Star BUSINESS

BSEC extends exemption period of provisioning for brokers

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The Bangladesh Securities and Exchange Commission (BSEC) has decided to extend the exemption period for keeping provisions on unrealised losses or negative equity for stockbrokers, merchant bankers, and portfolio managers until December 31, 2025.

The exemption will be available on the condition of submitting a specific and acceptable action plan on how and when the provision will be made.

The guideline will need to be approved by their own board of directors and submitted before June 30, 2025.

The stock market regulator made the decision yesterday at a commission meeting held at its office in the capital.

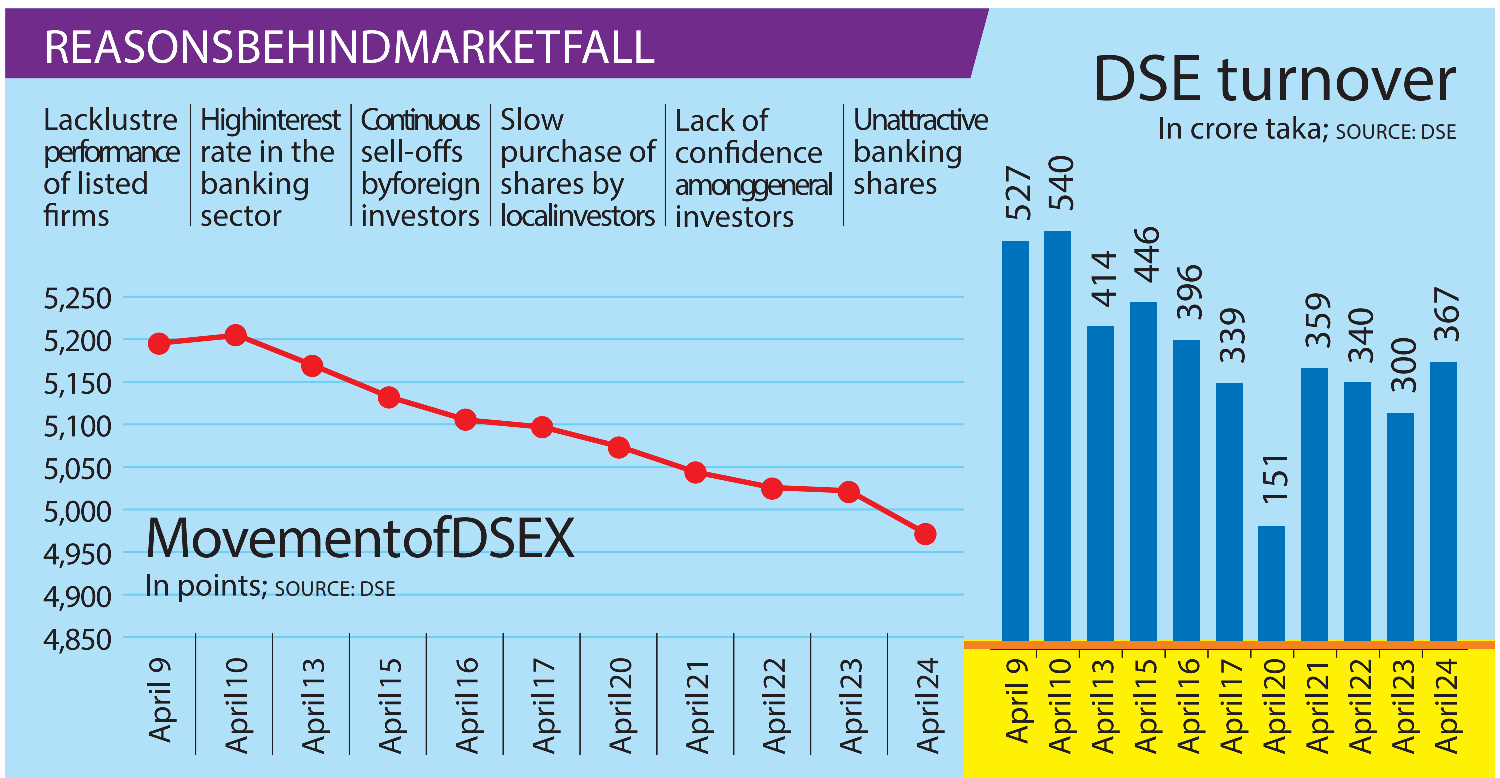
The BSEC extended the exemption period in response to demands from stockbrokers and merchant banks, according to a press release issued yesterday.

The deadlines for allowable provisioning against negative equity and unrealised losses expired in December 2024 and February 2025, respectively.

Full provisioning against unrealised losses in dealers' portfolios would compel almost all brokers in the industry to recognise substantial and unsustainable losses at once, although some part of it is actually contingent upon market sentiment.

On this basis, brokers and merchant banks were urging an extension of the exemption period so they could finalise their financial reports for 2024.

Why stocks keep falling



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The stock market extended its losing streak for a ninth consecutive session yesterday, dragging the benchmark index of the Dhaka Stock Exchange (DSE) to a six-month low.

Analysts say a combination of factors, such as lacklustre corporate performance, a dearth of new listings by good companies, and weakening investor confidence, is responsible for the persistent downturn.

The DSEX yesterday shed 49 points, or nearly 1 percent, to close at 4,972. Over the past nine trading sessions, the index has plunged by 233 points, or 4.4 percent. This marks the first time since late October last year that the index has fallen below the 5,000 mark.

The market started to rally last year following the ousting of Sheikh Hasina-led government in August, amid widespread expectations of sweeping reforms. Investors were optimistic that promising companies would soon list.

This optimism pushed up the DSEX by 723 points, or 14 percent, to 5,952 in just seven trading days.

But the rally proved short-lived. Disappointment crept in as investors noticed a drop in profits among listed firms in fiscal year (FY) 2023-24.

The situation worsened in the July-September quarter of FY25, reinforcing the downward trend.

"There was a huge expectation after August 5 that company earnings would rise in a reformed Bangladesh," said Shekh Mohammad Rashedul Hasan, managing director and CEO of UCB Asset Management.

"But many sectors struggled due to high inflation, rising interest rates, and lower government spending. The expectation was sentiment-driven," he commented.

According to an analysis of financial reports, listed firms across all sectors recorded an average year-on-year profit decline of around 24 percent during the January-September period last year.

High inflation has led to reduced household consumption, hitting consumer-focused and construction-related companies particularly hard. Besides, government cutbacks on infrastructure projects have further weakened the construction sector.

"As a result, stocks dropped," said the CEO of UCB Asset Management.

Hasan said, "The stock market is also closely linked to interest rates. When interest rates rise, stock prices usually fall, and vice versa. We've seen this pattern before, in 2017, 2021, and earlier."

He said that the current high interest rates are contributing to the market's decline.

Hasan said the role of foreign and institutional investors in any market is very important, as they usually provide "patient capital" during down markets.

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RMG orders adequate until Christmas

Exporters say

REFAYET ULLAH MIRDHA

Local suppliers have secured adequate work orders from US clothing retailers and brands to stay busy until Christmas at the end of this year, although the shipments are likely to be subject to Trump's reciprocal tariffs.

The factories will start manufacturing garments in full swing for the Christmas season from June, and it will continue until the end of July.

The shipment of the goods to the US will start from August so that they can be sold in November and December.

The autumn and winter seasons, Christmas, and Thanksgiving are major sales seasons for garments in the Western world.

However, a majority of local garment exporters are still waiting for Trump's final decision on tariffs, as his administration has given a 90-day pause on the reciprocal tariffs on the countries concerned.

Regarding the next summer season's work orders, both suppliers and buyers are yet to hold negotiations to confirm their values and volumes, as retailers and brands are waiting for Trump's final decision.

Like other countries, the 10 percent baseline tariff is still in place for Bangladesh, except for the 145 percent tariff on the import of Chinese goods. Although Trump on Wednesday assured he would consider a substantial reduction of tariffs on Chinese goods, he made it clear it would not be to zero.

Bangladeshi garment suppliers are now busy holding negotiations on work orders to increase export volumes to Europe and other countries because of favourable or zero tariff rates for Bangladesh.

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Draft audit ordinance threatens CAG's independence: TIB

STAR BUSINESS REPORT

Transparency International Bangladesh (TIB) yesterday said certain provisions of the draft Public Audit Ordinance may hinder the Comptroller and Auditor General (CAG) from performing duties independently and free from government control.

The observation by the anti-graft watchdog comes a week after the Advisory Council of the interim government approved, in principle, the Public Audit Ordinance, 2025.

TIB said that, despite directives from the highest court, the ordinance fails to include provisions allowing the CAG, a constitutional body that is the supreme audit institution of Bangladesh, to audit revenue assessment and collection.

The draft ordinance also includes clauses that would require the CAG to obtain prior government approval before entering into agreements with any regional, international or foreign entities, as well as mandatory government approval for rule-making, TIB said in a statement.

"These provisions appear to be influenced by vested interests and are embarrassing for the interim government."

Maintaining such fundamental weaknesses in the ordinance disregards the constitutional status of the CAG and clearly reflects a reluctance to ensure the institution's fundamental independence, said TIB Executive Director Dr Iftekharuzzaman.

"By excluding provisions for auditing revenue assessment and collection under section 7 of the ordinance, the entire process of revenue estimation and collection will be left beyond accountability."

"We fail to understand why the interim government is ignoring the fact that irregularities and collusive fraud in revenue assessment and collection are among the main avenues of tax evasion in Bangladesh. One cannot help but question whether the government is being influenced by the National Board of Revenue and other vested interest groups connected to it."

Iftekharuzzaman said the Supreme Court had affirmed the authority of the CAG in this regard through its verdict.

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WB finds mismatch in migration and remittance trends

US, UAE top senders despite Saudi dominance in labour numbers

MD ABBAS

While Saudi Arabia remains the top destination for Bangladeshi migrant workers, it is the United States (US) and the United Arab Emirates (UAE) that are leading in remittance contributions despite hosting comparatively smaller migrant populations.

This striking mismatch is at the heart of the World Bank's newly released "Bangladesh Development Update", which reports a record-breaking 27.6 percent year-on-year increase in remittance inflows during the first eight months of FY25.

According to the Bureau of Manpower, Employment and Training (BMET), over 46.34 lakh Bangladeshi workers are currently residing in Saudi Arabia.

The UAE follows suit with around 22.06 lakh workers. Yet, Saudi Arabia accounted for less than 13 percent of total remittance inflows, while the UAE surpassed it with around 17 percent.

The US, home to just over 3.04 lakh Bangladeshi migrants according to the US Census Bureau as of 2023, topped all countries with an 18.2 percent share.

The World Bank also warned that prolonged visa suspensions, economic instability in host countries, and over-reliance on a few destinations could put future remittance inflows at risk.

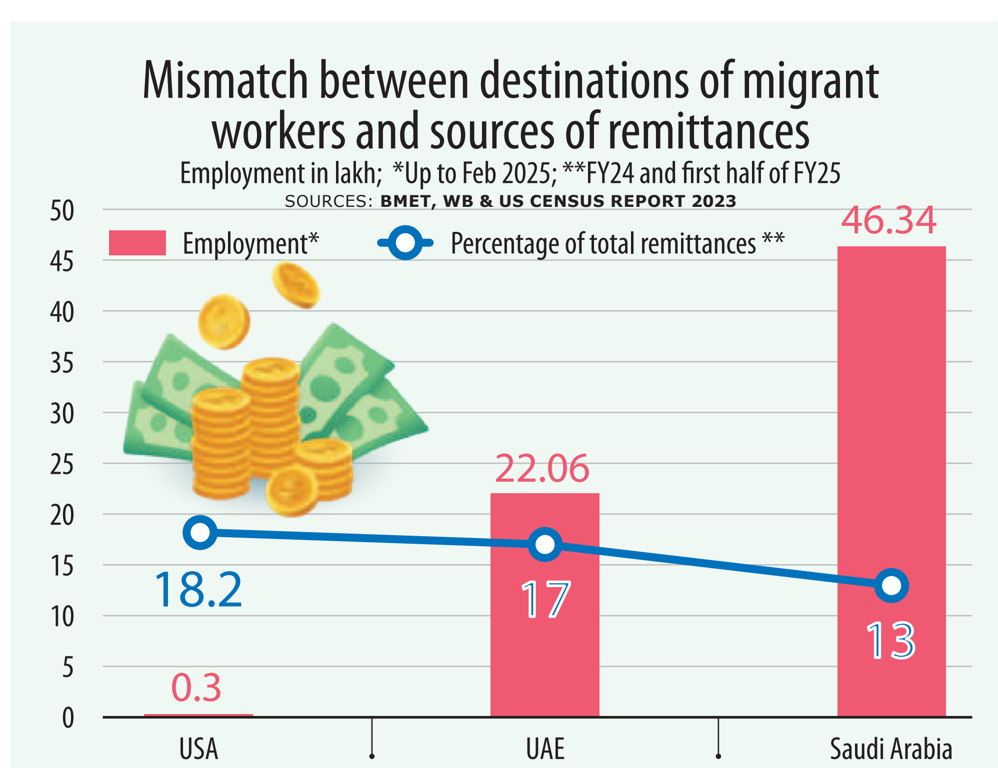
It attributes the remittance surge to several factors – the crawling peg exchange rate introduced in May 2024, a significant depreciation of the taka, and the 2.5 percent government incentive on use of official remittance channels.

Shariful Hasan, associate director of the BRAC Migration Programme and Youth Platform, also endorsed this view.

"The high exchange rates of the US dollar and pound sterling against the taka have made sending money legally more appealing for migrants," he said.

"This gap between where our people go and where the money comes from has grown too large to ignore," he added.

"It shows that our workers in the Gulf, particularly in Saudi Arabia, are increasingly engaging in low-wage, low-productivity jobs, whereas fewer but more skilled migrants – mostly professionals in the United Kingdom and US – are sending back more."



Despite this shift, 74.5 percent of new migrant outflows in the first half of FY25 were still headed to Saudi Arabia, although total outflows declined by 26.9 percent due to stricter visa regimes and policy shifts across Gulf countries, according to the World Bank's report.

"This is not sustainable," Shariful warned.

"We are exporting labour where it's cheap, but the remittance return is shrinking. A smarter migration strategy focused on skill and destination diversity is urgently needed," he said.

Speaking to The Daily Star, Mustafizur Rahman, distinguished fellow at the Centre for Policy Dialogue, said they questioned the Bangladesh Bank governor on the declining remittance from Saudi Arabia despite the large number of migrant workers there.

"The trend is continuing now. Earlier, remittance flows may have been affected as money used to come through informal channels like hundi, but that has mostly stopped," he said.

"It cannot simply be explained by the number of migrant workers in Saudi Arabia. The fluctuation in remittance flow from the country is concerning," he said.

"Bangladesh Bank should rigorously investigate whether there is any leakage in the system, policy weaknesses, or if any vested quarters are involved," he added.

He also noted that the rise in remittance from the US was not entirely new, as it previously ranked second.

"Why remittance from the UAE has increased is also a matter that warrants investigation," Rahman said.

However, migration economist Prof Mohammad Jalal Uddin cautioned that several short-term drivers were behind the remittance boom.

He explained that while the spike in remittance is impressive, only a few temporary factors are driving it.

"One reason is that many irregular migrants are sending most of their income home as their family members still live in Bangladesh," Jalal said.

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Telcos can now receive roaming charges in taka

STAR BUSINESS REPORT

Bangladesh Bank has issued a circular allowing mobile operators in the country to receive roaming service bills from their customers abroad in Taka, the local currency, under specific conditions.

The move aims to simplify the process for residents travelling abroad who require roaming services.

According to the circular, each customer can pay up to Tk 6,000 per trip and a maximum of Tk 30,000 in a calendar year for roaming services.

This limit applies regardless of the number of mobile numbers or operators used.

To activate roaming, customers must present a valid visa (if required) and travel ticket, and the service must be activated at least one week prior to the journey.

For mobile operators to make payments to foreign network partners, authorised dealers of foreign exchange are allowed to remit the amounts, subject to strict documentation and verification.

The dealers must collect agreements, invoices, proof of tax payments, and a statement showing customer earnings and international payables.

Operators must also provide an undertaking confirming that roaming charges in Taka did not exceed the limits set by the central bank.

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