BTRC's independence eroded over the years

New chief for returning to original legal framework to restore regulatory powers

MAHMUDUL HASAN

INTERVIEW

Restoring the Bangladesh Telecommunication Regulatory Commission's (BTRC's) independence by reverting to the original legal framework should be a priority for reform, according to its new chairman Major General (retd) Emdad Ul Bari.

"If we truly want reforms and want to avoid transitioning from one unregulated system to another, we must return to the original Bangladesh Telecommunication Act-2001," he said during an interview with The Daily Star.

According to the commission's new chief, the original legal framework empowered the telecom regulator to work independently and make key decisions independently. However, it was amended in 2010, with the BTRC required to seek government approval before acting.

"This small change had a massive impact on the industry," Bari said.

For instance, even if the telecom regulator wants to issue a mobile network operator licence, it must seek government approval. This enables the government to grant licences based on political preferences.

As such, he said the BTRC is merely acting as "a rubber stamp" and that it had transformed into a "farce commission".

"Without correcting this, reforms will be unsustainable," he noted.

Although he was appointed as chairman last week, Bari is not new to the BTRC. He previously served as the director general of systems and services at the commission from January 2015 to February 2018.

His new role will require him to address not only external challenges but also internal challenges, especially given that corruption allegations against BTRC officials were rife over the past 15 years.

On the external front, the chairman said government policies had ultimately led to an uneven playing field that favoured those close to the regime.

Internal reforms have already started, with several key officials transferred to new positions.

Additionally, Bari said it was high time to review the International Long Distance Telecommunication Services (ILDTS) Policy, which many believe restricts market competition, creates monopolies, and hampers innovation.

According to Bari, over the past 15-20 years, the telecom industry worldwide made a strategic error by focusing solely on connectivity.

"They believed connectivity was the main business in the telecommunications sector. When the internet arrived, they continued to see connectivity as the core business," he said.

"However, it later became clear that new platforms based on internet protocols were emerging and businesses began to thrive in that sphere. Globally, those in the telecom industry are striving to become digital service providers."

Bari said the ILDTS policy was first introduced to stop Voice over Internet Protocol (VoIP) and services were segmented vertically and horizontally.

BTRC AIMS TO ...

- Return to original laws to restore its independence
- End political meddling to ensure level playing field
- Review int'l long distance telco service policy
- Make the internet cheaper to reap greater benefits
- Use Social Obligation Fund properly for overall development

"At that time, it might have been necessary. But now, we have moved far beyond that point. Technology has advanced significantly, and integration and convergence are on the rise," he said.

"I believe the time has come for a thorough review of this policy."

When asked about the high taxes on telecom and internet industries and ways to reduce internet prices, he said it is possible to lower costs by eliminating unnecessary steps in the internet service provisioning process.

"The internet has now become a basic service. The cheaper it is, the more benefits it will bring. Direct revenue from the internet has long been discussed, but the indirect benefits from the internet should be thoroughly researched by economists and scholars," Bari said.

The BTRC chairman said that there are many stages before the internet reaches consumers, starting from submarine cables to international internet gateway to national telecommunication transmission network to internet service providers, each adding some value and changing the end prices.

"It is not possible to reduce internet prices overnight. But if we can reduce the number of stages, the price could be lowered. I believe internet prices should be reduced."

Bari, who also served as the director general of the Bangladesh Institute of International and Strategic Studies and vice-chancellor of the Bangladesh University of Professionals, also spoke about the quality and productive use of the internet.

"Statistics can be misleading if you don't understand or interpret them properly. It has been said that internet users have increased. But what type of users? Some use very little data. And even when large data users engage, it is often for unproductive content. We need accurate statistics on the productive use of the internet.

"If we can expand the network properly, internet speeds will improve significantly as the gateway capacity has not yet been exhausted."

Asked why BTRC has failed to effectively utilise the Social Obligation Fund (SOF), a contributory funding system in the telecom sector, he said he would look into it.

"When the SOF was first introduced, I was the secretary to the committee managing the fund. But I left the BTRC before spending any of it or holding the first meeting. I don't know what happened after that," Bari said.

"But I believe the fund, collected from telecom service providers, should be used to develop the overall telecommunications sector."

A leader is as good as his team

MAHTAB UDDIN AHMED

We often say "a leader is as good as his team." It is like making a perfect cup of tea -- sure, the leader might be the one pouring it, but without the right blend of tea leaves, sugar and milk, it is just hot water.

A leader can have Socrates-like vision, but if the team is busy arguing over who gets the best spot under the office ceiling AC, the ship is not sailing anywhere! After all, even the greatest captain needs a crew that can row, not just sit back and enjoy the cruise.

The interim government under Prof Muhammad Yunus has appointed over 20 advisers, with an average age of 67. With the potential of serving for three years, this average age would increase to 70. Critics argue that many advisers are from NGOs or Chattogram, are mostly retired, and may be out of tune with current challenges. Now, the question is, can this older albeit experienced team effectively address the humongous expectations of the people? Or will their age and unusual backgrounds hinder progress?

Research indicates peak productivity occurs between the 30s and 50s. The National Bureau of Economic Research found Nobel laureates in economics often produce their best work in their mid-30s to early 40s. The Federal Reserve Bank of St Louis notes professional productivity typically peaks around 40. The "Journal of Economic Perspectives" suggests cognitive decline starts in the 50s and affects productivity. Meanwhile, the "Harvard Business Review" highlights the balance between youth innovation and older individuals' experience.

Recruiting top talent for the interim government is challenging, though some critical positions like finance adviser, Bangladesh Bank governor and NBR chairman have seen suitable replacements. Many qualified professionals hesitate to join due to concerns about stability. Others willing to serve may be excluded due to intelligence reports or biases. Ideal candidates, such as former FMCG or MNC Bank CEOs, were often overlooked for unclear reasons. One friend declined a regulatory role, fearing media scrutiny over past political ties. Another faced rejection due to a past dispute with a previous employer. While connections with former regimes are common in corporate circles, this process risks sidelining capable leaders and promoting mediocrity. Additionally, there is a trend of appointing individuals only to withdraw them amid media attention.

Yunus has the option to choose advisors who balance youth and experience, forming a diverse team with expertise in critical areas like economy, education, health, and technology. Prioritise innovative thinkers and leaders with proven experience in social change, governance, and those familiar with grassroots issues. Avoid bringing in expatriates who lack recent local experience. Emphasise integrity and avoid biases on age, region, or political affiliation. This diverse mix ensures a dynamic government capable of addressing current challenges and aligning with the nation's transformation goals.

Appointing like-minded individuals stifles creativity, leading to one-dimensional problem-solving. Those without a history of transforming their fields should not be entrusted with national change. Relying on people with "expired" or "off the shelf" tags, is futile as they lack current agility. Some cannot handle media or team scrutiny, yet they are expected to tackle massive national challenges. Advisors must focus on future progress to drive the nation forward, not be stuck in an obsolete knowledge base.

Ultimately, leadership is not about stacking the deck with "experienced" players who can barely swing the bat anymore. It is more about having a team that can hit a boundary or a sixer. While the "cleaning up" agenda is essential, the ship may hover around the harbour if the interim government's advisers spend more time dwelling on the fascist government's failures than focusing on pressing issues. Remember, driving is impossible if you keep your eyes mostly on the rearview mirror -- unless the goal is a safe parking spot! And lastly, it is after all, a brand-new government saddled with a pile of trash left behind, and hence, patience is the public call of duty.

The author is the founder and managing director of BuildCon Consultancies Ltd

Indian firms use currency swaps to lower borrowing costs

REUTERS, *Mumbai*

Indian firms are opting for cross-currency swaps to convert part of their rupee debt into dollars in an attempt to trim borrowing costs as US interest rates decline, six bankers told Reuters.

The Federal Reserve began easing with a larger-than-expected 50 basis point rate cut on Wednesday and is projected to reduce borrowing costs by a total of 200 bps over the next 15 months, as per the central bank's forecast.

Two Indian conglomerates, a local unit of a global investment firm, and a renewable energy company recently used cross-currency swaps to convert rupee liabilities into dollars, a banker at a foreign bank said.

The banker did not want to be named because he is not authorized to speak to the media.

Cross-currency swaps are derivative structures that allow companies to convert loan principal, interest repayments, or both, from one currency to another, helping manage interest rates and forex risk.

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"Those expecting lower US rates in the future may consider converting INR liabilities to floating-rate USD liabilities through currency swaps, or principal-only swaps, as a cost-reduction measure," Ashhish Vaidya, managing director and treasurer, global financial markets at DBS Bank India, said.

Banks and foreign exchange advisors are suggesting clients use the 2-year tenure for the currency swap because it is offering the highest interest rate saving currently, the bankers said.

The US secured overnight financing rate (SOFR), a benchmark rate for dollar-denominated derivatives, has been declining in anticipation of the rate cut, with the 2-year SOFR down 35 bps so far in September and 120 bps on the quarter.

In contrast, India's 2-year Mumbai Interbank Forward Offered Rate is down just 20 bps in September and 74 bps on the quarter.

The widened US-India rate spread offers companies a larger margin of safety when converting rupee borrowings into dollar loans via currency swaps.

Currency swaps, while saving companies on interest costs, can expose them to foreign exchange risk, potentially negating interest savings and leaving the firm at a disadvantage if the rupee depreciates significantly by the time the swap is reversed.

Analysts say that the rupee's low volatility fosters corporate confidence in these trades.

Companies that have a natural hedge though dollar-denominated receivables can also mitigate a part of the currency risk.

"Corporates who have strong risk management framework or a natural hedge would be more suited to do such INR to USD swaps," Akshay Kumar, head of global markets India at BNP Paribas said.

Fed cuts lending rate for first time in more than 4 years

AFP, *Washington*

The US Federal Reserve cut its key lending rate by half a percentage-point Wednesday in its first reduction for more than four years, sharply lowering borrowing costs shortly before November's presidential election.

The Fed's decision will affect the rates at which commercial banks lend to consumers and businesses, bringing down the cost of borrowing on everything from mortgages to credit cards.

PHOTO: AFP

US Federal Reserve Chairman Jerome Powell speaks at a press conference in Washington, DC on Wednesday.

The move marks the beginning of the end of the Fed's high interest rate environment aimed at throttling demand, with inflation now easing towards the central bank's long-term two-percent target and the labor market continuing to cool amid a surprisingly resilient post-Covid economy.

Against this backdrop, Wednesday's large Fed rate cut is probably good news for Democratic presidential candidate and US Vice President Kamala Harris, who is running against Republican former president Donald Trump in the upcoming election.

"While this announcement is welcome news for Americans who have borne the brunt of high prices, my focus is on the work ahead to keep bringing prices down," Harris said in a statement.

At an event in New York on Wednesday, Trump told reporters that the independent US central bank's decision was either a response to a "very bad" economy, or it had been "playing politics."

"But it was a big cut," he added.

Major US stock indices finished lower following the Fed's decision.

Policymakers voted 11-to-1 in favor of lowering the central bank's benchmark rate to between 4.75 percent and 5.00 percent, the Fed announced in a statement.

They also penciled in an additional half-point of cuts before the end of this year, and an added percentage-point of cuts in 2025.

"It is time to recalibrate our policy to something that is more appropriate, given the progress on inflation, and on employment moving to a more sustainable level," Fed Chair Jerome Powell told reporters after the decision was announced.

"This is the beginning of that process," he added.

Analysts had widely expected the Fed to reduce rates on Wednesday, but were uncertain if it would cut by 25 basis points or 50.

A smaller cut would have been a more conventional step, while the larger move does more to stimulate demand, but also carries a greater risk of reigniting inflation.

"I was a little surprised it was 50 (basis points) and not 25, but I think the chairman did a nice job of explaining," former Boston Fed president Eric Rosengren told AFP.

The Fed's rate-setting committee most likely went for the larger cut in response to recent weaker-than-expected jobs data and the "very positive news" on inflation, added Rosengren, a visiting scholar at MIT.

"I don't think it's panic. I think it's more a strategic decision by the Fed," Citi global chief economist Nathan Sheets told AFP, adding that the next steps were "not so clear."

In updated forecasts published alongside the Fed's rate decision, policymakers' median projections pointed to an unemployment rate of 4.4 percent in the fourth quarter of this year, up from 4 percent in the last update in June.

They also penciled in an annual headline inflation rate of 2.3 percent, slightly lower than in June.

Futures traders see a roughly 65-percent chance that the Fed will cut by at least another 75 basis points this year, according to CME Group data.

Fed's bumper rate cut fuels gold's rally

REUTERS

Gold prices climbed 1 percent on Thursday after the US Federal Reserve embarked on an easing cycle by slashing interest rates and powering bullion to all-time highs, coming just a few cents shy of $2,600 in the previous session.

Spot gold rose 1 percent to $2,584.16 per ounce by 0855 GMT after scaling a record high of $2,599.92 on Wednesday. US gold futures rose 0.4 percent to $2,609.70.

The US central bank kicked off an anticipated series of interest rate cuts with a larger-than-usual half-percentage-point reduction as it gains "greater confidence" about inflation.

In addition, Fed policymakers projected the benchmark interest rate would fall by another half of a percentage point by the end of this year, a full percentage point next year, and half of a percentage point in 2026.

"The prospect of further rate cuts makes gold attractive and new record prices cannot be ruled out," said Alexander Zumpfe, a precious metals trader at Heraeus Metals Germany.

Lower interest rates reduce the opportunity cost of holding bullion.

The $2,600 mark proved too high a hurdle for now given how far and fast gold prices rose in anticipation of the Fed's September cut, said Adrian Ash, director of research at Bullionvault.

"There's lots of room for gold's bull market to keep running as the real returns to cash fall into the election and then into new year 2025."

Spot silver rose 3.6 percent to $31.13 per ounce after hitting its highest level since July in the previous session.

"We maintain our view that silver is set to benefit from a rising gold price environment," UBS said in a note.