

star BUSINESS



Banking diploma mandatory for NBFIs officials too

STAR BUSINESS REPORT

Bangladesh Bank yesterday made having a banking diploma mandatory for the promotion of officials of non-bank financial institutions (NBFIs) to the post of senior officers and above.

The decision came just two weeks after making it a must for bankers' promotion, a move which has drawn criticism.

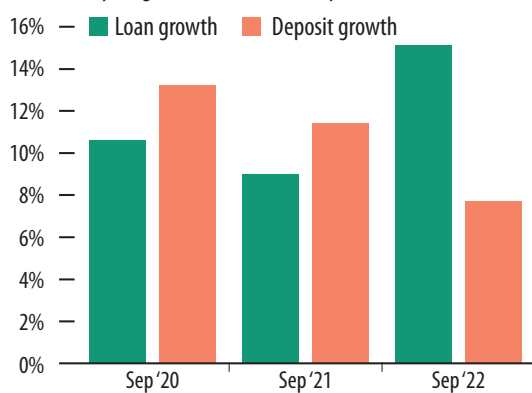
The central bank, in a notice today, said the officials will need to have junior associate or diploma associate certificates from the Institute of Bankers, Bangladesh for promotion to all posts equivalent to senior officer or above.

The new rule will become effective from January 1 of

READ MORE ON B3

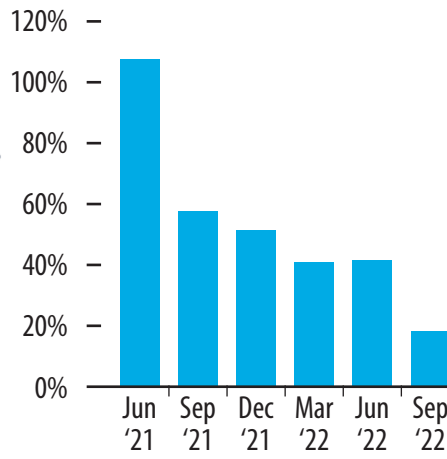
Deposit growth lagged loan growth in September 2022

(Year-over-year growth in loans and deposits)



Banks' excess cash has shrunk substantially

(Banks' cash deposited at the central bank in excess of the minimum cash reserve ratio)



Declaration not needed for up to \$20,000 remittance

STAR BUSINESS REPORT

The central bank yesterday said remitters would not have to make any declaration to send remittances up to \$20,000.

According to the Guidelines for Foreign Exchange Transactions 2018, a declaration is not required against inward remittances up to \$10,000 or its equivalent.

To facilitate inward remittances, it has been decided that declaration will not be required for inward remittances up to \$20,000 or its equivalent, said the Bangladesh Bank in a notice.

The central bank move is aimed at attracting more remittances through formal channels.

The government hiked the rate of incentives by 0.5 percentage points to 2.5 per cent in January last year. It also withdrew the mandatory provisions for the submission of earning documents of the remitters in the case of availing cash incentives against remittances exceeding the amount of \$5,000.

READ MORE ON B3

Spike in funding costs to hurt banks' profitability

Lenders may need extraordinary support from BB, says Moody's

REJAUL KARIM BYRON and AKM ZAMIR UDDIN

Weak banks in Bangladesh with small holdings of government securities, which are used to mobilise funds either from the central bank or peers, may become more vulnerable in the days to come, Moody's Investors Service warned yesterday.

"In the worst-case scenario, they could require extraordinary support from the BB to fulfill their obligations, which would shatter customer confidence and lead to deposit losses, further worsening their liquidity stress in a vicious cycle," the global credit ratings agency said in a report.

The lenders will be forced to slow lending, it said.

The warning from Moody's came at a time when banks in Bangladesh are facing tight liquidity conditions after a spike in imports and declines in remittance inflows significantly tightened the US dollar supply, while high inflation is hindering deposit inflows.

In fact, liquidity in the banking system began to tighten in June 2021 after banks were forced to buy more US dollars to plug a shortfall of the American greenback that resulted from

a jump in demand for letters of credit among importers. As a result, banks' excess cash deposited at the central bank has decreased substantially since June 2021.

Banks usually buy treasury bills and bonds from the

increased materially, which will pressure the profitability of banks, said Moody's.

The report highlighted the recent vulnerability in Bangladesh's banking sector.

A slower-than-expected flow of remittances, the cheapest source



government. They keep the securities as collateral when they borrow funds from their peers and the central bank.

Banks that hold sufficient government securities as well as those that have stable funding sources will be able to withstand the ongoing liquidity stress.

To plug liquidity shortfalls, banks can borrow from the interbank market or use the central bank's repurchase agreement (repo) facility. But the costs of such funding have

of US dollars for Bangladesh, has become a headache for the banking sector.

Inflows of remittances through banks decreased by 15 per cent in the fourth quarter of 2022 from the preceding three months because exchange rates offered by illegal or unregistered establishments were more favourable to senders.

Banks previously were able to offer competitive rates but their prices are now capped by a ceiling that the central bank

implemented in September 2022 to maintain stability in the foreign exchange market.

On the other hand, jumps in expenses amid high inflation, which has strained households' capacity to save, have resulted in a slowdown in the expansion of deposits, the main source of funding for banks.

Deposits increased 8 per cent year-on-year in the three months to September, down from 11 per cent a year earlier.

The pressure on liquidity may not fully abate in 2023 as high inflation will keep a lid on deposit growth, while economic uncertainty may lead to reductions in exporters' earnings, the ratings agency said.

It expects inflation in Bangladesh to be 7-8 per cent this year, higher than pre-pandemic levels of 5.5-6 per cent.

Islamic banks are more vulnerable to tightened liquidity conditions because they have smaller liquidity buffers and weaker profitability, the agency said.

Some Shariah-based lenders have recently faced a wide range of scams, hitting depositors' confidence. This forced the central bank to come up with

READ MORE ON B3

Rules eased for US cotton import

Compulsory fumigation test not necessary now

SOHEL PARVEZ

The government has eased the rule of compulsory fumigation test for import of American cotton, particularly from the United States, clearing the ways for smooth import of the raw material of textile mills, the backward linkage industry for country's main export earning garments.

The importers would be able to bring cotton grown in Western Hemisphere or American region furnishing a sanitary and phytosanitary certificate and paper certifying that the imported consignment is free from Boll Weevli, a cotton pest in North America, issued by the competent authorities.

Otherwise, a fumigation test will be needed, the commerce ministry said in a notification issued this week by adding the new provision in the Import Policy Order 2021-24.

Prior to the change, fumigation test was mandatory for imported American cotton, which textile millers say, caused them to spend extra for the test and wait for 5-7 days to get their consignments cleared from the ports

Prior to the change, fumigation test was mandatory for imported American cotton, which textile millers say, caused them to spend extra for the test and wait for 5-7 days to get their consignments cleared from the ports.

A senior official of the commerce ministry said it withdrew the rule upon suggestion from the agriculture ministry.

The easing of the rule came several years after the textile millers and the USA had been demanding for it.

"It is a good step," said Mohammad Ali Khokon, president of Bangladesh Textile Mills Association (BTMA), a trade body of yarn and fabric manufacturers and textile product processors who have invested over \$15 billion.

Bangladesh consumes approximately 85 lakh bales of raw cotton annually against the industry's capacity of 115 lakh bales, said the US Department of Agriculture in a report on Bangladesh's cotton use in last December.

READ MORE ON B3

STOCKS		
	DSEX	CASPI
	Flat	Flat
	6,218.30	18,360.49

COMMODITIES		
	Gold ▲	Oil ▼
	\$1,839.22	\$75.76
	(per ounce)	(per barrel)

ASIAN MARKETS				
	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
	▼ 1.53%	▼ 1.34%	▼ 0.21%	▼ 0.47%
	59,744.98	27,104.32	3,300.04	3,291.15

Call for compliance in plastic industry

Four-day fair kicks off in Dhaka

STAR BUSINESS REPORT

The 15th edition of the International Plastic Fair kicked off in Dhaka yesterday with a call to ensure industry compliance so that Bangladesh can sustain its share in the global export market.

The international market for plastic goods, including the European Union (EU), is rapidly implementing environmental policies through the European Green Deal.

The European Green Deal, which was approved in 2020, is a set of policy initiatives that aim to make the EU climate neutral by 2050 with the circular economy being a defining feature.

A circular economy refers to a market that incentivises the reuse of products through repairing, refurbishing or recycling rather than scraping them for spare resources.

As a sourcing destination, Bangladesh needs to be more careful about ensuring compliance when it comes to manufacturing plastic products by building eco-friendly industries, according to speakers at the fair.

"The EU's second circular economy action plan introduces strict policies to target environmental impacts throughout

the whole value chain inside and outside the EU and other exporter countries," said Zaki Uz Zaman, the country representative of UNIDO for Bangladesh.

"For the most part, exporter countries should be designed for circularity and they need to ensure its transparency," he added while delivering a presentation at the opening session of the fair.

As a sourcing destination, Bangladesh needs to be more careful about ensuring compliance when it comes to manufacturing plastic products by building eco-friendly industries, say experts

Bangladesh currently needs to import around 20 lakh tonnes of raw materials for the plastic industry each year.

Md Jashim Uddin, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), said these imports need to be reduced by establishing more linkage industries in the country.

READ MORE ON B3



Visitors are seen enquiring about the latest production technologies at the International Plastic Fair at the International Convention City Bashundhara in Dhaka yesterday. Speakers at the opening session of the event were of the mind that industry compliance is needed to sustain plastic exports.

PHOTO: PALASH KHAN