Brac Bank, MBL Asset Management sign custodial service deal

STAR BUSINESS DESK

Brac Bank has signed a custodial service agreement with MBL Asset Management on Sunday to provide support for the operation of 'Mercantile Bank Unit Fund', a new open-ended mutual fund.

Tareq Refat Ullah Khan, deputy managing director of Brac Bank, and Mohammad Samir Uddin, chief executive officer of MBL Asset Management, signed the agreement at the former's head office in Dhaka.

Md Jabedul Alam, head of transaction banking at Brac Bank, Md Azmul Hasan Jahid, associate relationship manager of the transaction banking unit, and Masum Ahmed, compliance officer of MBL Asset Management, were present.

ACI Motors wins Foton award

STAR BUSINESS DESK

ACI Motors has received a couple of awards -- the Foton Global Excellent Brand Communication Award-2021 and Foton Global Service System Construction Merit Award-2021 -- from Foton Motor Group.

The company, a subsidiary of ACI Group and local distributor of Foton Motor Group, organised a programme at ACI Center in Dhaka's Tejgaon on Monday to celebrate the achievement, a press release said.

Subrata Ranjan Das, executive director of ACI Motors, inaugurated the event.

The company, which is well-known for their time bound services and country-wide service and spare parts network, deals with Yamaha Motorcycle, Power Generation and a full range of construction equipment machinery.

Paddy in the process of being soaked for four days before being dried in the sun, boiled and sent to rice mills. "Kutials", as they are known in Brahmankathi village in Banaripara upazila of Barishal, are persons engaged in the profession of collecting paddy from farmers and processing it into rice for sale to traders. Nowadays they purchase paddy at Tk 1,200 per maund (around 37 kilogrammes) and sell the rice at double that price. The photo was taken yesterday. PHOTO: TITU DAS

NBR to complete bond automation by 2023

STAR BUSINESS REPORT

The government's bonded warehouse facility for businesses will be completely automated by 2023 so that no one can gain illegal benefit from the system, said Abu Hena Md Rahmatul Muneem, chairman of the National Board of Revenue (NBR), yesterday.

There is a tendency to abuse the facility although the NBR has been trying to check it for many years. "It is difficult to check the abuse as the number is too high," Muneem said.

"It is possible to eliminate the abuse if the facility is automated."

He made the comments while speaking at the pre-budget discussion with the members of the Economic Reporters' Forum (ERF) at the NBR office in Dhaka.

Abu Hena Md Rahmatul Muneem

Muneem said the abuse of the bonded warehouse facility not only affects the revenue generation but also severely affects the industries concerned, said the NBR chairman.

He suggested changing the culture of non-payment of tax as Bangladesh has one of the lowest tax to GDP ratios even in South Asia.

Even government organisations are not interested in paying taxes because of the absence of the tax payment culture in the country.

Previously, people had also the logic for not paying taxes as they used to question revenue officials what will happen if taxes are paid. "Now, the situation is different," said the NBR chief.

This is because the government is implementing a lot of mega projects like Padma Bridge, Karnaphuli Tunnel and metro rail. "These can be shown as examples when we ask people to pay taxes."

Muneem said the NBR was trying to expand the tax net to increase revenue generation.

The NBR will initiate a move to see whether households in Dhaka have tax identification numbers (TINs) in order to bring them under the tax net. The tax administration will also do so the same in the case of transport companies as soon as possible, he said.

He urged the concerned officials to be careful so that foreign nationals cannot join any jobs after arriving in Bangladesh on tourist visas.

Muneem also sought cooperation from other ministries and government agencies so that local employers feel discouraged in employing foreign nationals that come on tourist visas.

ERF President Sharmeen Rinvy and General Secretary SM Rashidul Islam submitted a set of recommendations on the next budget during the discussion.

Think Big Solutions to launch TREDX

First national digital platform for local receivable financing

STAR BUSINESS DESK

Think Big Solutions Ltd, a fintech company, will launch Bangladesh's first integrated digital invoice auction platform, TREDXonline, which will bring together financiers, corporates, and their suppliers onto a single platform to create a win-win-win value proposition.

TREDX will facilitate online, real-time transactions between suppliers with approved invoices and financial institutions keen on discounting these invoices and reducing cost across the entire ecosystem for all parties involved, according to a press release.

The introduction of TREDX will bring several benefits to the factoring market in Bangladesh.

Suppliers will get the best discount rates due to the participation of multiple financiers in the auction of the invoices, which will particularly benefit micro, small and medium enterprises.

Financiers will get access to a larger pool of approved and authenticated invoices at low operational costs, while corporates will lower their account payables costs owing to increased transparency and their ability to provide their suppliers with a lower costs of financing.

The founders of the fintech venture are Abul Kasem Khan, a noted entrepreneur, M Masrur Reaz, an economist, and Raja Debnath, a supply chain finance expert and fintech entrepreneur.

TREDX will initiate its commercial operations within the next four months. The company is partnering for technology with Veefin Solutions, a global leader in SCF technology, said the press release.

EU joins chips race with Asia

AFP, *Brussels*

The EU launches a plan Tuesday to raise tens of billions of euros to boost semiconductor production in Europe and end the bloc's digital dependence on Asia.

The production of semiconductors, also known as chips, has become a strategic priority in Europe as well as the United States, after the shock of the pandemic choked off supply, bringing factories to a standstill and emptying stores of products. The manufacturing of chips overwhelmingly takes place in Taiwan, China and South Korea and the European Union's 27 member states want factories and companies inside the bloc to take on a bigger role.

Thierry Breton, the EU's industry commissioner, on Tuesday will press Europeans to be as ambitious as possible and match similar plans in the United States, where the Biden administration is asking Congress to approve $52 billion.

Touring the IMEC chip research facility in Belgium on Monday, Breton boasted that the plan "will position Europe as an industry leader but also give us complete control of our semiconductor supply chains".

Bangladesh's economic transformation

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The only component in which it was at par with the LDC average was natural capital.

Furthermore, the UNCTAD highlights four lingering sources of vulnerability which will continue to shape the trajectory of Bangladesh towards LDC graduation and beyond: (1) Heightened reliance on LDC-specific international support measures (most notably in terms of preferential market-access); (2) Lack of export diversification and over-reliance on low-technology textile and clothing products; (3) Dependence on external development finance, predominantly in the form of migrant remittances, to support capital accumulation; and (4) Exposure to the far-reaching effects of climate change.

Bangladesh plans a GDP growth of 7.2 per cent in 2022, which should come out at the high end of what other developing countries are projecting. As expected, developing countries will outpace the global average GDP growth rates, but inflation and exchange rate management challenges remain.

Compounded by rising commodity prices and ensuing inflation pressures, real income growth has been negative in much of the eurozone. According to UNCTAD's Global Investment Trend Monitor, global FDI rebounded strongly in 2021, but recovery was highly uneven across regions and sectors. Infrastructure finance increased due to stimulus and greenfield projects in industry were still weak.

According to the UNCTAD, FDI flows to developing economies increased by 30 per cent to nearly $870 billion, with a growth acceleration in East and South-East Asia (20 per cent), a recovery to near pre-pandemic levels in Latin America and the Caribbean, and an uptick in West Asia.

Net portfolio flows to developing countries are largely driven by non-resident investment in debt and equity. Of the total increase in global FDI flows in 2021 ($718 billion), more than $500 billion, or almost three quarters, was recorded in developed economies.

On the economic front, the dramatic collapse of output, as countries locked down to contain the spread of the virus, was so dramatic as to trigger unprecedented responses. Massive central bank action in rich countries stabilised financial markets and aggressive government spending cushioned firms and households against the worst of the downturn.

The liquidity risk associated with an expansionary fiscal policy is higher. For Bangladesh, progressive stages of economic development are associated with typical liquidity risk configurations. Non-investment grade countries such as Bangladesh have trouble accessing international credit markets, while exports and remittances are often the only sources of foreign currency.

With impending LDC graduation, Bangladesh can expect declines in international commitments related to official development assistance. The recent decision of the government of Bangladesh to utilise $313 million from its foreign currency reserves for the purpose of investing in capital projects is likely to emasculate the foreign investor community's confidence in its monetary policy discipline and might serve as a precursor to a sovereign rating downgrade.

The reality is that Bangladesh is highly dependent on global finance to support its balance of payments. The regime change in its interest rate environment resulting in a downward shift in its yield curve positioning is likely to further constrain both short and long-term debt inflows.

While speculative capital inflows can overwhelm the domestic financial and credit markets, sustained above-average risk-adjusted returns can ensure sustained portfolio flows into the capital markets. From this point of view, it is market discipline, or being exposed to liquidity risk, that will prevent the country's policy-makers from spending their way to a structurally supportable path of debt sustainability.

If mitigating liquidity risks is a national policy target, addressed, for example, by price and capital controls, it is mainly coordination between fiscal and monetary policies that will provide the needed policy space for the government of Bangladesh to ensure sustainable growth and development.

While the independence of Bangladesh Bank is clearly inhibited by the mere existence of the banking division within the finance ministry, achieving the required degrees of policy coordination around a pro-development revamp of the national financial architecture is not trivial.

The expansion of Bangladesh's external balance sheet can gain momentum with the participation of direct investors (i.e., FDI) and asset managers from advanced economies, in addition to targeting foreign currency-denominated corporate bond markets, increasing their participation in the country's domestic bond markets.

While government bonds dominate Bangladesh's fairly underdeveloped secondary bond market, greater reliance on domestic-currency denominated public debt mitigates the currency mismatch in its balance sheet and creates duration mismatches arising from the prohibitive costs of issuing long-term government securities and weak governance of asset-liability immunisation risk. With limited access to non-deliverable forwards or active swap markets, it also shifts the currency risk to prospective global lenders, thus heightening exposure to speculative, non-resident investor behaviour.

As a result of these vulnerabilities, strongly net negative, if fluctuating, portfolio flows to Bangladesh can translate into a vicious cycle of currency depreciation, weakening debt sustainability, and reduced fiscal spaces.

Long-term FDI is thus a lower risk approach in support of Bangladesh's structural transformation, triggering reductions in sovereign credit spreads and driving up the value of foreign currency-denominated debt, thus also affecting private borrowers' balance sheets and refinancing risks.

The author is a global managing director at DelMorgan & Co. Investment Bank, USA.

Four-day

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Three designers from India, Japan and the Maldives will participate in this festival with their products, Mantasha added.

Visitors enjoy witnessing with their own eyes the weaving process of these products at the festival, said the organisers.

A number of seminars, fashion shows, folk dance and musical programmes along with business to business matchmaking programmes will be organised, they added.

Md Nazmul Hassan, chairman of Islami Bank Bangladesh Ltd, virtually presides over the bank's board of directors' meeting on Sunday. Yousif Abdullah Al-Rajhi and Md Shahabuddin, vice-chairmen, Areef Suleman, director of Islamic Development Bank, Mohammed Monirul Moula, managing director, and JQM Habibullah, deputy managing director, attended the meeting. PHOTO: IBBL

Md Hedayetullah, director of Mutual Trust Bank, recently inaugurated the bank's foreign currency exchange booth at the International Departure Terminal-1 Concourse Hall of Hazrat Shahjalal International Airport (HSIA) in Dhaka. Group Captain AHM Touhid-ul Ahsan, executive director of HSIA, Wing Commander Syed Ali Azam, director (AVSEC) of the Civil Aviation Authority of Bangladesh, Syed Mahbubur Rahman, managing director of the bank, and Chowdhury Akhtar Asif, additional managing director, were present. PHOTO: MTB