previously, it was mandatory to use the banking channel to transact more than Tk 50,000 for businesses. The new budget has proposed to incorporate MFS operators. The transaction records can also be produced during return submission.

All of these are actually a big recognition for the MFS sector and the work we, all the operators, are doing in easing and making transactions transparent.

We should not forget that this is a growing industry. Customers are getting used to the service. So, the MFS operators are continuously putting in place the proper infrastructure and raising awareness among the increasing number of users.

READ MORE ON B3

GLOBAL BUSINESS

Axiata, Telenor seal $15b deal to form Malaysia's biggest mobile operator

Reuters, *Oslo*

Malaysian telecoms firm Axiata Group Bhd and Norway's Telenor ASA will merge their mobile operations in Malaysia in a $15 billion deal, forming a new market leader in the competitive Southeast Asian nation.

The companies had said in April they were in advanced talks to merge Celcom Axiata Bhd and DiGi.Com Bhd, and each party would own 33.1 per cent of the combined firm.

"Assuming a smooth transition, post integration period, we are expecting to see improvement in EBITDA and cashflow margins in the combined entity in step with our ongoing commitment to maximise dividend payout for our shareholders," Izzaddin Idris, president & group CEO of Axiata, said in a statement on Monday.

The union of the country's second and third largest mobile services providers will create a company estimated to have annual revenue of $3 billion, with core profitability of $1.4 billion from a subscriber base of about 19 million, Axiata and Telenor said in a joint statement.

The merged entity, Celcom Digi Bhd, has a "pre-synergy" equity value of nearly 50 billion ringgit ($12.1 billion), the companies said. It will remain listed in Kuala Lumpur, in line with a preliminary agreement announced in April.

Two sources familiar with the deal said the implied $15 billion enterprise value of the combined firmwas based on Digi's share price of 4.18 ringgit as of Friday. Digi's shares rose 3.4 per cent on Monday to take its valuation to $8.1 billion.

The deal comes at a time when mobile operators are facing pressure on profits in a challenging industry environment. Celcom Digi's main competitor would be the current largest telecoms operator in the country, Maxis Bhd.

The transaction, subject to regulatory and other approvals, is expected to be completed by the second quarter of 2022.

As a result of the deal, the companies plan cost cuts and savings on capital expenditure with a net present value of about $2 billion, Telenor said in a statement.

Axiata said it entered into the agreement with Digi, where 100 per cent equity interest of Celcom Axiata would be transferred to Digi for a total consideration of 17.76 billion ringgit ($4.3 billion).

Digi said the merger would result in Axiata receiving newly issued shares in Digi and a cash consideration of 1.7 billion ringgit from Digi as new debt in the merged company.

"As part of an ownership equalisation in Digi under the terms of the merger, Axiata will also receive close to 300 million ringgit from Digi's largest shareholder Telenor," it said in a statement.

Axiata said last Tuesday it hoped to seal the merger within days or a week, having completed due diligence. Morgan Stanley was the sole international advisor to Axiata on the deal, while Citi advised Telenor.

Oil prices firm on summer demand as Iran talks drag

Reuters, *London*

Oil prices edged higher on Monday, underpinned by strong demand during the northern hemisphere summer driving season and a pause in talks to revive the Iran nuclear deal that could lead to a resumption of crude supplies from the OPEC producer.

Brent crude for August gained 14 cents, or 0.2 per cent, to $73.65 a barrel by 1109 GMT. US West Texas Intermediate (WTI) crude for July was up 21 cents, or 0.3 per cent, at $71.85 a barrel.

REUTERS/FILE

Pipelines run down the deck of Hin Leong's Pu Tuo San VLCC supertanker in the waters off Jurong Island in Singapore.

Both benchmarks have risen for the past four weeks on optimism over the pace of global Covid-19 vaccinations and expected pick-up in summer travel. The rebound has pushed up spot premiums for crude in Asia and Europe to multi-month highs.

"Oil's underlying physical demand picture remains positive," said OANDA analyst Jeffrey Halley. "Despite the noise in financial markets, the real world is on the right track and will require increasing amounts of energy as it reopens." Bank of America said on Monday that Brent oil was likely to average $68 this year but could hit $100 next year on unleashed pent-up demand and more private car usage as public transport use lags and remote workers run more errands near their homes.

Negotiations to revive the Iran nuclear deal took a pause on Sunday after hardline judge Ebrahim Raisi won the country's presidential election. Two diplomats said they expected a break of about 10 days.

Iranian and Western officials say Raisi's rise is unlikely to alter Iran's negotiating position.

A deal could lead to Iran exporting an extra 1 million barrels per day, or 1 per cent of global supply, for more than six months from its storage facilities.

UK financial sector urges caution over any 'work from home' law

Reuters, *London*

How people divide their working hours between home and office should develop naturally over time and not be forced into law, senior financial services industry officials said on Monday.

Britain has indicated it may legislate to allow people to work flexibly by dividing their time between the office and home, building on the experience of millions who have worked from home since Covid-19 forced lockdowns in March last year.

Many firms have already said they plan a mix of home and office working once pandemic restrictions are lifted.

"This is going to evolve, clearly, and that's why legislation would be inappropriate," Bruce Carnegie-Brown, chairman of the Lloyd's of London insurance market, told City & Financial's City Week event.

"We have to allow different sectors of the economy to adapt in different ways to address this opportunity, frankly, for a more mixed economy of remote and physical work."

REUTERS/FILE

The City of London financial district is seen with office skyscrapers commonly known as 'Cheesegrater', 'Gherkin' and 'Walkie Talkie' seen in London, Britain.

Anne Richards, chief executive of asset manager Fidelity International, said employers were being forced to think hard about what they are asking people to come into the office to do and what can be done from home.

"Ultimately it will become something of a competitive advantage if you can get the balance right on some of these things, give people a bit more flexibility to act as grown-ups," Richards said.

"I don't think a legislative approach probably is the right answer, I think this will find its own natural equilibrium," she added.

Karan Bilimoria, president of the Confederation of British Industry, an employers' body, said employers should make their own decisions on the mix of working from home or office.

"It would be the wrong thing to force this to happen, it should evolve in its own way," Bilimoria said.

Carnegie-Brown said the return to the office should be treated carefully so those working from home did not feel excluded.