BB unveils guideline on non-banking assets

MD FAZLUR RAHMAN

The Bangladesh Bank yesterday unveiled a guideline on non-banking assets to allow lenders to deal with the properties put up as collateral after borrowers default.

When clients fail to pay back loans, banks can take over the assets through legal channels. These assets are called non-banking assets.

The guidelines asked banks to complete the registration and mutation of the assets, ensure the physical possession within the quickest possible time, and include the assets in the balance sheet after adjusting the dues.

The BB ordered banks to assess the value of the assets prudently. The valuation must be done by a three-member committee comprising officials who are experts in the field.

If the valuation differs from the government-fixed rate for local properties, the assessment report must include rationality.

The assessment also has to be carried out by valuation firms or professional bodies, according to the BB. The lower value among the prices determined by the valuation committee and the valuation firms has to be considered as the market price of the assets.

At the time of the assessment of the value, assets such as tin-roofed or semi-pucca structures, unusable structures and machinery have to be sold as soon as possible and deposited the proceeds against the loans. These assets can't be included as non-banking assets.

The market price of the land on which the tin-roofed or semi-pucca structure, unusable structures and machinery are located has to be ascertained after deducting the expenditure needed to remove them.

If the valuation sees an abnormal reduction in the price compared to the last assessment carried out by the bank, the reasons have to be ascertained, and the persons responsible have to be identified, the BB said.

The Bangladesh Bank headquarters in Motijheel, Dhaka. The BB has asked banks to assess the value of non-banking assets prudently. The valuation must be done by a three-member committee comprising officials who are experts in the field.

STAR/FILE

Before adjusting the non-banking assets against loans, banks will have to determine the total outstanding dues, which comprise unrealised loans and interests. The unrealised interest has to be transferred to the interest suspense account.

If the market value of the assets is higher than the loan outstanding, the loans have to be adjusted, and the remaining portion cannot be part of the balance sheet. In such cases, the borrowers have will be released from any debt obligation and can't be shown as defaulters in the Credit Information Bureau (CIB).

If the market value is lower than the loan outstanding, the loans cannot be adjusted entirely. So, the borrower cannot be granted any acquittance.

Under such a scenario, the unadjusted debts have to be stated as loans, and all legal steps have to be taken to recoup the remainder of the financing, the guidelines said.

In the case of the non-banking assets that stemmed from the write-off loans, the borrowers will be freed from the debt obligation and cannot be shown as defaulters if the market value of the assets goes past the total loans payable. But if the value is lower than the loans, the debtors would be shown as defaulters.

The central bank has ordered banks not to hold the non-banking assets beyond the permitted time. Banks have to move to sell them as soon as possible. They, however, can use the assets to run banking operations.

Such assets will be transferred to the portion of the tangible assets of banks, and the interest suspense or provision against the non-banking assets will directly move to the retained earnings portion. It cannot be shown as the income of the year.

If the proceeds from the sales of the assets are higher than the book value, the additional sums will be transferred to the balance sheet as retained earnings.

Similarly, the interest suspense or provisioning will be added to the retained earnings, and they cannot be transferred to the income portion.

If the proceeds from the sales of the assets are lower than book value, and the loans cannot be covered by using the interest suspense or provision against the bad loans, it has to be adjusted as the loss on sales and included in the profit-loss account.

Bankers welcomed the BB guidelines.

"If we can get the control of the mortgaged assets through courts, we can sell it easily and can possibly get a better price," said Syed Mahbubur Rahman, managing director of Mutual Trust Bank.

Market diversification key to RMG growth

FARUQUE HASSAN

The year 2021 is a significant one for Bangladesh as the country is celebrating its 50th year of independence.

Our achievement as a nation in these years is remarkable and noteworthy. Bangladesh's extraordinary development surprised the world.

Our advancements in socio-economic development, human development indicators (HDI), and Millennium Development Goals (MDGs) have been widely praised across the globe.

Despite all the challenges and limitations, we were able to consistently maintain a GDP growth of more than 8 per cent in the last few years, before Covid-19 hit the world.

Although Covid-19's impact on the economy and growth is unavoidable, Bangladesh is doing better than any other Asian nation as far as the World Bank's economic growth projection is concerned.

However, as laid out in the eighth Five-Year Plan, since the growth in the upcoming days will be driven by the industrial sector, there is no alternative but to focus on "Investment" and "Employment" in order to achieve the GDP growth target of 8.51 per cent.

In its 40-year journey, the garments industry has consistently played a significant role in the country's economic development through its contribution to foreign currency earnings, job creation, women empowerment and poverty alleviation, which is driving Bangladesh toward a prosperous nation.

The sector generates employment for four million people, around 60 per cent of whom are women.

But the upsetting factor is that even though we are the second largest garments exporter in the world right now, our export basket has always been concentrated and unexplored in terms of product, fiber, and market destination.

About 73 per cent of our total exports are concentrated on five basic items. The price of 80 per cent of these exports are as high as $15 per kilogramme. Around 74.14 per cent of our exports are concentrated on cotton while 80.67 per cent of these shipments go to markets in the EU and North America.

After the Multi Fibre Arrangement quota phase out, our manufacturers mostly focused on a volume driven growth strategy and as a result, the export basket has been limited to basic items.

Although we have advanced a lot in safety and sustainability, Bangladesh's garment industry lacks diversification. To be competitive in the race of this fast fashion arena, we need to flag out market and product diversification as an immediate need.

At this stage, while celebrating our impending graduation from the UN's list of least developed countries (LDCs) thanks to hard work and dedication, our strategic priority should concentrate on sustaining this growth momentum powered by innovation and diversification.

Especially with Covid-19 exposing the vulnerabilities of over dependence has made the issue of market diversification more crucial than ever.

OPINION

Up till now, diversification in export items and export destinations has always been very narrow in case of the local garments industry. Over the last few years, Bangladesh's apparel has started to become more diversified and tremendous progress has been achieved in terms of new market exploration.

The percentage of Bangladesh's apparel exports to non-traditional markets during fiscal 2008-09 was only 6.87 per cent while it reached 16.16 per cent in fiscal 2020-21, when the country's export revenue hit $5.08 billion. Such growth in non-traditional markets was possible thanks to various policy support and initiatives taken by the government and private industry.

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) initiated several scoping missions to Brazil, Mexico and Chile to enter Latin American countries.

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GLOBAL BUSINESS

Indonesia clings to coal despite green vision

Excavators pile coal in a storage area in an Indonesian power plant in Suralaya, Banten province.

REUTERS/FILE

REUTERS, *Jakarta*

Even as Indonesia wins cautious praise from some green groups for ambitious plans to cut carbon emissions, the world's biggest exporter of thermal coal shows no sign of weaning itself off the polluting fuel any time soon.

Indonesia, the eighth-biggest carbon emitter, recently brought forward its goal for net zero emissions from 2070 to 2060 or sooner, ahead of the United Nations Climate Change Conference in Glasgow in November, and joined a US-led Global Methane Pledge.

It also plans to stop commissioning new coal-fired power plants and phase out coal for electricity by 2056 under a new, greener long-term economic vision.

But - as with other coal producers such as Australia and India - Indonesia is wrestling with how to balance its environmental targets with the cost of pulling the plug on an industry that contributed $38 billion in export earnings in the first seven months of 2021.

"We are phasing out coal power plants. But if you ask whether we're closing down mines, we have the coal and there are other utilisation options," Dadan Kusdiana, the energy ministry's head of renewable energy, told Reuters. The U.N.'s climate change report warned that global warming was dangerously close to being out of control in what has been described as "a death knell for coal and fossil fuels".

Still, Indonesia is exploring ways to keep consuming and extracting value from coal by using carbon capture and storage (CCS) technology, although environmentalists say CCS is unproven and expensive.

With nearly 39 billion tonnes of reserves, coal remains the economic backbone of parts of Indonesia and miners are among the biggest taxpayers.

The government has been encouraging miners to invest in production of dimethyl ether (DME) from coal. Under new laws passed in 2020, it no longer requires them to pay royalties to the government on such processes, and their mine permits can be extended. It has touted DME as a replacement for imported liquefied petroleum gas and a feed stock for chemicals and fertilizer.

Making DME requires burning coal, so it needs to be paired with CCS to be environmentally friendly, Dadan said.

However, if Indonesia can adopt CCS more widely and cheaply, the technology could also be applied to coal power plants, extending their usage, he said.

"This appears like a win-win move to accommodate all sides because they don't dare to firmly shut down coal completely," said Egi Suarga of the World Resources Institute Indonesia. He said that although using CCS technology is feasible, there is a risk of leakage in trying to capture emissions from burning and mining coal.

Coal power generation is Indonesia's second-biggest emissions source after deforestation, contributing 35 per cent of its 1,262 gigatonnes of CO2 equivalent a year, government data showed.

Indonesia consumes about 130 million tonnes of coal annually to fuel 60 per cent of its 73 gigawatt (GW) electricity capacity, and exports about three times that amount.

Zara owner Inditex outshines H&M as sales top pre-pandemic levels

REUTERS, *Madrid*

Fashion brand Zara owner Inditex has outpaced Swedish rival H&M in its efforts to bounce back from the coronavirus crisis, with second-quarter sales rising above pre-pandemic levels.

The world's biggest fashion retailer's sales in the quarter edged above levels seen before the pandemic as most stores reopened and people rushed to renew their wardrobe after store closures imposed to curb the spread of the virus.

Rival H&M's sales grew less than expected from a year ago in the three months through August, and remained lodged below pre-pandemic levels. H&M said lockdowns and restrictions hampered its development, particularly in Asia.

Inditex Executive Chairman Pablo Isla said that sales in stores and online were progressively recovering across all brands and markets, despite some restrictions in Asia due to the pandemic.

"We have had a strong start in the autumn winter season," he told a conference call. "Inditex competitive differentiation is bigger than ever."

Analysts said consumers have shifted their spending recently to focus on fashion workwear as big cities slowly return to normality and most lockdowns are lifted, a trend which is benefiting the Inditex brands, which include Zara and Massimo Dutti.

The Spanish company's second-quarter net profit of 850 million euros was higher than the 214 million euros ($181.14 million) booked in the same period in 2020 and 4 per cent higher than the profit in 2019.

Inditex said sales accelerated in the May-July period to 6.99 billion euros, 7 per cent higher than in the same period in 2019, as shoppers started buying clothes again for summer social events.

The sales during the second quarter were in line with the 7.02 billion euros expected by analysts polled by Refinitiv.

The logo of the Zara store is seen in a mall at Vina del Mar, Chile July 14, 2019. REUTERS/Rodrigo Garrido/File Photo

Inditex said shop and online sales at constant exchange rates between August and the first week of September were 22 per cent higher than a year ago and 9 per cent higher than in the same period of 2019.

REUTERS/FILE

A man walks past a Zara retail store, with its shutters drawn, at a mall in Venezuela.

Chinese property magnate loses $1b in Evergrande panic

AFP, *Hong Kong*

The boss of a Shanghai-based property developer lost more than a billion dollars Monday, as fears over the potential collapse of Chinese real estate giant Evergrande sent panic across Hong Kong trading floors.

Zhang Yuanlin, chairman of Sinic Holdings Group, saw his net worth drop from $1.3 billion Monday morning to $250.7 million by the afternoon, according to Forbes, when his firm was forced to halt trading in Hong Kong following an 87 per cent slump in its share price.

Zhang was featured on Forbes' Billionaires list of the world's richest people this year and made his fortune in high-rise apartments -- now highly vulnerable as the possible collapse of teetering property giant China Evergrande sparks panic.

Sinic saw a sudden sell-off and massive increase in trading volume on its shares in the hours prior to its suspension, which comes just weeks before it must pay a 9.5 per cent $246 million bond due on October 18, according to Bloomberg.

UK seeks to break down digital trade barriers

REUTERS, *London*

Britain will look to break down digital trade barriers to help its businesses export their services, the country's newly appointed trade minister Anne-Marie Trevelyan will say on Monday.

Britain's Department for International Trade last week published a report seeking to predict trends in global trade out to 2050 which forecast that demand for digital services will double in the next decade.

"All of us depend on digital trade, yet British businesses face digital barriers in countries who take a protectionist approach," Trevelyan will say in a virtual speech to London Tech Week, according to advanced extracts released by her office.

"I want the UK to break down these barriers and open up new, exciting opportunities for businesses and consumers so we can see improved productivity, jobs and growth." Trade deals typically focus on removing goods trade barriers, but since leaving the European Union, Britain has sought to include agreements on digital trade and common standards in professional services to spur service sector growth.

Trevelyan will use her first speech since taking up the role last week to set out the department's plan to try to shape international digital policy. This will include establishing cooperation on digital trade via free trade agreements.

Enhanced consumer and intellectual property protections and promoting the development of digital trading systems such as e-contracting are also among the plans Trevelyan will set out.