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Forex market in disarray

Rigid restrictions lead to shadowy currency practices

MD MEHEDI HASAN

Bangladesh Bank has officially given the green light for banks to trade foreign currency at freely negotiated rates, but there's a catch. An unofficially imposed mechanism has upset the foreign exchange market, undermining the intent of liberalisation.

After a nudge from the International Monetary Fund, the central bank ditched the crawling peg exchange rate regime for a more flexible approach. It may sound promising. Not quite.

The regulator is still keeping a firm grip on things with an unofficial mid-rate, essentially a benchmark rate for transactions. That's ruffling feathers in banking circles.

The mid-rate climbed from Tk 117 to Tk 119 per dollar on the last day of 2024, stirring up plenty of debate. Bankers argue that this benchmark is more like a leash, preventing them from genuinely negotiating rates. On the other hand, central bank officials insist the system is all about keeping the market steady. But the result is confusion and complaints, and the foreign exchange market feels anything but free.

Bangladesh's forex market is teetering between reform and restriction as the central bank attempts to balance market flexibility with regulatory control. Economists and bankers warn that the central bank's tight grip on dollar rates, coupled with the growing reliance on a shadowy method, may harm remittances, a pillar of foreign exchange reserves.

Mustafa K Mujeri, executive director of the Institute for Inclusive Finance and Development and a former chief economist of Bangladesh Bank, said the universally accepted and straightforward solution to the chaos in the foreign exchange market is to avoid intervention.

"The exchange rate should be left entirely to the market, allowing demand and supply to determine the rate," he said. Mujeri emphasised that market interventions create disruptions, including the emergence of black markets and excessive demand.

HIDDEN COSTS

Yesterday, the majority of the banks officially quoted Tk 121 per dollar for inward remittances and export proceeds and Tk 122 per dollar for selling dollars to importers, according to data from the Bangladesh Foreign

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- » Unofficial mid-rate harms market flexibility
- » Remittances may dwindle due to disruptions
- » Economists warn of further instability



Displaced Palestinians return to the Jabalia refugee camp through a destroyed neighbourhood in the northern Gaza Strip yesterday, shortly before a ceasefire deal came into effect. A study estimated that 59.8% of buildings in the Gaza Strip had been damaged or destroyed since the start of the conflict on October 7, 2023.

PHOTO: AFP

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Clear \$845m by June to avoid late charges

Adani asks PDB about unpaid bills

ASIFUR RAHMAN

India's Adani power has asked Bangladesh Power Development Board to pay \$845 million in arrears by the end of June or face charges for late payment.

Adani Power (Jharkhand) Ltd (APJL) in a letter yesterday said it would waive surcharges if the PDB paid the invoices on time.

The company supplies power to the PDB under a Power Purchase Agreement. The \$845 million it demands is for outstanding bills since April 2024.

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'Should we grieve, rejoice, or cry?'

Displaced Gazans head home through rubble as ceasefire begins

AGENCIES

Thousands of displaced, war-weary Gazans set off across the devastated Palestinian territory to return to their home areas yesterday after a long-awaited truce between Israel and Hamas took effect following an initial delay.

Minutes after the truce began, the UN said, the first trucks carrying humanitarian aid entered Gaza, where many residents are returning

» 59.8pc Gaza buildings destroyed

» At least 46,913 Palestinians killed

to nothing.

The ceasefire began nearly three hours later than scheduled. During the delay, Israel's military said it

was continuing to operate, with the territory's civil defence agency reporting 19 people killed and 25 wounded in bombardments.

Thousands of Gazans carrying tents, clothes and their personal belongings were seen heading back to their homes, after more than 15 months of war that displaced the vast majority of Gaza's population, in many cases more than once.

In the northern area of Jabalia,

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FOREIGN ADVISER'S CHINA TOUR

Dhaka-Beijing relations to hit reset button

Say foreign policy experts

PORIMOL PALMA

Beijing may consider Bangladesh's political stability and diplomatic positioning before making any commitment on economic and trade benefits that Foreign Adviser Touhid Hossain will seek during his four-day visit to China, said foreign policy analysts.

"China always emphasises on political stability -- it is unlikely that China will

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