

## IIDFC to use Prime Bank's digital platform

STAR BUSINESS DESK

Prime Bank Ltd and the Industrial and Infrastructure Development Finance Company Ltd (IIDFC) recently signed an agreement on digital cash management solutions.

Shams Abdullah Muhaimin, deputy managing director of the bank, and Md Golam Sarwar Bhuiyan, managing director of the IIDFC, penned the deal at the latter's office in Motijheel, said a press release.

PrimePay, an omni digital platform of the bank, allows its clients to initiate and authorise the transactions electronically, which offers a cost-effective and time-efficient transactional service with greater transparency.

The IIDFC will use the digital channel "PrimePay" to initiate automated collections from their customers through direct debit instruction, which will be backed by a robust MIS reporting.

Senior officials of both the organisations were also present.



Shams Abdullah Muhaimin, deputy managing director of Prime Bank, and Md Golam Sarwar Bhuiyan, managing director of Industrial and Infrastructure Development Finance Company (IIDFC), exchange signed documents of an agreement on digital cash management solutions at the latter's office in Motijheel recently. PHOTO: PRIME BANK

## StanChart wins Euromoney Awards

STAR BUSINESS DESK

Standard Chartered recently won the award "Best Bank in Bangladesh" by London-based Euromoney magazine at the Euromoney Awards for Excellence 2023 for launching inventive and impactful community projects, adopting a concentrated focus on accelerating zero carbon emissions and creating new opportunities for countless stakeholders.

This milestone victory is a recognition of the bank's long-standing push to embrace digitalisation and disruption – a strategy that has enabled Standard Chartered to stand at the forefront of financial innovation, said a press release.

In recent months, the multinational bank continued its pioneering streak with a number of 'firsts' for the country, including the transmission of the first end-to-end digital cross-border letter of credit, the completion of the first automated over-the-weekend loan disbursement, and the launch of new and original digital learning tools.

The bank's commitment to supporting Bangladesh's continued journey of prosperity saw the Bank secure over 25 major international awards in 2022.

"These awards, coupled with support from our valued stakeholders and well-wishers, inspire us to keep moving forward in the service of our nation," said Naser Ezaz Bijoy, chief executive officer of Standard Chartered Bangladesh.

For more than 118 years, Standard Chartered has remained dedicated to driving commerce and development by investing in communities, expanding the reach and scale of services to promote greater inclusion, and by creating new opportunities for stakeholders.

Euromoney Magazine was launched in 1969 to cover the emergence of the international cross-border capital markets. Euromoney's Awards for Excellence were established in 1992 and were the first of their kind in the global banking industry.

They remain the worldwide gold standard in this regard and are determined by an editorial panel of judges following a three-month research and interview process.



Shah Rafayat Chowdhury, president of Footsteps Bangladesh, and Samia Chowdhury, chief executive officer of MTB Foundation, exchanged signed documents of an agreement at Mutual Trust Bank's corporate head office in Gulshan recently on creating access to safe water for coastal communities. PHOTO: MUTUAL TRUST BANK

## MTB Foundation, Footsteps sign deal for safe water

STAR BUSINESS DESK

MTB Foundation recently signed an agreement with Footsteps Bangladesh, a Dhaka-based social enterprise, for a project titled "Building Community Water Point at Ayla Patakata, Barguna".

Shah Rafayat Chowdhury, president of the social enterprise, and Samia Chowdhury, chief executive officer of the foundation, inked the deal at Mutual Trust Bank's corporate head office in Gulshan, said a press release.

The partnership aims at catering to a large underprivileged segment of Ayla Patakata by resolving the region's long-standing safe water crisis through establishing a "community water point" and creating access to safe water from a single water source via efficient water extraction.

# China property fears rattle stocks

REUTERS, Sydney

Shares slid on Monday as China's property woes amplified the case for stimulus even as Beijing seemed deaf to the calls, while rising Treasury yields lifted the dollar, which briefly poked its head above the closely watched 145 yen level.

There was plenty to be watching on the geopolitical front too, as Argentine voters punished the two main political forces in a primary election on Sunday, pushing a rock-singing libertarian outsider candidate into first place.

A day earlier, a Russian warship fired warning shots at a cargo ship in the southwestern Black Sea, heralding a new stage of the war that could impact oil and food prices. The Russian rouble on Monday softened past the psychologically

key 100 per U.S. dollar threshold for the first time since March, with President Vladimir Putin's economic advisor blaming loose monetary policy.

MSCI's world index was down 0.2 percent, with most of the losses driven by Asian stocks. The main ex-Japan index was down 1.7 percent, after shedding 2 percent last week. Japan's Nikkei was off 1.3 percent.

Europe's broad STOXX 600 benchmark was flat, but the miner-heavy and China-exposed FTSE lagged, falling 0.2 percent.

"A crisis in the Chinese real estate sector is a story the market has heard before and not one which has typically come with a happy ending for stocks," said AJ Bell investment director Russ Mould.

Trouble in China's largest private property developer, Country

Garden, could have a chilling effect on homebuyers and financial institutions.

The company's shares plunged 18 percent to a record low on Monday after its onshore bonds were suspended.

That was a fresh blow to policymakers trying to shore up confidence in a stuttering economy, aspirations that were not helped by weekend news two Chinese listed companies had not received payment on maturing investment products from Zhongrong International Trust Co.

Chinese blue chips fell 0.73 percent, on top of a 3.4 percent decline last week, amid disappointing economic news culminating in a dire report on new bank loans in July.

US share futures shrugged off the news however, rising 0.2 percent, following

losses on Friday when surprisingly high readings on US producer prices tested market optimism that inflation would cool enough to avoid further rate hikes.

On this week's data docket are figures on US retail sales this week are forecast to show a 0.4 percent pick up in spending, with risks on the high side thanks in part to Amazon's Prime Day.

Such an outcome would challenge the market's benign outlook for rates, with futures implying a 70 percent chance the Federal Reserve is done hiking. The market also has more than 120 basis points of cuts priced in for next year starting from around March.

Minutes of the Fed's last meeting are due on Wednesday and could show members wanted to keep their options open on further hikes.

PRICES OF KEY ESSENTIALS IN DHAKA CITY			
	PRICE (AUG 14, 2023)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 62-Tk 72	-0.74 ↓	-6.94 ↓
Coarse rice (kg)	Tk 48-Tk 50	0	-7.55 ↓
Loose flour (kg)	Tk 50-Tk 52	0	7.37 ↑
Lentil (kg)	Tk 90-Tk 100	0	-9.52 ↓
Soybean (litre)	Tk 155-Tk 160	-7.35 ↓	-7.62 ↓
Potato (kg)	Tk 36-Tk 40	-10.59 ↓	35.71 ↑
Onion (kg)	Tk 80-Tk 85	26.92 ↑	73.68 ↑
Egg (4 pcs)	Tk 53-Tk 55	12.5 ↑	2.86 ↑

SOURCE: TCB

## Funds fret over fallout of Biden's China order

REUTERS

Fund managers are worried the Biden administration's move to restrict some outbound US investment to China will further fuel anti-Beijing sentiment in Washington and prompt more limitations.

The executive order regulates US investments in China in sensitive technologies. Investors, advisers and an administration official said it is tailored around national security and reflects months of consultations with industry and other stakeholders.

Even so, the order, while narrow in scope as expected, is unprecedented. It sets a new framework for outbound capital controls, making it easier to add areas to it in the future.

It is also spurring rhetoric in Washington. Some lawmakers are calling for more restrictions, with a congressional panel opening a probe into asset manager Blackrock and index provider MSCI over Chinese investments.

For US investors trying to navigate the geopolitics, the noise in Washington is making it hard to determine what they should be doing in China. The executive order along with anti-China moves by lawmakers and agencies means the overall policy is unclear and riddled with landmines.

China is making it harder for businesses, too. The uncertainty is likely to hit investment flows further and add to the urgency of contingency planning.

"The executive order in and of itself is establishing a framework for further action," said Anthony Rapa, co-chair of law firm Blank Rome's international trade practice group. "It will be very important to monitor how this executive order is being

received in Congress."

An administration official said there were no immediate plans to add additional sectors or countries to the order.

A top executive at a major asset manager said the thinking in Washington is unresolved, torn between the urge to not do any business with China and the belief that trade is good.

This person, who requested anonymity because of the sensitivity of the situation, described the environment from business perspective as "a combination of confusion and fear," with policy debates expressed by "punching companies in the nose."

Take the case last week of letters excoriating Blackrock and MSCI from the Select Committee on the Chinese Communist Party.

The House committee, which does not write legislation but has subpoena power, takes issue with what are legal, passive investments in companies flagged across several government blacklists with different policy objectives. That's at odds with the Biden order, which contemplates excluding passive investments and focused only on national security. A former diplomat and an investor said the exclusion of passive investments in the executive order was an industry ask.

The executive order affects venture funds and private equity firms that invest in Chinese companies in semiconductors and microelectronics, quantum information technologies and artificial intelligence.

That's narrow enough for many fund managers to keep operating in China without any impact, top executives from two major firms with China business said. But if restrictions were to broaden it would be a different story.

## Number of weak NBFIs

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As of March, the highest defaulted loan of Tk 3,755 crore was held by International Leasing and Financial Services.

It was Tk 1,649 crore for FAS Finance, Tk 1,013 crore for Uttara Finance, Tk 907 crore for People's Leasing, Tk 967 crore for Phoenix Finance, Tk 886 crore for Fareast Finance, Tk 848 crore for Infrastructure Development Company Ltd, Tk 835 crore for First Finance, Tk 798 crore for Aviva Finance, and Tk 755 crore for Bangladesh Industrial Finance Company, according to central bank data.

A central bank inspection team in 2020 unearthed huge irregularities and scams at a dozen of NBFIs, including People's Leasing, International Leasing, Premier Leasing, Uttara Finance, and First Finance.

The NPLs of the NBFIs have increased in recent years, said a senior official of the central bank.

A lack of corporate governance has also worsened the condition of the NBFIs, said Bhuiyan, also the managing director of Industrial and Infrastructure Development Finance Company Ltd.

In Bangladesh, the NBFIs have long been facing an image crisis due to loan irregularities and scams in a few companies.

Another blow stems from the fund crisis as depositors' trust in the sector has taken a hit.

Muinitul Islam, a former economics professor at the University of Chittagong, said the situation in the NBFIs is worsening day by day.

"The situation will deteriorate further if the actual scenario is swept under the carpet by the sector. But they can't hide it for long."

Islam warns that the fragile state of the sector will not improve if the central bank does not take strict measures against the perpetrators responsible.

## Agent banking branching out

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There are two major reasons – lack of formalities and rural entrepreneurship – for intensifying agent banking in the rural areas, where access to personal banking services is helping women become entrepreneurs, he added.

Ali went on to say that agent banking will be sustained in the future despite the growth of digital banking.

"But when someone wants to conduct cash-in or cash out transactions, they have to go to physical outlets," he said.

"Bangladesh may need some time for full automation. So, agent banking will survive easily," he added.

He also said that when Bank Asia rolled out their agent banking

service, two things were kept in mind: promoting entrepreneurship and taking banking services to the people's doorsteps.

The owners of outlets are also driven to render good service because their success would also depend on attracting customers and retaining them, Ali said.

The central bank introduced agent banking to provide a safe alternative delivery channel for banking services to the underprivileged, under-served population, who generally live in remote areas beyond the reach of the traditional banking network.

Bangladesh Bank has so far issued licences to 31 banks for operating agent banking activities, all of which are in operation.

## A reminder of regime shift

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"The rating agencies are not looking at them in a systemic way. And the investors even less," said Moritz Kraemer, former head of sovereign ratings at S&P Global, now chief economist at German lender LBBW.

There is no shortage of research sounding alarm. Without cuts to age-related spending, median net government debt will rise to 101 percent of gross domestic product in advanced and 156 percent in emerging economies by 2060, S&P Global Ratings said in a study this year.

S&P said the assumption that governments would prioritise servicing debt over spending promises had rarely been tested at such high debt levels.

It expects policy steps that will make aging-related costs more manageable. Not taking them would see creditworthiness deteriorate and half the governments it rates would have metrics associated with junk credit ratings while even top-rated governments would lose the highest

ratings, S&P said.

For the European Union and the euro area, where public pensions and healthcare play a major role, the European Commission and European Central Bank have also flagged costs related to ageing as a key risk to debt sustainability.

Japan is one major economy where financing costs remain low even as its debt exceeds 260 percent of GDP, and it has one of the world's oldest populations. But that reflects high domestic ownership of government debt and ultra-loose monetary policy – a hard act to follow with higher inflation.

On the environmental front, a study last week showed a failure to curb carbon emissions will raise debt-servicing costs for 59 nations within the next decade.

"These long-term risks may not possess a well-established historical precedent, making reliance solely on historical data for risk assessment a challenge," said Gael Fichan, head of fixed income at Swiss private bank Syz Group.

## Kremlin blames

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that could spur the central bank into action ahead of its next scheduled interest rate decision on September 15.

"The main source of rouble weakening and accelerating inflation is soft monetary policy," Oreshkin wrote. "The central bank has all the tools to normalise the situation in the near future and ensure that lending rates are reduced to sustainable levels."

"A weak rouble complicates the economy's structural transformation and negatively affects the population's real incomes," he said. "It is in the interests of the Russian economy to have a strong rouble."

The Bank of Russia, which hiked rates by 100 basis points in July to 8.5 percent, has blamed the rouble's sharp slide this year on Russia's shrinking current account surplus – down 85 percent year-on-year in January-July. On Monday, the bank said it saw no financial stability risks

from the rouble's weakening and gave another hawkish signal that a rate hike is possible soon.

The rouble has chartered a turbulent course since Russia invaded Ukraine, slumping to a record low of 120 against the dollar in March last year before recovering to a more than seven-year high a few months later, supported by capital controls and surging export revenues.

Before the war, the rouble traded at around 75 to the dollar.

"The weaker rouble is a damning indictment of Russia's war on Ukraine," Timothy Ash, a London-based senior sovereign strategist at BlueBay Asset Management, said in an email.

"It is being driven not only by lower energy receipts due to the loss of the bulk of the European gas business but also by the success of the G7 oil price cap, the much higher cost of imports due to sanctions and then continued capital flight."