

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES				
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY	
0.64%	0.86%	\$1,780.20	\$74.26	0.29%	0.73%	0.04%	0.53%	84.85	94.64	111.85	13.09	
6,837.80	12,007.78	(per ounce)	(per barrel)	58,117.09	28,432.64	3,121.09	3,661.53	BUY TK	85.85	98.44	115.65	13.76

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BB-BSEC tussle takes a new twist

Stock regulator's move to cut banks' power to cancel bondholder payments contradicts central bank rule

AHSAN HABIB

The ongoing tension between the Bangladesh Bank and the Bangladesh Securities and Exchange Commission could deepen further (BSEC) following a recent stock market regulator move that curtails banks' power to cancel payments to bondholders.

The central bank has written to several banks after finding out that the BSEC's condition on giving approval for issuance of perpetual bonds contradicts a Bangladesh Bank guideline.

The condition affects some banks, including Exim Bank, One Bank, Pubali Bank, Premier Bank, Jamuna Bank, and Mutual Trust Bank, which have received permissions from the BSEC to issue perpetual bonds.

Perpetual bonds are bonds with no maturity date. Although they are not redeemable, they pay a steady stream of interest in forever. Because of the nature of these bonds, they are often viewed as a type of equity and not a debt.

The central bank said the BSEC included a condition in the consent letter in favour of the perpetual bonds. But the provision is at odds with the Bangladesh Bank's

POINTS OF CONTENTION

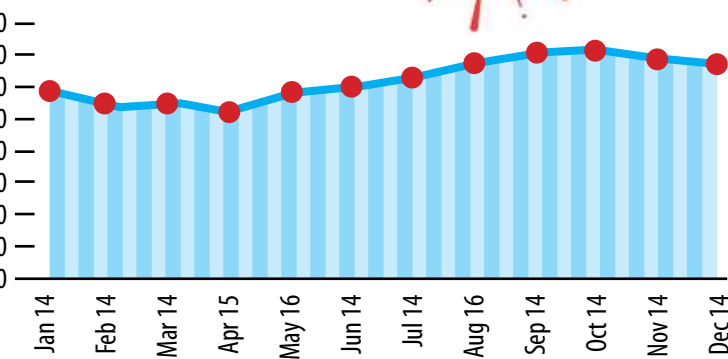
- Defining bank exposure in stock market
- Dividend payment despite accumulated loss
- Contribution to stock market stabilisation fund
- BSEC's condition to pay perpetual bond holders



DSEX MOVEMENT IN JAN-DEC

(In points)

SOURCE: DSE



guidelines on risk-based capital adequacy.

Banks must have full discretion at all times to cancel distributions or payments to bond-holders for the bonds to qualify as a tier-1

capital as per the guideline.

However, the BSEC said in the consent letters that banks shall not have full discretion at all times to cancel distributions or payments to bond-holders.

"In this situation, the perpetual bond would not be considered as an additional tier-1 capital as it failed to fulfil the eligibility criteria," the central bank letter said.

"This type of bond is very new in our country, so regulators should be positive about it. Otherwise, it will not see the light of the day," said Mirza Elias Uddin Ahmed, managing director of Jamuna Bank.

The private commercial lender issued the bond knowing that it would be treated in the additional tier-1 capital. "If it is not allowed, the instrument will be nipped in the bud."

"The central bank's direction is based on international practices," said Ahmed.

Perpetual bonds act almost like a share, and when a company issues shares, the issuer doesn't give guarantees that it will pay dividend every year.

"If a company fails to provide any dividends, its price will fall. It's simple," said Ahmed.

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CEPA negotiations with India start next year

REFAYET ULLAH MIRDHA

Negotiations for signing a Comprehensive Economic Partnership Agreement (CEPA) with India will begin next year as the related feasibility study has entered its final stage, according to a senior official of the commerce ministry.

"The Bangladesh Foreign Trade Institute (BFTI) is expected to submit the feasibility study to us by the end of this month," said Mahbubul Haque, additional secretary (Foreign Trade Agreement Wing) of the commerce ministry.

Upon receiving a positive report from the BFTI, the commerce ministry will form a negotiation committee to hold discussions with India.

"The proposed CEPA between Bangladesh and India has three dimensions, namely trade in goods, trade in services, and investment," Haque added.

The CEPA would cover a range of issues as the concept of such a bilateral trade agreement is wider than that of normal free trade agreements and preferential trade agreements.

As such, the CEPA aims to address difficulties regarding trade, tariff, government procurement, investment, connectivity, and investment protection guarantees, among a host of other issues.

It is also a big initiative to offset the challenges to Bangladesh's graduation to a developing country.



AT A GLANCE

- Formal CEPA negotiation to start next year
- CEPA is wider than traditional FTA and PTA
- The deal may help offset LDC graduation challenges
- Bangladesh's target is to grab more Indian markets
- Local conglomerates are faring well in India

If the CEPA goes through, importers and exporters of both countries can choose their preferred agreement for conducting

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Higher inflation on the prowl

ADB keeps Bangladesh's GDP growth forecast unchanged for FY2022

INFLATION TRENDS

(In %); SOURCE: BBS



STAR BUSINESS REPORT

Bangladesh will witness higher inflation in 2022 as the implementation of various measures to combat Covid-19, including the disbursement of stimulus funds, has added pressure to the recent hike in fuel prices, according to the Asian Development Bank (ADB).

The government's decision to increase the price of diesel and kerosene resulted

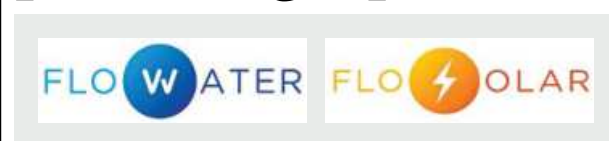
in the rise of transport costs, which either directly or indirectly affected all sectors.

However, the ADB kept its FY2021-22 economic growth forecast for Bangladesh unchanged in its latest supplement of the Asian Development Outlook 2021.

The Manila-based development lender trimmed its annual growth projection for Bangladesh to 6.8 per cent through an update in September, which reflects the

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FloWater, FloSolar plan to go public



AHSAN HABIB

Two new types of companies -- a water treatment solution provider and a solar panel producer -- plan to go public on the stock exchanges in Bangladesh as they look to raise funds to expand footprint.

FloWater Solutions and FloSolar Solutions have decided to list with the exchanges and signed a memorandum of understanding with MTB Capital to manage the issues on Sunday.

If everything goes as per plans, the two companies will be the first listed firms in the water treatment solution provider and the solar energy solutions provider categories in the country.

"We are now profitable companies, so we want guidance from an issue manager so that we can be listed with the stock market smoothly," said Mustafa AK Khan, founder and managing director of both companies.

"MTB Capital will give us some targets. The fulfilment of these targets will make our listing easier."

Set up in 2017, FloWater Solutions works in the areas of water, sewerage and effluent treatment and counts Navana Real estate, Concord, Shanta Holding, ActionAid, SSG,

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