StanChart completes first deal using risk-free rate

STAR BUSINESS REPORT

Standard Chartered has completed the first deal using risk-free rate (RFR) with its clients, Akij Ceramics Ltd and Unilever Bangladesh Ltd.

The deal was completed in line with the detailed guidance from the Bangladesh Bank on how to set the new rates as a replacement for the London Interbank Offered Rate (Libor), according to a press release.

The Libor is the average interbank lending rate on an unsecured basis for banks in London. For decades, it has been the most popular benchmark reference rate used by banks and other financial institutions around the world for pricing of different debt instruments.

In March 2020, the ICE Benchmark Administration, the authorised and regulated administrator of the Libor, declared its intention to cease the publication of the Libor settings after December 31, 2021.

The BB has given its consent to banks to transition away from the Libor to other risk-free rates from 1 January 2022.

Speaking in the press release, Naser Ezaz Bijoy, chief executive officer of Standard Chartered Bangladesh, said Standard Chartered had been working with clients, regulators, and stakeholders to support the transition from the Libor to its more sustainable alternative RFR.

"The completion of the first RFR-based trade finance transactions with Akij and Unilever is the outcome of the significant collaboration that the bank has facilitated to prepare for the transition ahead of the effective date of January 1."

Sk Bashiruddin, managing director of Akij Group, said, "While we are still working out on the transition process with our other banks, this live deal with Standard Chartered gives us a hands-on experience with this upcoming and inevitable change."

Zahidul Islam Malita, finance director of Unilever Bangladesh, said, "As we make this transition ahead of time from the Libor to the new RFR that is yet to be effectuated on a global scale from next year, we believe that this will pave the path for other organisations to follow suit and explore their opportunities in global trade finance."

The bank is actively engaging with other clients to familiarise them with the new rates in order to ensure that the transition for the clients is smooth, the press release added.

PRAN-RFL GROUP

Ahsan Khan Chowdhury, chairman of Rangpur Foundry Ltd (RFL), presides over the company's 41th annual general meeting virtually yesterday. The company approved 23 per cent dividend for the shareholders for 2020-2021. Rathendra Nath Paul, managing director of the company, Sabiha Amjad, Choudhury Atiur Rasul, Uzma Chowdhury, and Chowdhury Kamruzzaman, directors, Md Abdus Salam, independent director, Kishor Kumar Debnath, chief financial officer, and Muhammad Aminur Rahman, company secretary, attended the meeting.

Abu Reza Md Yeahia

SIBL gets new additional managing director

STAR BUSINESS DESK

Social Islami Bank recently witnessed the appointment of a new additional managing director.

The appointee, Abu Reza Md Yeahia, was previously serving as deputy managing director at Islami Bank Bangladesh, where he started his banking career as a probationary officer in 1989.

He obtained his LLB and LLM degrees from the University of Dhaka, says a press release.

$9 lakh IFC grant for BB credit guarantee scheme

STAR BUSINESS REPORT

International Finance Corporation signed an agreement with Bangladesh Bank recently to provide $900,000 as technical assistance grant to efficiently implement a credit guarantee scheme for cottage, micro, small and medium enterprises to better face the pandemic's challenges.

The fund under the December 14 deal will be spent to, among others, improve skills of officials assigned to implement the scheme and create a vibrant IT platform and help the central bank take time-befitting policies to support the small-scale businesses.

The credit guarantee scheme (CGS) offers a risk-sharing arrangement for participating banks and non-bank financial institutions.

It enables better access to finance for the enterprises that are often deprived of getting funds due to their high-risk profile, according to a central bank press release.

At present, cottage, micro, small and medium enterprise loans valued from Tk 2 lakh to Tk 50 lakh are eligible for the CGS. A total of 31 banks and NBFIs have signed up for the CGS facility.

With about 78,00,000 units employing over 2 crore people, the small-scale enterprises account for almost 25 per cent of gross domestic products and 30 per cent of total industrial employment in Bangladesh.

However, limited access to finance has impeded sustaining this labour-intensive sector that is critical for the country's sustained growth, said the BB press release.

Qamar Saleem, IFC's regional manager for Financial Institution Group (Asia and Pacific), and SM Mohsin Hossain, general manager of the BB's CGS unit, signed the agreement through a virtual event.

Abu Farah Md Nasser, deputy governor of the central bank, Robert Chatterton Dickson, British high commissioner to Bangladesh, and Nuzhat Anwar, IFC acting country manager for Bangladesh, Bhutan and Nepal, were present.

Jeep starts its Bangladesh journey

STAR BUSINESS REPORT

American automobile brand Jeep has started its official journey in Bangladesh.

Toledo Motors Ltd, a subsidiary of Anwar Group of Industries, launched the brand as the authorised distributor of Jeep (Stellantis) on Saturday.

Hossain Khaled, managing director of Anwar Group, inaugurated the launching programme at the Jeep Experience Center in Uttara, Dhaka, according to a press release.

Manwar Hossain, chairman of Anwar Group, and Hossain Mehmood, vice-chairman, addressed the event virtually.

Every Jeep vehicle is offered with 50,000 kilometres or three years of manufacturer's warranty and five years of free aftersales service with the commitment of service excellence at every touch point, the press release said.

Investors look to Omicron for direction

REUTERS, *New York*

Investors are closely watching the latest news on the rapidly spreading Omicron variant for signs of how much the virus could impact the U.S. economy and earnings as the market heads into what has historically been a strong time of year for equities.

Overall, the S&P 500 is slightly ahead since November 24, prior to news of the variant hitting markets.

It marked a record-high close on Thursday, as encouraging developments gave investors more ease about the economic impact of the variant. "The market is extremely reactionary now and every little bit of news has a huge impact," said George Young, a portfolio manager at Villere & Co.

Young is planning on taking advantage of any Omicron-induced volatility to add to stocks that rely on tourism and travel such as bank company First Hawaiian Inc.

Shares of the company are up 14.4 per cent for the year to date.

The Omicron variant is causing infections to double in 1.5 to 3 days, according to the World Health Organization.

The variant now accounts for 73 per cent of all new US cases, up from less than 1 per cent at the beginning of the month.

Still, questions about Omicron's virulence have made investors less pessimistic than the original reaction.

The S&P 500 closed down 2.3 per cent on November 26 after the variant was discovered, on fears of fresh economic lockdowns.

A South African study offered hope about the severity of Omicron and the trend of Covid-19 infections on Wednesday.

Shares of vaccine makers slumped in December as investors expect the Omicron variant's impact to be limited based on recent data.

That bodes well for what is known in the market as a Santa Claus rally.

Historically, US stocks have risen during the last five trading days of December and the first two days of January in 56 out of 75 years since 1945, according to data from CFRA Research. This year, the time period starts on December 27.

The average Santa Claus rally has boosted the S&P 500 by 1.3 per cent since 1969, according to the Stock Trader's Almanac.

It is unclear to what extent Wall Street analysts expect Omicron to affect earnings and the economy.

Estimated 2022 S&P 500 earnings growth was at 8.3 per cent as of Friday, compared with 8.0 per cent at the start of December, according to Refinitiv data.

Goldman Sachs cut its estimate for US GDP growth to 3.8 per cent from 4.2 per cent due to the uncertainty of the impact of the Omicron wave.

While there will likely be some economic impact from Omicron, US consumer spending will likely remain strong, said Cliff Hodge, chief investment officer for Cornerstone Wealth.

He is focused on any signs that Senator Joe Manchin could reach an agreement to support President Joe Biden's signature $1.75 trillion Build Back Better climate and social spending bill. Manchin, who would provide one of the key votes to pass the bill in a divided Senate, said on Sunday that he could not support the bill in its current form.

Senate Majority Leader Chuck Schumer said that the Senate will vote on the bill in early January.

"We need a little bit of good news whether on the Manchin front or Omicron to get a rally going," Hodge said. "We are fully invested and anticipate a little bit of a relief rally into January."

The week ahead will be light on economic data, with the release of the S&P Case-Shiller US home price index on Tuesday among the few notable data points.

The lack of new reads of the strength of the economy at a time when coronavirus case counts are rising may leave the stock market more volatile through the end of the year, said Dana DAuria, co-chief investment officer of Envestnet PMC.

"The market has gotten pretty good at pricing in and leading off from what we are learning about on the health side," she said.

How Afghanistan's asset freeze hurts everyone

AFP, *Kabul*

Afghan businessman Shoaib Barak is struggling to pay his workers and suppliers, unable to access funds from a banking system crippled by the freezing of the nation's overseas assets.

They, in turn, can't pay their bills -- and so the country's economic woes trickle down and hurt everyone along an unbroken chain of misery.

"I feel very ashamed," said Barak, who until recently employed some 200 people across the country -- mostly in his construction business.

"For me, for every Afghan, it's really disgusting. I do not even have the ability to pay salaries for my staff.

"To avoid giving the Taliban access to Afghanistan's reserves, Washington froze an estimated $10 billion held by the central bank abroad after the hardline Islamists seized power on August 15.

Equating to around half what the country's economy produced last year, that move in turn starved banks used by Afghan businesses and citizens of access to dollars.

Even if limited funds were released, the bulk could be tied up in the American legal system for years while subject to claims by victims of the September 11, 2001, Al-Qaeda attacks on the US.

Ordinarily, the reserves could be dipped into to pay overdue government bills and development projects, but the freeze has trickled down to the rest of the economy. "Just release the reserves," Barak pleaded.

"If you have a problem with... the Taliban, don't take revenge on the nation, the people.

Barak's cash flow crisis illustrates the problems faced by tens of thousands of Afghans who simply can't access most of their money.

He says he has around $3 million tied up in Afghan banks -- money earned over the years from lucrative private and government contracts, which were paid in dollars as aid poured into the public purse under the pre-Taliban regime.

But with local banks limiting weekly withdrawals to five percent of a business account's balance -- up to a maximum of $5,000 -- Barak is months behind on both invoices and salaries to his staff.

Ahmad Zia is one of them.The 55-year-old engineer was earning 60,000 Afghanis per month -- equivalent to $770 before the Taliban took over and the currency plunged 25 per cent.

Four months later, Zia is struggling to make ends meet and fears his once comfortably-off family of six will only "eat one or two times" per day.

It isn't just Barak's employees who are suffering.

Ehsanullah Maroof's now-defunct law business relied heavily on a monthly retainer from Barak's construction company.

"The kids went to a very good school," he told AFP, noting proudly that his nine-year-old daughter Rana topped her year.

But now he can't afford the right medicine for an epileptic son, and Rana has been expelled because the family can't pay school fees.

The misery trickles down even further -- to the Maroof family maid, who is now jobless.

Gulha, 42, earned 8,000 Afghanis a month and was the main breadwinner in her seven-strong family.

Now she is two months behind on rent and running out of food.

"I have 14 kilogrammes (30 pounds) of rice, 20-21 kilogrammes of flour and some oil," she told AFP in a one-room apartment where she allows neighbours to share the nightly warmth of a wood-burner as winter descends.

"It will last 10 days." Once that is gone she will join millions of her compatriots who are utterly dependent on aid.

The United Nations Security Council on Wednesday unanimously adopted a US resolution to help humanitarian aid reach desperate Afghans while seeking to keep funds out of Taliban hands -- a move welcomed by the Islamists as a "good step".

But whether enough cash arrives to contain the unfolding humanitarian disaster ultimately still depends on "the viability of the banking system", said Hanna Luchnikava-Schorsch, Principal Asia Pacific economist at IHS Markit.

Many Afghan banks are "pretty close to collapse", she told AFP, and overseas institutions will probably be "terrified" of falling foul of sanctions despite the UN resolution. For many ordinary Afghans, any relief will come too late.

International organisations warn one million Afghan children could die this winter, Barak notes.

"Who do you think will be blamed -- the Taliban, or the US?

Six banks cut salary costs to safeguard profits

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Four banks decided not to change their top official's salary that year.

IFIC Bank MD and CEO Shah A Sarwar said: "The salary of no specific individual has been reduced rather it was the need for efficiency that resulted in the reduction of the total cost of employment."

"This is achieved through enhancement of productivity - establishing multitasking, reviewing of processes, people empowerment and enhancing people engagement."

In all deserving cases, the salaries of individuals increased in 2020 under the pay and compensation policy of the bank, he said.

After remaining in the same salary contract for four years, the current CEO undertook a new contract on December 2019 where the salary has been increased, Sarwar added.

"We did not reduce the salary of our individual employees in that year despite the coronavirus pandemic," said Kamal Hossain, managing director of Southeast Bank.

"But some senior executives in the position of additional managing director and deputy managing director left the bank, and we have not recruited anyone in those positions, so the salary cost fell," he said. "We will revise our salary soon."

Mohammed Rabiul Hossain, managing director of Uttara Bank, and Mohammed Haider Ali Miah, managing director of Exim Bank, did not receive phone calls and reply to text messages.

Md Monzur Mofiz, acting managing director of One Bank, declined to comment.

Energy price hike pushes up inflation

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"Excess demand in the foreign exchange market has created pressure on the exchange rate. If the exchange rate depreciates too much too fast, it could further stoke inflationary pressure."

The fiscal policy targeted to protect the incomes of the poor is still feasible.

"Allowing a smooth adjustment in the exchange rate without hurting credit growth requires reconsideration of the interest rate cap to maintain the incentive to lend. Doing nothing risks unleashing stagflationary forces--rising inflation and lower growth."

The Consumer Price Index number given by the government doesn't reflect the actual situation, said Towfiqul Islam Khan, senior research fellow at the Centre for Policy Dialogue.

According to the economist, there are three major reason for the rising inflation: surging global commodity prices, the devaluation of the exchange rate that pushed up imported-inflation, and a hike in energy prices.

Besides, a pickup in demand has contributed to the higher inflation, he said.

"The current nature of inflation is hurting the marginalised and the people who lost their incomes due to the pandemic. So, managing inflation has become more important than ever."

FBCCI demands extension, analysts oppose

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Entrepreneurs of the small and medium enterprises are now repaying their loans efficiently, so extending the facility, especially for the big borrowers, is not a logical demand, he said.

The central bank should not issue any notice to this end, he said.

No bank tries to have its clients fall into a bad state as this eventually creates an unfavourable effect on its financial health, he said.

"Banks can follow a relaxed rule on their own in consideration of the affected businesses. The central bank can allow banks to do so on a case-to-case basis," said Mansur, also executive director of the Policy Research Institute.

He pointed out that banker-customer relationships were good enough to handle the issue.

Salehuddin Ahmed, a former governor of the BB, echoed Mansur.

Extending the relaxed classification policy will not bring any good for banks, he said.

"The trade bodies usually express such type of expectations continuously, but the central bank should consider the issues in the interest of the economy," he said.

Managing directors of two banks, on condition of anonymity given the sensitivity of the matter, said the lenders would not be able to repay depositors if the relaxed policy was extended further.

The private sector itself will face difficulties as banks will be unable to give out loans fulfilling requirements of businesses, they said.

They asked how banks would be able to reinvest their funds if they were unable to recover loans in the first place.

Private sector credit growth, which is now in the course of gaining tempo, will face another setback, they said.

Private sector credit growth in Bangladesh accelerated to 9.44 per cent in October, the highest in 13 months.

Last week, International Monetary Fund also advised the central bank to follow an orderly exit from all these general forbearance that were given to the banks as well as corporations.

Sonali Paper's trading rises abnormally

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"The trading just seems abnormal and so, the market regulator should investigate it," he added.

Sonali Paper was transferred from the over the counter market to the main board on July 26, 2020.

Since then, the company's stock rose 188 per cent to Tk 855 as of yesterday.

The stock price is among the top 15 highest priced stocks listed on the DSE and follows just after some multinational companies like Reckitt Benckiser, Unilever Consumer Care, Marico, Berger Paints, Linde Bd, Libra Infusion, and Bata Shoe.

"When Sonali Paper gained a spot in the list of top priced stocks, it became clear that some players are fuelling the rise in stock price," a stock broker said.

Sonali Paper distributed 20 per cent cash and 20 per cent stock dividend for its performance in the period of 2020-21.

Institutional investors and sponsors are reducing their stake in the company while general investors are going in the opposite direction.

General investors collectively held a 24.80 per cent stake in the company as of June 30 but that amount has since edged upwards to 27.2 per cent as of November 30, DSE data shows.

However, sponsor shareholding fell to 71.51 per cent from 72.06 per cent while institutional shareholding downed to 1.26 per cent from 3.14 per cent at the same time.

"Investors buy stocks on the basis of their own analysis and the demand-supply situation. So, we cannot say anything about the stock prices," said Mohammad Rezaul Karim, spokesperson of the Bangladesh Securities and Exchange Commission.

Some investors trade in higher volume to attract general people; the BSEC's surveillance team will see if there is any unlawful trading or wrongdoing, he added.