

Star BUSINESS

Bangladesh's dependence on the US for soybeans has been increasing, with local traders, millers and conglomerates diversifying their sourcing.

Story on B4



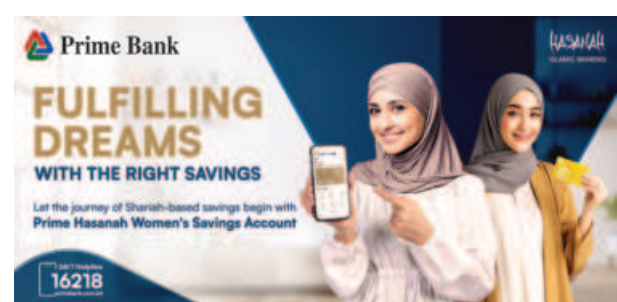
State agencies go tough on S Alam Group

STAR BUSINESS REPORT

In a major development, three state agencies yesterday made a series of moves against the S Alam Group, its chairman Mohammed Saiful Alam, and his family members amid allegations of loan irregularities during the 15-year tenure of the recently ousted Awami League government.

The Bangladesh Bank (BB) dissolved the board of loss-ridden National Bank Ltd (NBL) associated with S Alam Group, and the Bangladesh Securities and Exchange Commission (BSEC) restricted the transfer and sale of shares of six banks with ties to S Alam and his family members.

In a separate development, the Customs, Excise and VAT Commissionerate, Chattogram, a field office of the National Board of Revenue (NBR), formed four teams to audit the VAT compliance status of 18 concerns of the S Alam Group to examine whether it properly deposited taxes to state coffers.



"We want to hold the group accountable. So, we have formed the audit teams. In the past, we did not receive cooperation. Now, we think we will get support from other agencies and ensure proper collection of taxes for the state," said Syed Mushfequr Rahman, commissioner of the VAT Customs, Excise and VAT Commissionerate, Chattogram.

The teams have been instructed to examine all categories of financial transactions and purchase and sales documentation from the past five years, starting in 2019.

The field office of the NBR earlier detected that S Alam Vegetable Oil Ltd and S Alam Super Edible Oil Ltd had unpaid VAT and consequent penalties worth over Tk 7,000 crore. The companies allegedly evaded VAT through various means, including by presenting lower purchase and sales data in VAT returns between 2019 and 2022, according to an audit by the field office.

The two companies "evaded" Tk 3,538 crore in VAT, for which they were fined Tk 3,531 crore, according to an audit report. S Alam has denied these allegations.

The development took place at a time when six banks linked to S Alam Group are facing restrictions on lending, a bar imposed by the BB on August 19 to prevent the situation of the banks from deteriorating further amid allegations of wrongdoing.

Last week, the NBR asked banks to provide account details of S Alam and his family members.

S Alam and associates lose control over NBL

Yesterday, the BB dissolved NBL's board, which caused S Alam Group and its associates to lose their grip on the private bank.

This marks the third time since December 2023 that the BB has dissolved the board of the NBL, one of the oldest private banks in Bangladesh.

In an order issued by BB Governor Ahsan H Mansur, the banking regulator said it had dissolved the bank's board for the sake of the depositors' money and public interest.

The central bank formed a new seven-member board, including three directors and four independent directors. The bank's board was dissolved for the first time in December last year and again in May this year.

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Shibli Rubayat-Ul Islam

Bank accounts of former BSEC chair frozen

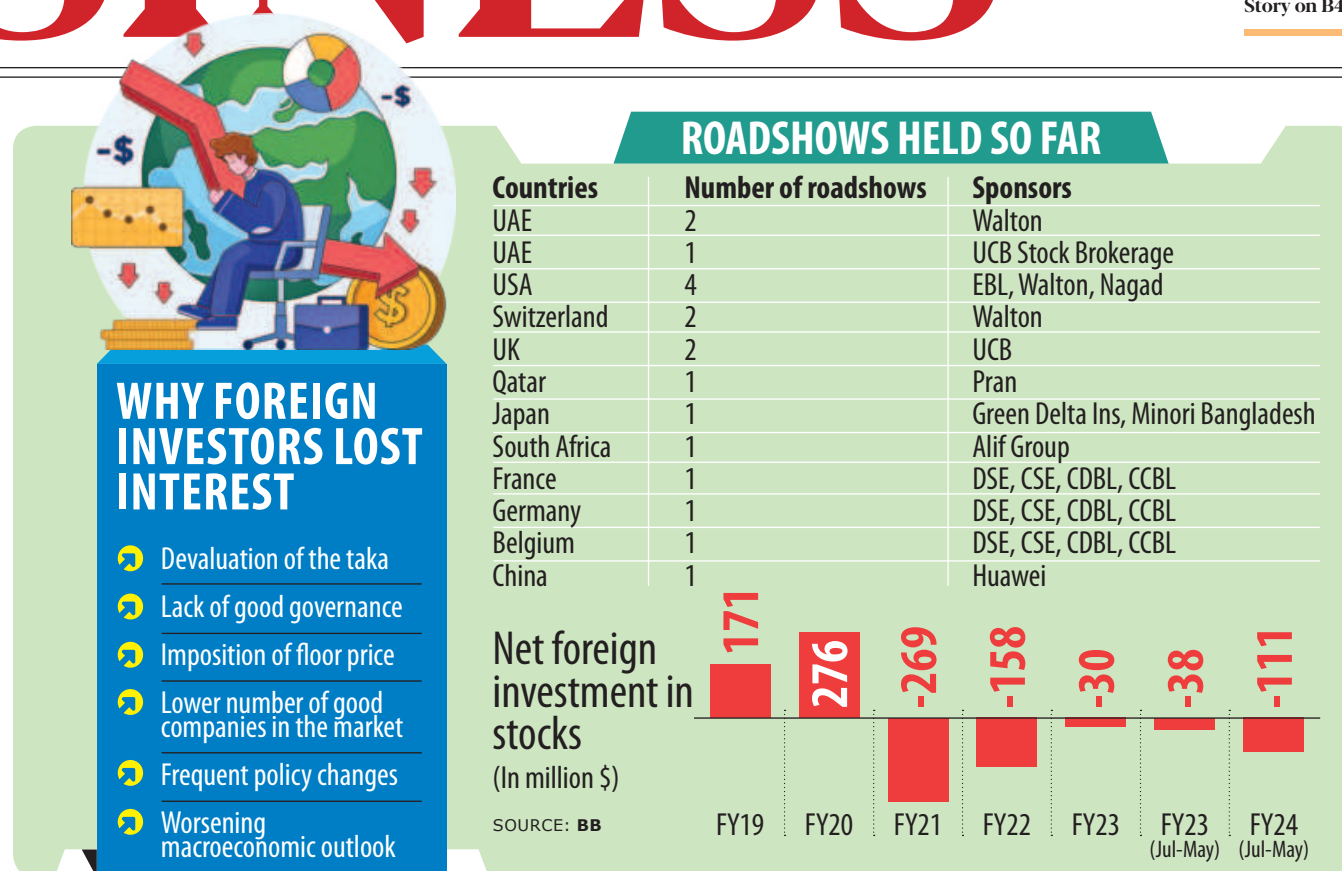
STAR BUSINESS REPORT

Bangladesh Financial Intelligence Unit (BFIU) yesterday asked banks to freeze the accounts of Shibli Rubayat-Ul Islam, former chairman of the Bangladesh Securities and Exchange Commission (BSEC), and his family members.

Banks have also been asked to suspend locker facilities extended to Islam and his family members for 30 days starting from the issuance of the BFIU directive.

Shibli Rubayat-Ul Islam resigned from his post on August 10 citing health reasons.

The resignation came five days after the fall of the Awami League-led government and the exit of Sheikh Hasina in the face of a civil uprising.



WHY FOREIGN INVESTORS LOST INTEREST

- Devaluation of the taka
- Lack of good governance
- Imposition of floor price
- Lower number of good companies in the market
- Frequent policy changes
- Worsening macroeconomic outlook

How BSEC wasted funds on ineffective roadshows abroad

AHSAN HABIB

Less than a year after Prof Shibli Rubayat-Ul Islam was appointed as chairman of the Bangladesh Securities and Exchange Commission (BSEC) in May 2020, the regulator started holding roadshows abroad to lure in foreign investors and boost the local market.

The first roadshow was held in the United Arab Emirates in February 2021, but it was attended mostly by local intermediaries, businesses and non-resident Bangladeshis. The presence of foreigners was very thin.

In the years since, the BSEC has staged 17 additional roadshows in 11 countries.

The money to organise these events came mostly from listed companies owned by thousands of general investors as well as stock market intermediaries.

An analysis of the data shows that these companies spent at least Tk 50 crore to sponsor the events.

Officials from numerous firms said they had little choice but to spend as they felt pressured by requests from the regulator.

While the massive outlay from shareholders' funds raised questions, the roadshows also failed to boost foreign investors' confidence due to a lack of investible companies and good governance as well as frequent policy changes amid a worsening macroeconomic outlook.

In reality, many foreign investors sold off their shares in the stock market over the past three years, causing the net portfolio investment to fall.

Bangladesh Bank data showed that

net portfolio investment stood at \$111 million in the negative during the July-May period of FY24. It was \$38 million in the same period of the previous fiscal year.

The BSEC alone organised seven roadshows in three countries. But as many critics pointed out that hosting such roadshows was not the duty of the stock market regulator, it joined hands with the Bangladesh Investment Development Authority (BIDA) thereafter.

UCB Stock Brokerage was the sponsor of the first roadshow in the UAE. The brokerage firm is a subsidiary of a listed company and is also regulated by the BSEC as a stock market intermediary, which makes the situation uncomfortable for the regulator.

Eastern Bank, local electronics giant Walton and Nagad, a mobile financial service provider, jointly sponsored roadshows in four cities in the US in mid-2021.

The same year that Nagad sponsored the event, it received approval to raise Tk 510 crore by issuing zero coupon bonds despite not being listed on the market.

Walton sponsored roadshows in two cities in Switzerland and the UAE while United Commercial Bank sponsored roadshows in two cities in the UK.

Pran Group, Alif Group, Green Delta Insurance and Minori Bangladesh, owner of Emerald Oil, also sponsored several roadshows.

Among stock market intermediaries, the Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE), Central Depository Bangladesh and Central Counterparty Bangladesh

sponsored roadshows in France, Germany, and Belgium.

Top officials of several companies confirmed that they agreed to sponsor the events as the regulator had asked them to. They added that they felt pressured because a listed company cannot avoid a request from its regulator.

On top of that, the BSEC used former prime minister Sheikh Hasina's name, saying she would attend the events and that sponsorships would make her happy, sponsors said.

A top official of EBL said they spent around \$150,000 to sponsor a roadshow held in the US.

A top official of UCB said they spent 2.5 lakh pounds to sponsor the UK roadshow and around Tk 1.10 crore for the Dubai roadshow.

"When a regulator asks us to sponsor an event, we have little option to ignore it," the UCB official said.

Several officials of Walton, UCB, DSE and CSE echoed those sentiments.

Al Amin, an associate professor at the Department of Accounting & Information Systems at the University of Dhaka, said organising roadshows is not a duty of the stock market regulator.

Moreover, how it organised the roadshows is questionable.

The costs of the events were borne mostly by listed companies or other companies that have regulatory interests in the BSEC.

"When a regulator takes benefits from the firms it regulates, how can it regulate them? This is totally illogical," Al Amin said.

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No special liquidity for ailing banks

BB governor says

STAR BUSINESS REPORT

Bangladesh Bank will no longer try to save any ailing bank by providing it special liquidity support, said Governor Ahsan H Mansur yesterday.

The central bank has suspended its special liquidity support for some Shariah-based banks, he said at a press briefing after meeting with a delegation of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) at the latter's office yesterday.

Seven banks, including six Shariah-based banks, have been facing a deficit in their current account balance with the central bank for more than a year.

The central bank was keeping those banks alive by providing special liquidity support. Only one recently showed signs of recovery.

As of August 7, the remaining six lender's current account deficit with Bangladesh Bank stood at Tk 14,621 crore. However, the combined shortfall is Tk 20,774 crore if their cash reserve ratio deficit is considered, as per central bank data.

The ailing banks are National Bank, First Security Islami Bank (FSIBL), Social Islami Bank, Union Bank, Global Islami Bank and Bangladesh Commerce Bank.

Seven banks, including six Shariah-based ones, have been facing a deficit in their current account balance with the central bank

Chattogram-based conglomerate S Alam Group has controlling stakes in all of these banks, except for National Bank.

Mansur said the banking regulator has already capped the lending activities of the six banks.

Replying to a question, Mansur said depositors have the right to withdraw money from the ailing banks, which would be liable for losing the confidence of their clients.

Against this backdrop, he said neither closing the banks or providing liquidity support was a solution.

Journalists also questioned how S Alam Group was allowed to control and take advantage of some weak Shariah-based banks.

In response, Mansur said the central bank has taken initiatives to prevent the withdrawal of funds by people who were responsible for ruining the financial health of these banks.

He added that a banking commission would soon be formed and the weak banks would have to cut down on their operations or merge with other banks under the banking commission, he added.

The new central bank governor also said the guilty or ill-motivated people would be caught but no business would be targeted.

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Economy seeing renewed optimism

LightCastle Partners says on Bangladesh

STAR BUSINESS REPORT

Bangladesh's economy is experiencing a surge in optimism as institutional reforms and positive investor sentiment take hold, according to LightCastle Partners, an international management consulting firm.

LightCastle highlighted these developments in its recent Bangladesh Update publication for August 2024, emphasising the country's emerging market potential.

"The Dhaka Stock Exchange has experienced a significant upswing, with the DSEX benchmark index rising by 786 points over a four-session period, marking a 12 percent increase, and market capitalisation surging by \$5.8 billion as of August 11," LightCastle.

The positive momentum came about after Sheikh Hasina resigned from her post as prime minister and fled the country on August 5 in the face of a student-led mass uprising.

"The rally has been primarily driven by fundamentally strong businesses, which have seen steady stock price increases, indicating early signs of an efficient market. This suggests that investors are optimistic in light of the ongoing institutional reforms," it added.

Institutional reforms, aimed at

improving governance and restoring business confidence, include the appointment of a new Supreme Court chief justice. The resignation of the Bangladesh Bank governor and the Bangladesh Securities and Exchange

long-standing issues within the country's institutions, which have been marred by political influence and inefficiency," LightCastle said.

Despite the positive developments, the manufacturing sector, particularly

OBSERVATIONS

- Institutional reforms and positive investor sentiment to drive economic growth
- Stock rally is driven by strong business with steady stock price increases
- Departures of political appointees crucial to depoliticise key institutions
- Banking sector is riddled with non-performing loans and capital flight

CHALLENGES INCLUDE

- The energy sector's rising payables
- Bureaucratic inefficiencies
- Constitutional reforms

Commission chairman present further paths towards reform.

These departures, all political appointees, signal a broader shift towards depoliticising key institutions.

"These changes are expected to lead to further improvements in governance and are seen as crucial steps in addressing

the garments industry, continues to face challenges.

LightCastle pointed out that security concerns have kept factories from operating at full capacity.

At the same time, Chittagong port, a critical hub for the country's

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Committee to probe complaints against a2i officials

STAR BUSINESS REPORT

The ICT Division has formed a three-member committee to investigate complaints, including corruption allegations, against 19 officials of the Aspire to Innovate (a2i) programme, a flagship initiative implemented by the ICT Division.

The complaints, raised by various individuals anonymously on social media against five officials, have prompted the department to take this action, according to an ICT Division statement.

On Monday, the formation of the committee was confirmed through an office order signed by Md Zillur Rahman, deputy secretary to the ICT Division.

Muhammed Mehedi Hassan, additional secretary to the ICT Division, will chair the committee, which has been tasked with thoroughly investigating the allegations and is expected to submit its report within five working days.

The remaining 14 officials and consultants of the a2i programme have been ordered to refrain from carrying out official duties as investigations into corruption allegations against them are underway, according to the statement yesterday.

The individuals include several key figures within the a2i programme — Policy Adviser Anir Chowdhury, e-Government Analyst Md Forhad Zahid Shaikh, Project Management Specialist Md Mazedul Islam, National Consultant for HD media Purabi Matin, Technology Analyst Md Halijur Rahman, Capacity Development Specialist Manik Mahmud, Resource Mobilisation Specialist Md Naser Mia, Digital Financial Service Specialist Md Tohurul Hasan, Solution Architecture Specialist Rezwanul Haque Jami, Strategy and Innovation Specialist and Senior Consultant HM Asad-Uz-Zaman, e-Noti Implementation Expert ATM Al Fatah, Senior Software Engineer Md Tanvir Quader, Admin Consultant Md Omar Faruk, and Senior Procurement Consultant Mohammed Salah Uddin.