BTRC approves terms for auditing Teletalk

MAHMUDUL HASAN

The Bangladesh Telecommunication Regulatory Commission (BTRC) has finalised key steps for auditing Teletalk, including setting goals, outlining the scope and detailing tasks for the process.

The telecom regulator recently approved the revised terms of reference (TOR), scope of service, expression of interest (EOI), and request for proposal (RFP) for appointing an auditor to conduct the operator's procedure and system audit.

The approval was granted during a recent commission meeting, following recommendations from the information system audit coordination committee, which reviewed and refined the documents.

For the first time, Teletalk, the only state-owned mobile network operator, will face scrutiny over operational challenges and financial liabilities.

According to the BTRC, Teletalk owes the telecom regulator about Tk 1,849 crore in unpaid licensing fees, revenue sharing, spectrum fees and contributions to the Social Obligation Fund.

In April 2024, a six-member committee was formed to draft the TOR, EoI and RFP in compliance with Public Procurement Rules 2008 and other government regulations.

The documents were ultimately finalised after a series of meetings and revisions.

This audit initiative aims to assess and enhance the operational transparency and efficiency of Teletalk, ensuring better compliance with regulatory standards, according to an official of the BTRC.

The telecom regulator has also decided to carry out information system audits on Grameenphone and Robi Axiata in the years since 2015, and form committees to start the process of appointing auditors.

The decision to carry out the audits comes even though the claims of the first audits into the operators have not been settled yet.

The telecom regulator ran separate audits on the two operators from their inception to December 2014 and claimed Tk 12,579 crore from Grameenphone and Tk 867 crore from Robi.

The claims include the amounts for unpaid annual spectrum fees, value-added tax and revenue sharing. However, both operators disputed the sum and claimed that they did not evade any taxes.

The dispute triggered a legal battle between the operators and the BTRC, with the companies filing lawsuits in 2019.

Based on the audit of Grameenphone from 1997 to 2014, the BTRC sent a demand notice in April 2019, asking it to clear the payments.

Later, Grameenphone filed a case before the district court against the claim. The Supreme Court in November that year ordered the operator to give Tk 2,000 crore in three months to the commission.

Afterward, the appellate division directed the largest mobile network operator in the country to deposit Tk 1,000 crore by February 2020 and another Tk 1,000 crore by May 2020. Grameenphone complied.

Of the Tk 12,579 crore, the operator has not yet cleared the more than Tk 6,100 crore slapped as late fees.

Additionally, as of April this year, it paid more than Tk 2,392 crore out of Tk 4,085 crore owed to the National Board of Revenue.

Out of Tk 867 crore, Robi, the second-largest operator of Bangladesh, paid Tk 138 crore in five instalments by May 2020 to comply with the order of the High Court Division.

The telecom regulator also conducted audits on Banglalink from 1996 to 2019 and asked the operator to pay more than Tk 820 crore last year.

It has already paid a principal amount of Tk 390 crore in instalments, according to an official of the operator.

Banglalink is trying to mutually resolve the BTRC's audit outcome while Grameenphone has already initiated negotiations regarding late fees as both parties seek an out-of-court settlement on the matter.

KEY POINTS

Teletalk will face scrutiny overoperational challenges and financialliabilities

Teletalk owes the telecom regulator about Tk 1,849cr

AUDIT AIMS TO ...

Assess and enhanceTeletalk's operational transparencyand efficiency

Ensure better compliance withregulatory standards

OTHER OPERATORS

BTRCwillalsocarryoutinformationsystem auditsonGrameenphoneandRobiAxiata

Liberalising the foreign exchange regime

MAMUN RASHID

Since our independence, 53 years have gone by and the country has already become a quasi-dominant player in the global supply chain. Yet our dominant stakeholders are being forced to take shelter under the Foreign Exchange Regulation Act (FERA) 1947 delineated by East India Company, barring foreign exchange liquidity or exchange rate stability issues. Our trading community and investors, local or foreign, still find our foreign exchange regime to be the most cumbersome and complex among emerging economies. We, in most cases, have to go back to our central bank for almost every other cross-border transaction approval. Hence, it is not helping us at all. No matter how sympathetic our central bank officials are, they are mostly busy with day-to-day transaction approvals, with no time to think beyond or reforming the cross-border transaction domain we are in.

What do we need to do?

- Implement an easier pre-and post-facto approval process against outward remittance of surplus earnings, dividends, training, technical know-how, operational assistance, software purchase and renewal fees, etc.
- Liberalise the external borrowing guideline to promote access to cost-effective financing options for Bangladeshi borrowers.
- Develop a comprehensive guideline to promote financial market growth by removing case-to-case time-consuming approval.
- Allow a discount against export on compelling grounds (e.g., quality issues): As of now, the pre-facto discount approval process is quite painstaking and uncertain. Such a conservative approach remains a hindrance to remaining competitive, notably with increasingly demanding global apparel buyers.
- Open account trade is still restricted in the local context while global trade is heavily reliant on this.
- Allow electronic presentation of import and export-related trade documents through secured electronic platforms.

A few more points on process and technical approaches could be:

- Relook at the role of exchange houses. Like exports, it has to happen like USD drawing arrangements (no buying of Taka, which is currently in place); the flow has to come in USD in designated banks and be converted into a published rate. With Taka buying, competition happens, and less USD comes into the country.
- Interbank foreign exchange market should be built up from the ground again. In absence of brokers like other similar countries, here interbank trades are one way traffic only -- between two banks with sides known to each other. So, no market making is happening. In an ideal situation all excess from one bank to another bank should route via buy /sell through brokerage houses and in the absence, the central bank. In this way, transparency in rate may be ensured.
- L/C clearance mechanism not needed; as official outflow is already significantly down. The L/C clearance process may unnecessarily delay the process or may lead to unofficial forex outflow.

One may of course argue that external borrowing rates are already high now. Hence, it is not certain if liberalising would help.

Without liberalising interest rates of the government bills and bonds, and letting FX forward pricing based on market forces, steps may not be very effective.

I would also push for a few more fundamental points:

(a) The quality of auditors and BB's enlistment process for auditors. It must be made more stringent; (b) strict compliance with local rating companies' rating process. A local rating company rated known to be 'quite bad bank' AAA. What would you think, when a relatively far better bank is rated AAA? After S Alam took over and bad loans started piling up, Islami Bank's rating improved.

We are now talking of various reforms with the interim government, then why not reforming our cross-border trade, remittance and payment regime?

The writer is the chairman at Financial Excellence Ltd

Mobil Jamuna to expand with oil tanker, land purchase

STAR BUSINESS REPORT

Mobil Jamuna Lubricants Bangladesh PLC is planning to buy an oil tanker and acquire land to expand its operations.

The company's board of directors has approved the purchase of a second-hand Aframax oil tanker, MT Nissos Delos, for $45.3 million.

With a carrying capacity of 115,690 tonnes, the 12-year-old vessel will replace the aging MT Omera Legacy, according to the company's disclosure on the Dhaka Stock Exchange (DSE) website.

In a separate notification on the DSE website, MJL Bangladesh PLC revealed plans to acquire a 209-decimal industrial plot in Shajahanpur, Bogura for future expansion.

The land, valued at Tk 18.81 crore, will be purchased through a tender process facilitated by Agrani Bank.

MJL Bangladesh PLC, a joint venture between East Coast Group's EC Securities and state-owned Jamuna Oil Company, has been a prominent company in high-quality lubricant blending in Bangladesh since its inception in 1998.

The company commissioned a lubricating oil blending plant in May 2003, according to its website.

Gold gains 27% so far this year

REUTERS

Gold prices slipped in thin trade on Monday, as markets awaited next week's US economic data and the potential impact of President-elect Donald Trump's return to office on the Federal Reserve's 2025 outlook.

Spot gold was down 0.3 percent to $2,611.39 per ounce as of 0854 GMT. US gold futures fell 0.3 percent to $2,624.00.

"Quiet day with lower liquidity across all asset classes likely due to the holiday season," UBS analyst Giovanni Staunovo said, adding that market participants will track upcoming US economic data to see if the economy is slowing down, allowing the Fed to keep cutting interest rates.

Gold has gained around 27 percent so far this year, with it hitting an all-time high of $2,790.15 on Oct. 31.

Fed Chair Jerome Powell said earlier this month that US central bank officials "are going to be cautious about further cuts" after an as-expected quarter-point rate reduction in December.

After this quiet week, traders are set to focus on next week's US job openings data, ADP employment report, the Fed's December FOMC meeting minutes, and the US employment report, all of which could provide insights into the health of the world's largest economy.

PHOTO: AFP/FILE

Gold necklaces are on display at a jewellery shop in Bangkok.

Looking ahead, "we still see the same factors in place which supported gold in 2024 - ongoing central bank purchases with a desire to diversify their reserves and ongoing US rate cuts supporting investment demand," Staunovo said.

Markets are gearing up for significant US policy shifts in 2025, including potential tariffs, deregulation, and tax changes, as Trump prepares to return to the White House in January.

Gold is considered a hedge against economic and geopolitical turmoil.

Japan's factory activity shrinks at slower pace

REUTERS, *Tokyo*

Japan's factory activity shrank at a slower pace in December as declines in production and new orders eased, a private-sector survey showed on Monday, edging closer to stabilisation after recent falls.

The final au Jibun Bank Japan manufacturing purchasing managers' index (PMI) rose to 49.6 in December, indicating the softest contraction in three months. The index was slightly higher than 49.5 in the flash reading and 49.0 in November but stayed below the 50.0 threshold that separates growth from contraction for the sixth straight month.

"The headline reading moved closer to neutrality amid softer reductions in both production and new order intakes," said Usamah Bhatti at S&P Global Market Intelligence, which compiled the survey.

The subindex of production shrank for a fourth straight month in December but the contraction was also slower than last month. Manufacturers noted that subdued new orders were the main factor behind the decline in output.

New orders contracted for the 19th straight month on subdued demand in both domestic and key overseas markets. Some firms in the survey suggested the semiconductor market was behind the weakness in new orders.

Employment expanded in December, reversing its fall in November, to reach its highest level since April. Firms in the survey said they hired more workers due to labour shortages as well as in preparation for future demand.

Input prices grew at the strongest pace since August, with firms citing higher costs of raw materials and labour. The weak yen also boosted inflation. To cope with rising prices, firms raised their output prices at the fastest rate in five months.

Manufacturers stayed confident about their outlook as they expect business to expand thanks to the launch and mass production of new products.

RBI should loosen its hold on rupee in 2025: economists

REUTERS, *Mumbai*

India's central bank will need to rethink its foreign exchange strategy and loosen its hold on the rupee in 2025, economists said, with the currency at its strongest against peers in at least two decades in trade-weighted terms.

The rupee's 40-currency trade-weighted real effective exchange rate (REER) stood at 108.14 in November, indicating the currency was overvalued by around 8 percent, the Reserve Bank of India's latest bulletin showed.

The rupee's overvaluation relative to its trading partners makes India's exports more expensive. This is the most overvalued the rupee has been since 2004, RBI data showed. Data prior to 2004 is not available.

The rupee's overvaluation on a REER basis reflects its appreciation in nominal terms against its peers and the widening interest rate differentials, economists said.

The former is largely thanks to a central bank that has intervened regularly in the forex markets to slow the pace of rupee's decline, keeping volatility in check.

In fact, the RBI's repeated two-sided intervention this year has meant the rupee has been the least volatile Asian currency after the pegged Hong Kong dollar.

But that could change in 2025.

"Given the rise in rupee's overvaluation...the pace of RBI forex intervention will need to slow," said Gaura Sen Gupta, India economist at IDFC FIRST Bank. That would mean the currency is likely to weaken and witness higher volatility.

A vegetable vendor counts rupee notes in Mumbai. The rupee's overvaluation relative to its trading partners makes India's exports more expensive. PHOTO: AFP/FILE

Wall Street's holiday cheer ended abruptly on Friday, with all three major indexes closing lower in a broad-based sell-off.

There is already evidence of this. The rupee's 30-day daily realised volatility is at a six-month high and the currency is on course to post its biggest monthly decline in two years having dropped 1.2 percent so far in December.

Last Friday, the rupee dropped to an all-time low of 85.8075 against the US dollar and traded in a 50-paisa range, the widest this year.

Considering the "flagging" overvaluation, there is likely to be further rupee depreciation, said Kanika Pasricha, chief economic advisor at Union Bank of India.

A shallow rate cut cycle by the US Federal Reserve, worries over the likely impact of Donald Trump's trade policies, rising US bond yields and India's growth slowdown will be challenges for the rupee.

"It is after several years that both 'pull' (growth slowdown) and 'push' factors (external headwinds) for portfolio flows are not in favour of the rupee," said Dhiraj Nim, an economist and FX rates strategist at ANZ. "So, an adjustment is warranted."

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