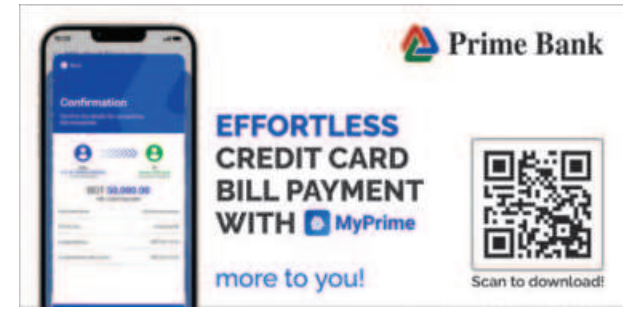


Star BUSINESS



FOREX MARKET

Six banks apologise for making excessive profits

BB asked them to set aside half of profit for CSR

AKM ZAMIR UDDIN

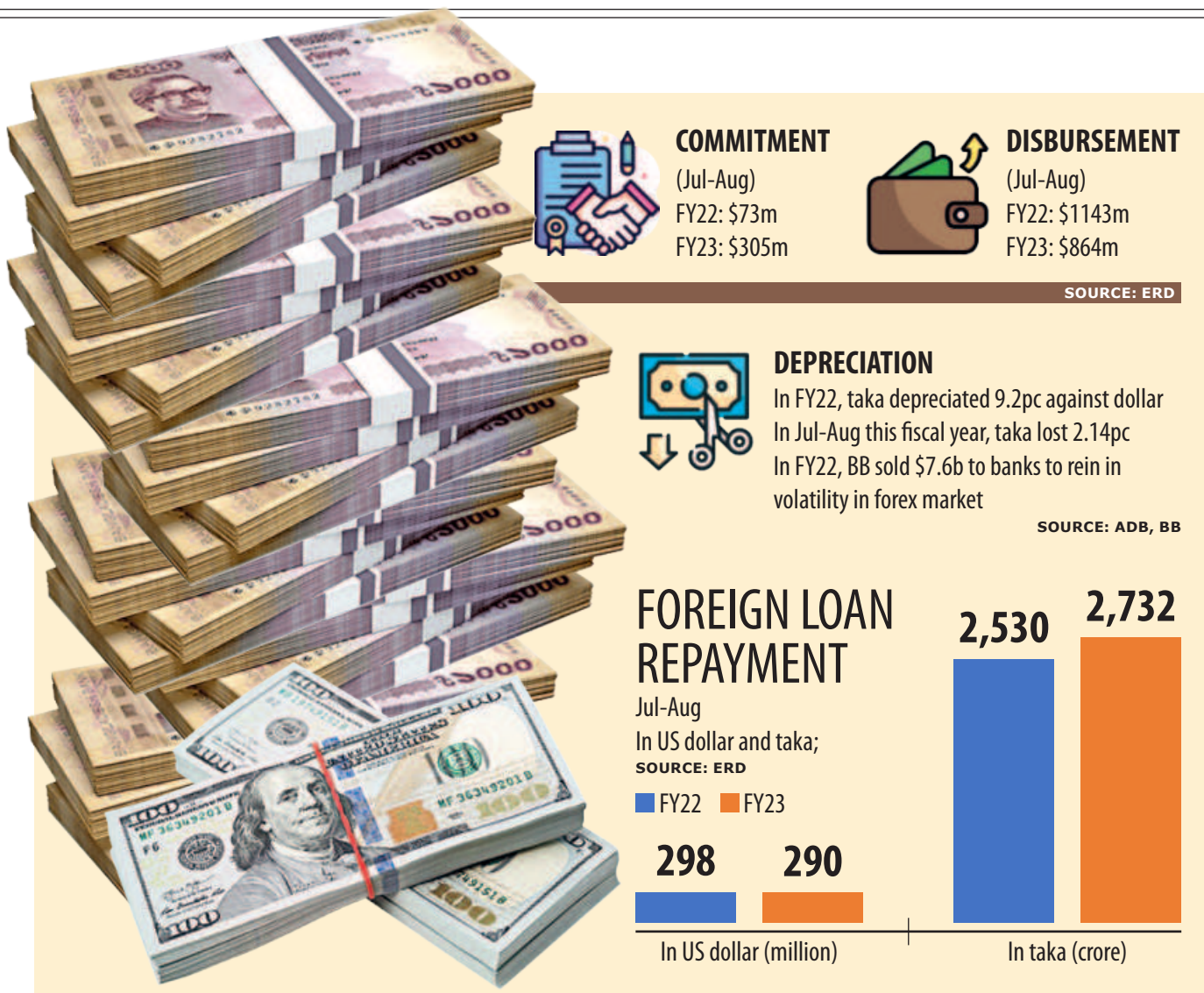
The central bank yesterday ordered six banks to spend 50 per cent of the profits they had earned from their foreign exchange businesses unethically between May and June for corporate social responsibility (CSR) programmes.

The six banks – Brac Bank, Dutch-Bangla Bank Ltd, The City Bank, Southeast Bank, Prime Bank, and Standard Chartered Bangladesh – have also sought an apology from the Bangladesh Bank for their actions.

On August 17, the BB asked the lenders to set aside the profits in a separate account.

As per a central bank probe, the banks sold the American dollar at an excessively high rate and purchased them at a much lower rate from exporters, cashing on the volatility in the forex market.

For instance, many banks bought each dollar for Tk 93-Tk 94 in May and June but sold them at Tk 110-Tk 112.



The six banks are Brac Bank, Dutch-Bangla Bank Ltd, The City Bank, Southeast Bank, Prime Bank, and Standard Chartered Bangladesh

GOVT'S FOREIGN LOANS

Weak taka makes repayment costlier

REJAUL KARIM BYRON and DWAI PAPAN BARUA

The government's foreign debt repayment has become costlier owing to the sharp depreciation of the taka against the US dollar in recent months.

Bangladesh repaid foreign debts amounting to \$289.78 million in July and August, down 2.83 per cent from \$298.22 million during the identical two-month period a year ago, data from the Economic Relations Division (ERD) showed.

Of the sum, the principal amount was \$196.98 million and the interest was \$92.80 million.

In terms of the taka, the spending stood at Tk 2,731 crore, versus Tk 2,530 crore last year, an increase of 7.95 per cent.

The higher expenditure to service foreign debts came as the taka has lost value by 9.2 per cent against the dollar in the past one year. It fell 2.15 per cent in July and August.

The taka has weakened amid a dollar shortage caused by the volatile foreign currency market following the outbreak of the Russia-Ukraine war, which has sent import payments rocketing.

The depleting of foreign currency reserves forced the central bank to pump

dollars into the market on a regular basis with a view to helping importers clear bills.

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, attributed the fall in the total debt service payment in US dollars to a decline in principal repayments.

"This looks like a timing issue," he said. The economist argued that the size of

of 2022 respectively was Tk 84.8 and Tk 94.3, according to Hussain's calculation.

"This 11.2 per cent depreciation increased the interest payments burden by Tk 86.98 crore. This shows the impact of the depreciation on government expenditures."

How this additional spending, aimed at foreign debt repayment, affects the budget deficit will depend on the impact of the depreciation on revenues, said Hussain.

Collection of import duties in July-August was the major contributor to the 22 per cent growth in revenues of the National Board of Revenue, compared to 14.5 per cent growth in July-August of 2021.

Hussain said the principal repayment increased by Tk 187.03 crore due to the depreciation.

He thinks the impact of the increase in the principal repayment in the taka will be offset by the impact on disbursements.

"The extent of the offset will depend on the relative percentage increases of principal repayments and disbursement. If the net disbursement in the US dollar rises, the net disbursement in the taka will rise even more because of the depreciation effect."

The economist points out that the



Bangladesh's external debt is increasing, so there is no reason for the principal repayment to decline over the entire year. "It is likely to exceed the level of repayment in the US dollar relative to last year."

The impact of exchange rate depreciation is evident in the taka amounts of both interest and principal.

The exchange rate used for the conversion of the USD into the taka for July-August of 2021 and July-August

assesses the prices of some basic commodities like rice.

On August 30, the commerce ministry said that it would fix the prices of nine commodities, including rice, lentil, flour, and onion, as well as mild steel products and cement within 15 days.

But during a seminar at the Jatiya Press Club on September 18, Commerce Minister Tipu Munshi said the ministry cannot fix the price of some basic commodities like rice as per a rule of 2018, stating that the agriculture ministry is assigned to fix the prices of those products.

In yesterday's notice, the commerce ministry also fixed the mill gate rates of super palm oil in loose form at Tk 128 per litre and distributor level price at Tk 130 per litre.

In case of sugar, the mill gate price of loose sugar will be Tk 79 per kg and Tk 81 per kg at the distributor level.

Likewise, the mill gate rate of packaged sugar will be Tk 82 per kg and at the distributor's end, prices of the sweetener have set at Tk 84 per kg, the statement said.

BB platform eases local trade in foreign currency

AKM ZAMIR UDDIN

A new digital platform rolled out by the Bangladesh Bank has opened a new horizon for local businesses to do trade with foreign currencies on a real-time basis.

Under the new platform, businesses that largely supply raw materials through letters of credit (LCs) meant for domestic use are now able to receive their money from buyers instantly instead of having to wait up to 10 days.

Business leaders say that the new digital platform, whose operations commenced on September 4, would help settle export and import of Bangladeshi entities efficiently as funds owned by businesses are no longer getting stuck in banks.

Exporters usually purchase raw materials from suppliers using LCs to manufacture products.

Prior to the new system, banks, through which exporters buy raw materials, used to issue foreign demand drafts, a kind of a cheque, to the banks used by importers to deliver the products.

The importers' banks then had to submit the foreign demand drafts to the BB to credit the fund with the suppliers' accounts from the buyers' banks.

In addition, officials of commercial banks were required to go to the central bank in person to submit the foreign demand drafts.

If the foreign demand drafts unexpectedly got

STOCKS	
DSEX ▲	CASPI ▲
0.19%	0.13%
6,564.00	19,344.86

COMMODITIES	
Gold ▲	Oil ▲
\$1,671.97	\$83.54
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.57%	▼ 0.58%	▲ 0.04%	▼ 0.27%
59,119.72	27,153.83	3,263.07	3,108.91

Businesses that largely supply raw materials through LCs meant for domestic use are now able to receive their money from buyers instantly instead of having to wait up to 10 days

lost, banks had to lodge cases with the police. In addition, suppliers faced trouble in receiving their funds.

Now the process has become much easier, doing away with the use of paper-based foreign demand drafts and with officials needing to go to the central bank.

The central bank has introduced the new transaction method with the help of its real-time gross settlement (RTGS) system.

To facilitate a safe, secure and efficient interbank payment system, the BB launched the RTGS in October 2015 to give a boost to digital transactions.

The RTGS is an electronic fund settlement system where the transfer of funds takes place from one account of a bank to that of another bank in real time.

Real-time transactions refer to those that do not need any waiting period. Transactions are settled as soon as they are executed and the minimum limit of a transaction is Tk 1 lakh.

The platform has so far benefitted transactions in the local currency.

Now the same opportunity is being made available for foreign exchange transactions. Furthermore, there is no limit for transactions in foreign currencies.

Foreign currency transaction through the RTGS is also a cost efficient method.

This is because businesses have to spend \$5 to \$20 to settle a foreign demand draft. But using the digital platform, they need to pay a maximum of Tk 100 to settle each transaction.

Bangladesh deals with \$300 million worth of foreign demand drafts of businesses on average every day.

Although businesses have not embraced the digital mode in a full-fledged manner yet, transactions through the infrastructure are on the increase, said a central banker.

Clients settled 51 transactions involving a combined value of \$1.13 million using the system on September 4 when it was kicked off.

READ MORE ON B3

Govt cuts edible oil and sugar prices

STAR BUSINESS REPORT

The government yesterday reduced the retail price of loose super palm oil by about Tk 12 per litre, and packaged and loose sugar by Tk 6 per kilogramme so that local consumers can benefit from the declining cost of these products in the international market.

The commerce ministry said in a statement that the retail price of loose super palm oil will now be Tk 133 per litre, which is 10 per cent less than the essential cooking ingredient's previous market value of between Tk 145 and Tk 150 per litre in Dhaka city.

Meanwhile, the retail price of packaged sugar, which was selling for as much as Tk 95 per kg in the capital, has been reduced by 4 per cent to Tk 89 per kg. Similarly, the ministry has decreased the price of loose sugar by 9 per cent to Tk 84 per kg.

The new prices will come into effect from September 25, the statement said.

The move comes at a time when consumers are being battered by the higher cost of

essential commodities.

The new price level of these commodities was fixed after an assessment by the Bangladesh Trade and Tariff Commission (BTTC), according to Senior

Commerce Secretary Tapan Kanti Ghosh.

"We are also assessing the import price, stock and international prices of some other goods and may announce

new retail prices for those soon," he told The Daily Star by phone.

The BTTC can assess the prices of just 17 commodities, which are mainly imported, while the agriculture ministry



The government has revised the retail prices of loose palm oil to about Tk 133 per litre, down 10 per cent from Tk 145 to Tk 150 previously, bringing some respite to general consumers who have been grappling with high food inflation in recent months.

PHOTO: STAR

