

Star

BUSINESS



Moody’s ratings don’t reflect political, economic changes: BB

STAR BUSINESS REPORT

The recent downgrade of Bangladesh ratings by Moody’s does not appropriately reflect the positive changes in political and economic areas following the mass uprising that ousted the Awami League-led government and led to the installation of an interim government, the Bangladesh Bank (BB) said.

On November 19, international rating agency Moody’s cut Bangladesh’s sovereign ratings from B1 to B2 and downgraded its outlook on the country’s economy from stable to negative.

As factors for the downgrade, Moody’s pointed to heightened political risks and the possibilities for lower economic growth.

According to the central bank, the change of sovereign ratings by Moody’s is tantamount to “looking through the rearview mirror” while the car is moving forward.

In a statement yesterday, the central bank said that the interim government has initiated fundamental reforms in key areas after the political changeover, including the economy, law and order, anti-corruption

BROKERAGES THAT SAW TRADING HALT

PFI Securities

Subvelly Securities

IMPACT OF TRADING HALT

The move impacted investors’ profits

Confidence of investorsshrank

SUGGESTIONS

Investorsshouldbeinformedearliersothat they can transfer shares

Monitoringoftheactivitiesofbrokerage houses should be increased

ACTIONS

BSECalreadyfined severalbrokerage housesfordeficit in consolidated customersaccount

BO account of an owner wasfrozenand travelbanwas imposed

A uniform online platform will be formedsoon

“

The stock exchanges should follow the consolidated customers’ accountclosely andpublish thebalanceof the account on a weekly basis to see if anybrokerage house has deficit in net capital.

Saiful Islam
President of DSE
Brokers’ Association

”

Investors suffer as SEC halts trading at deficit-hit brokerages

AHSAN HABIB

Aminur Rahman was excited after hearing that the company he had invested in had recently been upgraded to A-category. Anticipating price gains, he rushed to his brokerage house, only to be met with disappointing news: he was unable to trade.

Rahman’s broker, PFI Securities, had its trading halted by the stock market regulator due to mismanagement of client funds. But for it, investors like Rahman did not have a part to play.

“Who will bear the losses if my share prices decline

before I can trade again?” questioned Rahman, which was not his real name as he requested anonymity.

The answer of Rahman’s question is disappointing, as neither the regulator nor the stockbroker would shoulder the losses.

The Bangladesh Securities and Exchange Commission (BSEC) recently announced that it would not renew the licence of brokerage houses with deficits in their consolidated customer accounts (CCAs).

These fund gaps in the CCAs – bank accounts used by brokers to hold and manage client funds – indicate possible mismanagement, misappropriation or embezzlement of cash, prompting the BSEC to take the stringent measure.

PFI Securities, with a Tk 28 crore deficit in its CCA, was one such brokerage house that had its trading halted.

While Rahman supported the regulatory measure, he said the BSEC should have warned investors and allowed adequate time to transfer their shares to linked accounts before halting trading at the brokerage firms.

The regulator, however, says that the trading halt would not hurt investors as they could transfer their shares by opening linked accounts with other stock

dealers.

Saiful Islam, president of the DSE Brokers Association (DBA), said investors should not suffer for the shortcomings of their brokerage, and this is a key concern for increasing investor confidence.

“So, the country’s bourses should closely monitor and publish a weekly report if any brokerage has a deficit in net capital,” he added. “If the dealers don’t become transparent, then neither will the market.”

Furthermore, Islam suggested forming a committee with officials from the stock exchanges and BSEC that they can take immediate steps whenever the bourses detect a deficit in a brokerage’s CCA.

“If immediate steps were taken, we would not have seen the case of Mashiur Securities,” he said.

The DSE recently found that Mashiur Securities had misused a total of Tk 161 crore of investors’ funds, prompting the BSEC to suspend its activities.

However, Islam informed that the CCA deficit at Mashiur Securities has existed for around 10 years now. “So, then what role did the regulator really play in protecting the investors?” he said.

Citing how several brokerage houses embezzled investors’ funds over the past 15 years, the new BSEC commission recently announced that it will go tougher on those that have a CCA deficit to protect investors’ interests.

As such, the BSEC sought travel bans on the top brass of Dhanmondi Securities and PFI Securities for having CCA deficits worth Tk 35 crore.

Additionally, the BSEC has asked the Central Depository of Bangladesh to freeze the beneficiary owner accounts of these firms.

Previously, the stock exchanges ran an investigation on all stock dealers and found that 108 of them had a combined CCA deficit of more than Tk 500 crore.

READ MORE ON B3

Can Islami Bank raise Tk 20,000cr in this climate?

AHSAN HABIB

Ailing lender Islami Bank recently announced that it planned to raise a total of Tk 20,000 crore using two methods: Tk 10,000 crore would be realised by selling the stake that S Alam Group holds in the lender and the rest would be made up through the issuance of new shares.

However, many were left to question whether it is even possible to raise such a large amount by selling and issuing shares, especially considering the dire situation of the financial sector and the air of political uncertainty in the country.

The chairman of the Shariah-based bank said he would invite former foreign shareholders like IFC and Al-Raji Saudi Group – who exited due to a lack of good governance after the lender fell into the clutches of the S Alam Group – to invest in it again by January.

According to Islami Bank’s shareholding report, S Alam and associates collectively hold more than 30 percent of its shares.

Many were left to question whether it is possible to raise such a large amount by selling and issuing shares, especially considering the dire situation of the financial sector

The lender has 160 crore outstanding shares, with a market value of Tk 8,758 crore, or around Tk 53 per share.

So, if the S Alam Group holds around a third of those, the market price is closer to around Tk 3,000 crore.

To raise Tk 10,000 crore by selling that stake, the selling price must be three times higher.

However, the bank recently said the controversial Chattogram-based conglomerate holds around 80 percent of the lender’s shares and had misrepresented its stake by purchasing scrips using pseudonyms.

But even if this larger stake is considered, the market price stands at around Tk 6,700 crore, meaning the price would need to double for it to fetch the amount being sought.

Anis A Khan, a distinguished banker who is also a former chairman of the Association of Bankers, Bangladesh (ABB), said Islami Bank’s new board of directors, elected in late August following the political changeover on August 5, showed good intentions.

“But all due legal process for share sales should be followed,” he added. As an alternative, if the government seizes the shares in line with rules and regulations and sells them, the bank would get some relief, added Khan, also a former chairman of the Bangladesh Leasing and Finance Companies Association.

READ MORE ON B3

Bangladesh Banksays...

DOWNGRADEDOESNOTREFLECTPOSITIVE POLITICALANDECONOMICCHANGESAS:

» Exchange rate has stabilised at around Tk 120 per dollar

» Foreignexchangereservesstabilisedat around \$19b

» Externalcurrentaccountimprovedfroma large deficit to a virtual balance

» Financial account also strengthened

» Outstandingpaymentarrears\$2.5bhave been reduced to about \$450m

measures, democratic and election processes and public administration.

The BB added that it has implemented a comprehensive set of measures to tackle economic and financial challenges.

These include the constitution of a task force with a view to undertake and implement a comprehensive quality review of banks’ assets, leading to a comprehensive banking sector reform programme.

Other task forces will focus on strengthening and refocusing the operations of BB and pursuing stolen asset recovery at home and abroad.

Simultaneously, the government established a national task force to re-strategise the economy and mobilise resources for equitable and sustainable development, it said.

“These task forces have already commenced activities, engaging in extensive consultations with relevant stakeholders.”

READ MORE ON B3



Fruit pulp juice will also get export incentive

STAR BUSINESS REPORT

The interim government of Bangladesh has included juice and drinks made from locally sourced fruit pulp to a list of agricultural goods and processed agro-products eligible for a 20 percent cash incentive on their export.

Bangladesh Bank issued a circular to this end yesterday.

The facility can also be availed by firms partnering with the exporter by sourcing the fruit pulp from within the country, according to the circular.

The 20 percent cash incentive is provided on the export of pastes, bars, canned goods, dehydrated goods, juices, and drinks made from fruits and vegetables.

This decision will boost agro-processing industries, diversify the country’s export portfolio, and

READ MORE ON B3

HC stays new lighter vessel policy for 6 months

STAFF CORRESPONDENT, Chattogram

The High Court (HC) has stayed the implementation of a recently introduced policy on the transportation of imported cargo from mother vessels via inland waterways for six months.

The HC bench of Justice Fatema Najib and Justice Sikder Mahmudur Razi issued the order on Tuesday after hearing a writ petition filed by 11 lighter vessel-owning firms. Advocate Mohammad Samiul Huq, the petitioners’ lawyer, confirmed the order.

The court issued a rule asking relevant authorities to explain why the policy, as well as the establishment and operation of the Bangladesh Water Transport Coordination Cell (BWTCC), should not be declared “to have been done without lawful authority”.

The shipping ministry issued a circular on October 15, introducing the new policy, which mandates that all lighter vessels obtain serial numbers and allocations through a newly formed private platform, the BWTCC.

The secretaries to the ministries of shipping and commerce, the director general of the Department of Shipping, the chairman of the Chittagong Port Authority (CPA), and the chairman of the Bangladesh Inland Water Transport Authority (BIWTA) were among the respondents in the rule. They have been directed to respond to the rule within three weeks.

In their writ petition, the petitioners challenged the legality of the policy, arguing it violated several constitutional articles, provisions of the Inland Shipping Ordinance, 1976, the Chattogram Port Authority Act, 2022, the Trade Organisation Act, 2022, and a High Court judgement from March 10, 2022.

READ THE FULL STORY ONLINE

Ctg port operations speed up as congestion eases

DWAIPAYAN BARUA, Chattogram

Container ships are being able to berth and load and unload cargo faster upon arrival at the Chattogram port nowadays, thanks to the gradual easing of an acute congestion that had been created in July and August.

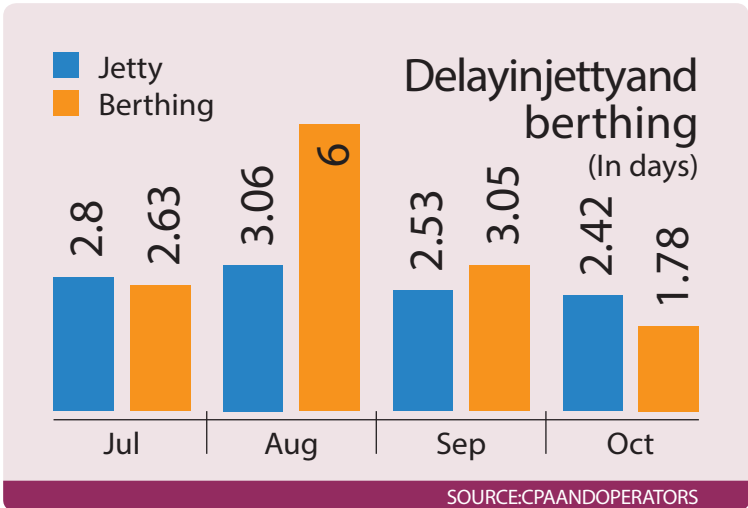
Vessels’ average waiting time to get berths had gone up to six to eight days in August due to a countrywide political unrest since mid-July and other disruptions.

It had sharply dropped to less than two days in October.

And in the first 20 days of this month, over half the vessels were able to berth within a day of their arrival. Vessels are getting berths at the shortest time, mainly due to a decrease in the time ships had to dwell at the jetties.

In July and August, the average dwelling time of vessels at the jetties was well over three days, and in many cases reached up to four days.

In October, after berthing at the port’s jetties, container ships on an average took 2.48 days to unload import-laden containers and load export-laden ones before departing. The port users said there was an



acute container congestion while the number of cargoes being delivered daily was low.

The situation gradually eased over the last couple of months, with significant improvements witnessed in both the waiting time for berths and dwelling time at jetties, they added.

Daily deliveries and transfers of containers from the port’s yards were badly disrupted due

to a student movement, internet blackout and political unrest from mid-July to early August, followed by a weeklong suspension of vehicular movement due to floods in late August.

It caused over 45,000 TEUs (twenty-foot equivalent units) of containers to pile up at the port, occupying 85 percent of its yard capacity. It has recently come down to 34,000 TEUs.

A senior official of a foreign shipping line said apart from the political turmoil, bad weather, mainly incessant monsoon rains, also hampered daily cargo deliveries since a good number of import cargo are delivered on being taken out of containers at the port yards.

Disruption in daily deliveries led to the piling up of containers at the yards and delayed loading and unloading activities, increasing ships’ dwelling time at the jetties and eventually creating a queue of vessels awaiting berths, he said.

With improvement in law and order as well as weather, business activities gradually gained momentum, which expedited the deliveries and thus the yard congestion has slowly been eased in the last few months, he said.

Chittagong Port Authority (CPA) Chairman Rear Admiral SM Moniruzzaman said at a press briefing that the authorities managed to ease the congestion through continuous and systematic innovative efforts.

They tried to create more space in the yards by speeding up the auctioning of old containers, he said.

READ THE FULL STORY ONLINE