

Star BUSINESS



BB to design new law for bank mergers, acquisitions

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The Bangladesh Bank is working to formulate a "Bank Resolution Act" for mergers, acquisitions, liquidation or recapitalisation of banks.

A central bank committee has been working for the past two years to make the draft of the law, which is expected to come to light soon.

Bangladesh Bank Governor Ahsan H Mansur also hinted at the impacts of the act at the 3rd Bangladesh Economic Summit, organised by Bangla daily the Bonik Barta at the Pan Pacific Sonargaon in the capital.

"Under the act, it will be possible to take policy decisions for merger, acquisition, liquidation or recapitalisation of any bank," he said.

The central bank chief discussed the topic at a time when half a dozen banks are struggling to repay depositors.

BB officials said that the banking regulator is now finding alternative ways to support some ailing banks as their situation is not improving despite the fact that they can avail liquidity from the inter-bank money market.

The BB will not take any rushed decision on mergers and acquisitions under the current governor, the officials said.

Governor defends tight policy as cash-strapped firms struggle

Businesses decry interest rate hike at Bonik Barta event

CHALLENGES	RECOMMENDATIONS
<ul style="list-style-type: none"> Higher interest rate for lending Red tape barriers Complex regulatory environment Macroeconomic instability Unsmooth government services Higher inflation Weakness of banking sector High non-performing loans 	<ul style="list-style-type: none"> Ensure conducive environment to attract FDI Focus on employment and investment rather than mega projects Ensure reliable data generation Increase allocation for human capital development Establish oil refineries to save foreign currency Break red tape barriers and eliminate harassment

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Bangladesh Bank Governor Ahsan H Mansur said tightening monetary policy is the only globally practised remedy to heal inflationary pain, as businessmen opposed interest rate hikes for obstructing business expansion and job creation.

"Our aim is to bring stability to the macroeconomy. If it is not ensured, stability in inflation will not be guaranteed. We have to fight to this end," said the central bank governor at the "3rd Bangladesh Economic Summit 2024: Inequality, Financial Crimes, and Healing Bangladesh's Economy" in Dhaka yesterday.

At the same event organised by Bangla daily Bonik Barta, several businessmen earlier said that the hike in interest rates has become a barrier to business expansion and employment generation.

"One thing that should be kept in mind is that if macroeconomic stability is not ensured, there will be no investment," Mansur said in reply.

"It will not yield any good results if we become impatient. If you say that investment must be revived right now, it is not possible," he added.

"We analysed many countries, including the UK, the USA and Thailand. No country has decreased inflation in less than 12 months," said the central bank governor.

He said they started the fight against more than 9 percent inflation -- which has been persistent since March last year -- basically in June 2024. "We need at least eight more months to bring it down to 5-6 percent."

After a two-month pause following August's 11.66 percent price pressure, Bangladesh's inflation rose to 10.87 percent in October, thanks to soaring food prices, especially for staple rice and vegetables, show statistics bureau data.

Amid the crushing price pressure affecting lives and livelihoods, the central bank governor said they are not relying solely on monetary policy to blunt the inflation curve.

"On the supply side, taxes on every essential good were either made zero or significantly reduced. The aim is to keep the price level of goods comparatively low, even if only temporarily, although prices of all products will not come down," he said.

Mansur said the government has already taken most of the required measures from the supply side. "So it requires time. We have to keep patience."

Hinting at good days ahead for the business community, he said their ultimate goal is also economic growth and investment. "Now I have to keep an eye on macro stability, reduce inflation and stabilise the exchange rate for the next months and years."

Duncan sells entire stake in United Finance, United Insurance

STAR BUSINESS REPORT

British conglomerate Duncan Brothers and its associates have sold their stakes in United Finance and United Insurance for around Tk 180 crore.

The shares were purchased by several directors of United Group.

Duncan, a corporate shareholder of the finance and insurance companies, yesterday disclosed separately on the Dhaka Stock Exchange (DSE) website that it would sell 2.36 crore shares of United Insurance and 6.53 crore shares of United Finance.

The Bangladesh Securities and Exchange Commission approved the sale and purchase of shares by the local company.

Duncan disclosed on the DSE website that it would sell 2.36 crore shares of United Insurance and 6.53 crore shares of United Finance. The total value was Tk 180 crore.

Each share of United Finance was sold at Tk 13.70 and each share of United Insurance was sold at Tk 35.30. The total value of the shares sold was around Tk 180 crore.

When contacted, Tareq Hosen Mozumder, company secretary of Duncan Brothers, declined to comment on Duncan's divestment.

Among the directors of United Group, Moinuddin Hasan Rashid, Khondaker Zayed Ahsan, Nizamuddin Hasan Rashid, Sharfuddin Akhter Rashid and Kutubuddin Akhter Rashid were the top buyers of the shares of the two companies.

United Insurance paid a 10 percent cash dividend in 2023 while United Finance paid a 6 percent cash dividend last year.

Yesterday, shares of United Finance declined 1.27 percent to Tk 15.60 on the DSE. At the same time, United Insurance shares advanced 4.57 percent to Tk 41.20.



The Bank Resolution Act was also discussed at a meeting between managing directors and CEOs of 17 banks and the BB governor at the central bank headquarters yesterday.

The managing directors and CEOs of Sonali Bank, Agrani Bank, Janata Bank, Rupali Bank, BRAC Bank, Mutual Trust Bank, City Bank, Dhaka Bank, Dutch-Bangla Bank, Eastern Bank, Pubali Bank, Prime Bank, NCC Bank, Mercantile Bank, Premier Bank, Jamuna Bank, and Southeast Bank were present at the meeting.

The BB's department of offsite supervision organised the meeting.

One of the participants said some banks are likely to face mergers or be acquired soon.

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