

Star BUSINESS

Three firms in the Bepza economic zone inside Bangabandhu Sheikh Mujib Shilpa Nagar in Chattogram have started operations and exports.



Story on B4

Govt to form banking commission soon

Will present roadmap for reforms within 100 days of the govt; band of crawling peg widened

STAR BUSINESS REPORT

The interim government will soon form a banking commission, a longstanding demand from economists, to bring about reforms aimed at salvaging the financial sector, which has been suffering from high default loans and weak governance.

Besides, a paper on the overall situation of the financial sector and a roadmap for the reforms will be published within the first 100 days of the interim government's tenure, according to a statement from the chief adviser's office yesterday.

The disclosure came following a meeting between the interim government's Chief Adviser Prof Muhammad Yunus and recently appointed Bangladesh Bank (BB) Governor Ahsan H Mansur.

The Centre for Policy Dialogue (CPD) has long been suggesting that the government form a banking commission in view of the deteriorating condition of the sector, which has been plagued by loan scandals, an increasing burden of toxic loans, and political and vested interests.

Last week, the CPD said public trust in the banking sector had been eroded due to the continuous deterioration of the sector's health and inadequate measures

BAND FOR CRAWLING PEG WIDENS

To increase the flow of foreign exchange, a decision has been taken to increase the band of the crawling peg, which allows fluctuations of the exchange rate within a predefined range, to 2.5 percent from 1 percent.

The revision comes more than three months after the BB first introduced the crawling peg, moving away from administered rates of US dollars in its bid to allow demand and supply to determine the exchange rate gradually.

"It is expected the liquidity flow in the interbank foreign exchange market will increase and the volume of foreign exchange will rise soon," said the statement.

Yesterday, the volume of transactions in the interbank foreign market stood at \$14.7 million, according to the BB.

The central bank introduced a crawling peg mid-rate of Tk 117 in May this year by allowing over 6.3 percent depreciation of the taka, which has significantly lost value in the last two and a half years amid falling foreign exchange reserves.

Bangladesh had \$48 billion in its forex reserves at the end of August 2021 but that came down significantly to \$25.92 billion at the end of July this year.

AT A GLANCE



The company was formed in 2021



It sells eight types of insurance products



At the end of April 2024, the company had 27,387 policyholders



The number of policy discontinuance is increasing



The overall financial condition of the company is precarious and it is on the verge of bankruptcy

The regulator said in a report

IRREGULARITIES

The insurer spent far more than permissible limits for management expenses

It showed extravagance in car purchases

It also spent excessively on travel, conferences and seminars

The company resorted to irregularities in fixing permissible limits of management expenses

It could not submit any proof that it had invested money in life fund

It has expanded branches to 85, but the regulator terms it as an 'immature decision'

PREMIUM COLLECTION

The life insurer collected Tk 81.51cr in premiums from policyholders until 2023

But most of the fund has been spent and no investment was made

Its life fund has now only Tk 1.20cr

NRB Islamic Life Insurance A cautionary tale

SUKANTA HALDER

NRB Islamic Life Insurance has been mired in irregularities within just three years of its inception. The insurer has spent far more than the permissible limits for management expenses and showed extravagance in car purchases since being formed in 2021.

The company also spent excessively on travel, conferences and seminars. As a result, the insurer's financial condition is nearing the point of no return.

Besides, the company has resorted to irregularities in fixing the permissible limit of management expenses.

Kibria Golam Mohamad, the chairman of NRB Islamic Life Insurance Limited, is also the founder of the Bangladesh Awami League, Italy and founder organising secretary of the All European Awami League.

As per a probe by the regulator, in 2021 to 2023 the company exceeded the sanctioned limit of management expense of Tk 21.17 crore, which is 1.48 times more than the permissible limit.

The life insurer collected Tk 81.51 crore in premiums from policyholders by the end of 2023, but its life fund showed only Tk 1.20 crore, according to a report by the Insurance Development and Regulatory Authority (IDRA) dated June 3.

"The company could not submit any proof that it had invested money in the life fund," it said.

A life fund is an amount of money that is paid to and invested by insurance companies

for life insurance, and from which money is paid when someone dies.

"The overall financial condition of the company is precarious, and it is on the verge of bankruptcy," the regulator said in its report.

To overcome this situation, the company's board of directors will have to inject about Tk 24 crore urgently and compulsorily, the report mentioned.

The company's paid-up capital is Tk 18

HOW THE IRREGULARITIES CAME TO LIGHT

A senior official of the IDRA told The Daily Star that the issue came to light while the regulator was conducting a fit and proper test after the company sent a proposal to renew the appointment of its chief executive officer.

The regulator sought various information to review the company's past business success and existing financial condition, including information on its paid-up capital, premium income, assets, investments and policy renewal rates.

"After analysing the information provided by the company, we found several irregularities," the official said, adding that the company spent policyholders' money arbitrarily and in breach of the law.

The IDRA said the company will have to pay Tk 34 crore in 2024-25 and 2028 to settle the claims of a scheme termed single premium policy. NRB Life Insurance will have to have an investment of Tk 23 crore to clear the claims, it added.

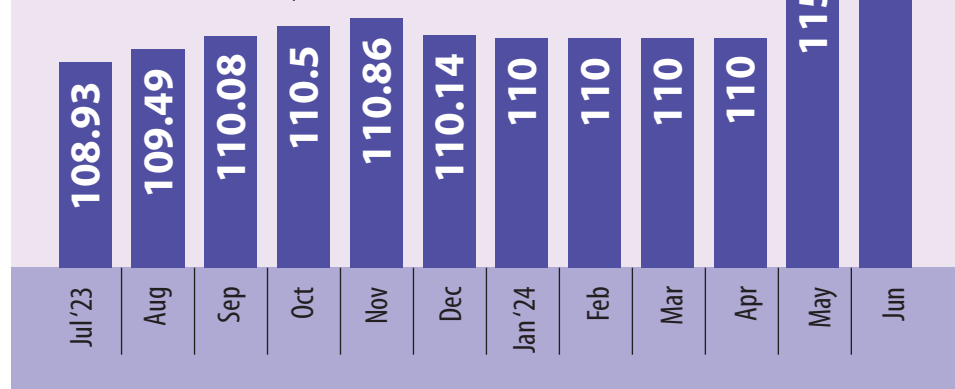
In addition, there should be more money invested to settle the claims of policies against its 'Double Payment Single Premium Plan,' for the period of 10 years, 12 and 15 years, said the regulator.

The IDRA said the company does not have any investment other than Tk 15.59 crore. If the money is considered as investment from the paid-up capital, no investment could be found out of Tk 82 crore collected as premium.

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MONTHLY AVERAGE EXCHANGE RATE

Value of US dollar in taka; SOURCE: BB



taken by the policymakers of the former government.

"A goal-specific, time-bound, transparent, unbiased, inclusive, and independent banking commission should be formed to bring transparency to the prevailing situation and identify the root causes of the manifest problems and suggest credible measures for improving the situation sustainably," it said.

The CPD added that sporadic measures had proved unsuccessful as the nature and depth of the problem require comprehensive due diligence and structural reforms.

In the face of these demands, the previous Awami League government, which was toppled by a mass uprising on August 5, announced its intention to establish a banking commission.

But those promises never materialised.

It was also agreed at the meeting that the contractionary monetary policy stance would be maintained to bring down inflation, which hit 11.66 percent in July, the highest in 13 years.

READ MORE ON B3

Maqsood gets top job at BSEC

STAR BUSINESS REPORT

The interim government has appointed Khondoker Rashed Maqsood as the chairman of the Bangladesh Securities and Exchange Commission (BSEC) for four years, according to a notice issued by the finance ministry yesterday.

His appointment comes a day after M Masrur Reaz, an economist, declined to join the BSEC as its chief. The government had appointed Reaz on August 13.

The post has been vacant since former chairman Shibli Rubayat-Ul Islam resigned on August 11 after the fall of the Sheikh Hasina-led Awami League government.

Maqsood has been working for the International Finance Corporation as an adviser for strategy and business development.

He was previously managing director and CEO of Standard Bank and NRB Commercial Bank. He was also the country officer of Citibank NA Bangladesh and managing director of Citibank Indonesia.



Khondoker Rashed Maqsood

CPD calls for phasing out inefficient power plants

STAFF CORRESPONDENT

The Centre for Policy Dialogue yesterday urged the interim government to phase out all inefficient power plants as early as possible.

During a media briefing, titled "Power and Energy Sector Reform Agenda for the Interim Government", at its office, the CPD outlined a comprehensive operational reform strategy for the power sector.

The think-tank asked the government to revise power purchase contracts and incorporate the "no electricity no pay" clause to lessen the burden of capacity payments.

"The government paid a total of around Tk 105,000 crore in the last 14 years as capacity payments to power plant owners up to August 2023," said Khondaker Golam Moazzem, research director at the CPD.

He provided a list of 28 inefficient power plants -- which have a total capacity of 3,655 MW -- based on net electricity generation, generation cost and carbon dioxide emissions, which can be phased out after their contracts end by 2030.

Most of them are quick rental power plants that the previous government

TOP INEFFICIENT POWER PLANTS

Names	Capacity (MW)	CO2 emission (In ton/year)
EGCB Ltd	412	1,021,167
Dutch Bangla Power & Associates	100	122,233
Paramount BTrac Energy - Sirajganj	200	79,379
Ashuganj Power Co - North	450	1,039,656
Summit Power Co - Madanganj	102	82,983
APR Energy	300	196,962
Summit Meghnaghat Power	337	1,157,265
Aggreko Energy Solution - Brahmanaganj	100	91,459
Shahjibazar Power Co	86	319,445
Khulna Power-2	115	81,541

promised to phase out. But it failed to do so.

All 16 quick rental power plants were supposed to be phased out by 2023, but as many as 13 are still operational. Of them, two have been getting capacity payment facilities and 11 are operating under the 'no electricity no pay' provision, Moazzem said.

According to the CPD, there is an over-generation capacity of 41 percent

at present, significantly higher than the maximum required reserve margin of 30 percent.

"There is a scope to reduce the capacity of 6,677MW without having any major adverse effect on the electricity supply in the country," Moazzem said, adding the previous government did not maintain the retirement schedule of power plants.

READ MORE ON B3

Sonali Bank asked to show Orion's loan as defaulted

MD MEHEDI HASAN

The Bangladesh Bank instructed state-run Sonali Bank to classify the Tk 106 crore loans taken by Orion Infrastructure Ltd as defaulted since the client repeatedly failed to repay on time.

The state-run bank was also asked to properly classify the loans by August 22 and report it to the Credit Information Bureau.

"We already requested the client to repay the loans immediately. If they fail, then we will classify it as a bad loan and inform the central bank," Md Afzal Karim, managing director of Sonali Bank, told The Daily Star yesterday.

A central bank document showed that Orion Infrastructure's outstanding loans were classifiable under the bad and loss category till December last year.

The company failed to repay four instalments till then. However, the loans of the company were kept unclassified upon special approval from the central bank.

The central bank last year said Sonali Bank could keep the loans unclassified under the condition that the unpaid instalments would be cleared within May 2024.

Afterwards, a central bank inspection found that the client repaid only Tk 2 crore in cash and provided 15 cheques to repay over Tk 15 crore until July 11.

As a result, the bank showed the loans as unclassified as of June 30.

However, those cheques are yet to be encashed, so there is no scope to show the loans as unclassified, according to central bank instructions.

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