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Star BUSINESS

First Security Islami Bank paying staff from depositors' funds

Shows BB document

MD MEHEDI HASAN

The financial health of First Security Islami Bank PLC has turned so dire that it is now paying staff salaries directly from depositors' money, according to a Bangladesh Bank (BB) document.

The report said that the commercial lender's operating income -- the revenue generated from its core lending and investment activities -- was insufficient even to meet payroll costs, let alone cover broader operating expenses.

The bank recorded a negative operating income of Tk 4,308 crore, while its salary and allowance expenses stood at Tk 652 crore as of December last year, according to the BB document.

This meant staff pay was being drawn from depositors' funds, as per the central bank.

As of last year, the bank posted a net loss of Tk 5,450.15 crore, while total operating expenses stood at Tk 1,051.61 crore, the document showed.

Key profitability indicators also fell, with return on assets dropping to negative 7.87 percent and return on equity to negative 451.12 percent.

On August 26, the central bank wrote to the bank's chairman, saying that a BB inspection found "serious governance failure".

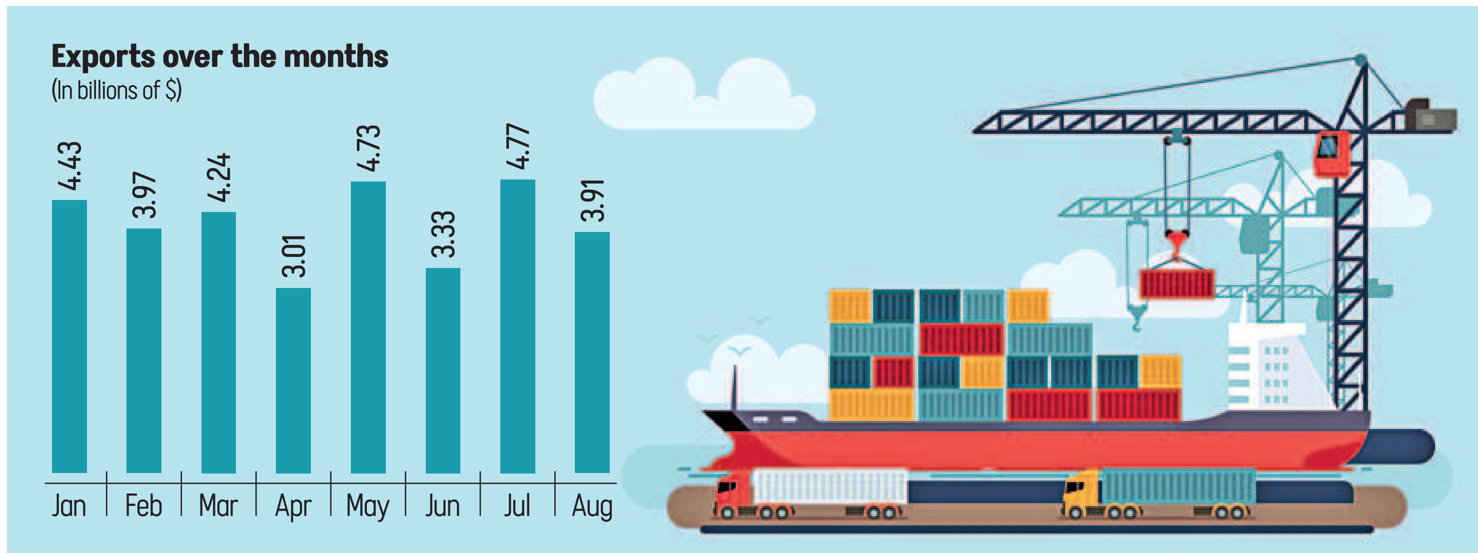
The letter said investments were approved on the basis of fabricated documents and flawed assessments, while due diligence was ignored.

The BB letter identified controversial conglomerate S Alam Group as the ultimate beneficial owner (UBO) of many investments, adding that the business group was involved in fund embezzlement.

The UBO is a natural person who ultimately owns or controls a legal entity, such as a company, even if they are not the formal owner.

"In short, the governance crisis of the bank appears to be epidemic, ranging from regulatory violations, misuse of Islamic banking principles, falsification of documents and embezzlement of funds, and READ MORE ON B3

Hit by US tariff uncertainty, exports slip 3% in Aug



SOURCE: EPB

REFAYET ULLAH MIRDHA

Bangladesh's export earnings witnessed a slight dip in August as garment shipments to the United States, its largest market, slowed under a new tariff regime introduced by the Trump administration.

According to latest data from the Export Promotion Bureau (EPB), merchandise exports fell by 3 percent year-on-year to $3.91 billion in August.

The overall picture for the fiscal year's first two months, however, remains stronger. In July-August, total exports rose by 11 percent from a year earlier to $8.68 billion.

Garments, which account for more than four-fifths of national export earnings, dragged down the performance. Apparel shipments fell by 4.5 percent year-on-year to $7.13 billion during the two-month period. Within this, knitwear exports dropped 6.34 percent to $3.94 billion, while woven garments fell 2.65 percent to $3.18 billion, EPB figures show.

The weakness followed earlier declines. In June, garment exports fell 6.31 percent, contributing to a 7.55 percent overall drop in shipments that month. By contrast, July brought strong growth, when exports reached a 32-month high with garment exports up 24.7 percent and total exports up 24.9 percent.

The volatility in the apparel sector stems from adjustment to the new US tariff structure. In April, the Trump administration imposed a 37 percent tariff on Bangladeshi garments, later revised to 20 percent after lengthy negotiations.

Exporters said the uncertainty during the negotiation period prompted many American buyers to adopt a wait-and-see approach until early August. The disruption compounded the seasonal slowdown during the long Eid holiday, when factories paused production and shipments.

The US is the single largest export destination for Bangladesh and the local exporters ship more than $8.2 billion worth of garment to the American markets in a year.

Exporters are hopeful that the garment export will grow to the USA under the favourable duty structure compared with the competing countries such as India and China, which face a 50 percent and 30 percent, reciprocal tariffs, respectively.

"Exporters had front-loaded shipments earlier at the previous 10 percent baseline tariff, which helped boost July's figures" said Md Shehab Udduza Chowdhury, vice-president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA). In August, the uncertainty led to a slowdown.

"However, international retailers and brands, especially from the US, are now returning with a good volume of work orders after the tariff rates were finalised by the Trump administration," he added. "It is expected that garment shipments will rebound soon."

Meanwhile, several other sectors performed better in July–August. Exports of jute and jute goods, cotton products, home textiles, frozen fish, agricultural produce and plastics all grew.

"Particularly, jute and jute goods have made a good recovery, logging nearly a 9 percent increase, breaking a continuous trend of decline.

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Govt issues revised ordinance on NBR split, abolition

STAR BUSINESS REPORT

The government has issued a revised ordinance on the split of the National Board of Revenue (NBR) into two separate divisions paving the way for revenue officials to head the top and senior positions of the Revenue Policy Division.

Now, officials with experience working on the macroeconomy, trade policy and planning can serve as the secretary of the Revenue Policy Division, one of the two divisions that will be formed after the dissolution of the National Board of Revenue (NBR) as per the new law issued last night.

In the original ordinance issued on May 12 as part of revenue system reforms, there was an ambiguity on whether the officials from tax and customs cadres would be given priority for the position of secretary, one of the major areas of contention that ignited huge protests in the revenue administration, crippling mainly import and export-related activities by the end of June.

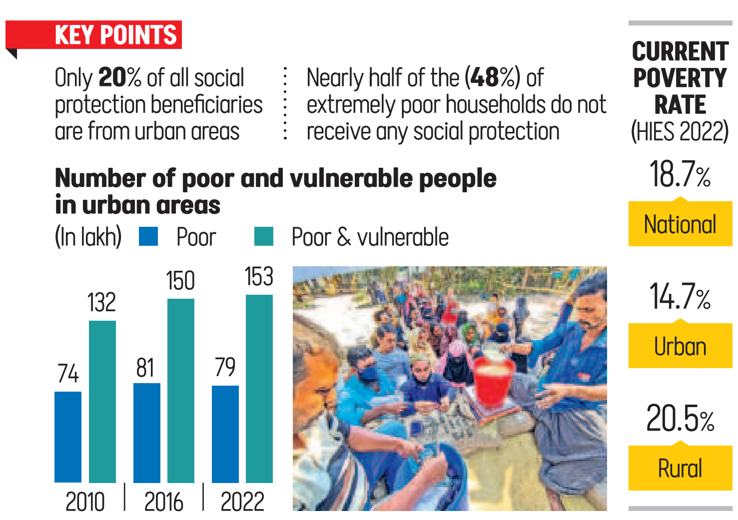
The ordinance, which will also abolish the NBR, will be effective based on the date fixed by the government, according to the revised law.

The government has

READ MORE ON B3

Urban poor largely left out of social protection

STAR BUSINESS REPORT



SOURCE: BBS AND RAPID

Even though urban poverty and vulnerability continue to rise, towns and cities account for only one-fifth of the total beneficiaries of government social protection schemes, according to a paper presented at a national conference on social protection yesterday.

Besides, nearly half of extremely poor households in the country receive no social protection benefits. The exclusion rate for extremely poor households in urban areas is nearly 64 percent, much higher than the national average.

"This leaves the urban poor and vulnerable groups underrepresented in the safety net schemes," said Mohammad Abdur Razzaque, chairman of Research and Policy Integration for Development (RAPID), presenting the paper at the National Social Protection Conference at the Bangladesh-China Friendship Conference Centre in Dhaka.

The Cabinet Division and the General Economics Division hosted the event with assistance from Australian Aid and UNDP.

Razzaque said Bangladesh's social protection programmes remain heavily rural-focused despite rapid urbanisation and the continuous influx of people into cities.

For instance, education stipends at both the primary and secondary levels overwhelmingly benefit rural households. The same is true for allowances targeting widows, deserted women, persons with disabilities, and elderly citizens. In most of these schemes, more than 80 percent of recipients are rural, he added.

The exceptions are pensions for retired government employees and allowances for freedom fighters, where urban households have a larger share compared to other programmes. Even then, rural beneficiaries remain significant, he said.

"Historically, social safety nets in Bangladesh were originally designed to reduce rural poverty, hunger, and vulnerability stemming from natural disasters. However, with growing challenges of joblessness, housing insecurity, and rising living costs in cities, the lack of urban-focused safety nets is increasingly seen as a policy gap."

Razzaque said there are about 23 schemes specifically designed for the urban poor, but they accounted for just 4 percent of the total social protection budget in the last fiscal year.

In comparison, about 50 programmes designed for rural areas only accounted for 27 percent of the total social protection budget. The rest of the schemes cover both rural and urban areas.

A substantial share of poor and vulnerable households remains entirely excluded from social protection programmes, he said.

"The poverty impact of social protection is low due to the lower level of benefits and targeting errors," said Razzaque, urging the government to take effective steps to eliminate the errors.

Mohammad Khaled Hasan, additional secretary of the Cabinet Division, said the government is planning several steps to include the urban poor under social safety net coverage.

At the event, Md Rezaul Maksud Jahedi, secretary of the Local Government Division, said, "We have 560 urban centres, including 330 municipalities and city corporations.

READ MORE ON B3

Commercial court law to be drafted within a month

Secretary says

STAR BUSINESS REPORT

The government will draft a law to establish a commercial court within a month to ensure the speedy resolution of commercial cases and business-related disputes, Commerce Secretary Mahbubur Rahman said yesterday.

"The process of establishing a commercial court is ongoing," he told a seminar on advancing dispute settlement and contract enforcement for businesses, organised by the Dhaka Chamber of Commerce and Industry (DCCI).

His remarks came as businesses complained that foreign investors show a lack of confidence in investing in Bangladesh due to the lengthy procedure for resolving commercial cases.

Rahman noted that Bangladesh is one of the most densely populated countries, resulting in a growing number of court cases and intolerable judicial delays.

"If trade-related disputes can be resolved outside traditional courts, it would substantially reduce pressure on the judiciary and improve the overall business climate," he said.

Michael Miller, ambassador and head of the European Union

READ MORE ON B3

Govt seeks Interpol red notice against owners of 3 RMG factories

STAR BUSINESS REPORT

The government has requested Interpol to issue red notices against the owners of three garment factories accused of failing to pay workers' wages and remaining abroad for extended periods, among other allegations.

Those accused are TNZ Group Managing Director Shahadat Hossain Shamim, Dird Group Chairman Itemad Ud Daulah and its Managing Director Nabeel Ud Daulah, and Roar Fashion Ltd Managing Director Mamunul Islam, according to a statement issued yesterday by the Ministry of Labour and Employment.

The initiative follows cases filed with the labour court in Gazipur and the first and third labour courts in Dhaka.

INTERPOL

The development came more than four months after Labour and Employment Adviser Brig Gen (retd) M Sakhawat Hussain warned that they would request the home ministry to issue red alerts against the fugitive owners of six garment factories for failing to clear workers' dues.

In the statement issued yesterday, Hussain said the steps have been taken to bring the accused back to the country and ensure payment of workers' outstanding wages and benefits.

"We are determined to protect the rightful interests of workers. We will be strict against those who act unjustly towards workers. Cases against them for labour rights violations and related legal complaints are ongoing," he said.

The labour ministry, based on its request to issue red notices against the factory owners or managing directors, said police headquarters had formally requested the Interpol authorities through a letter.

On this matter, Lutfey Siddiqi, special envoy to the chief adviser on international affairs, said non-cooperation or negligence by factory owners regarding workers' rightful entitlements will not be tolerated.

"There must be consequences for such actions," he said.

Direct tax expansion, compliance to help boost FDI: business leaders

STAR BUSINESS DESK

Expanding the direct tax base, boosting domestic consumption and ensuring tax compliance in a professional manner are crucial to attracting foreign direct investment (FDI) and strengthening revenue collection, business leaders said.

They spoke at a seminar on the macroeconomic outlook and the impact of the Finance Ordinance 2025, organised by MABS & J Partners at a hotel in Dhaka on Monday, according to a press release.

Speakers stressed greater transparency in revenue collection and rationalising tax exemptions.

They welcomed steps such as the contractionary monetary policy to tame inflation, new rules on non-performing loans, moves to align with international standards and the formation of a task force for banking sector reforms.

The event brought together economists, business leaders, professionals and policymakers to share views on fiscal policy and its impact on the economy.

Kamran T Rahman, president of the Metropolitan Chamber of Commerce and Industry (MCCI), termed the Finance Ordinance 2025 an integral part of the national budget, saying it comes at a critical juncture for Bangladesh's economy.

"We are facing persistent inflationary pressure, sluggish private investment and the challenge of LDC graduation. In this context, the government has tried to strike a balance between fiscal prudence and economic growth," he said.

Md Shahadat Hossain, senior partner at MABS & J Partners, an affiliated CA firm of Nexia in Bangladesh, presented the keynote paper.

He noted that foreign exchange reserves stood at $25.9 billion, with gross reserves projected to exceed $30 billion by mid-2025, supported by strong remittance inflows and slower import growth.

BRAC Bank appoints Tareq Refat Ullah Khan as MD

STAR BUSINESS DESK

Tareq Refat Ullah Khan

BRAC Bank PLC has appointed Tareq Refat Ullah Khan as managing director (MD) and chief executive officer (CEO) of the bank, effective from September 2, 2025.

Prior to this appointment, Khan had been serving as MD and CEO (current charge) since May 27 this year, according to a press release.

He began his career with IFIC Bank and subsequently held various roles at Eastern Bank and AB Bank.

Khan joined BRAC Bank in 2017 as head of credit risk management, bringing nearly three decades of experience at leading financial institutions.

His career has been marked by innovation and excellence, particularly in corporate and institutional banking, transaction banking, and risk management.

In April 2025, he was promoted to additional managing director and head of corporate and institutional banking in recognition of his leadership in driving innovation, business growth, and organisational transformation.

Commenting on Khan's appointment, Meheriar M Hasan, chairperson of BRAC Bank, said: "Tareq is the right leader to take BRAC Bank into its next phase. His vision, integrity and leadership will make the bank more trusted, innovative and inclusive, positively impacting customers, the banking industry, society and the state."

Khan holds a bachelor's degree from the University of Chittagong and a master's degree in marketing from the University of Dhaka. He later completed an MBA.

EBL women clients to get discounts on beauty, wellness services via Sheba

STAR BUSINESS DESK

Eastern Bank PLC (EBL) has signed an agreement with Sheba.xyz, the country's largest service marketplace and one-stop platform for home services.

M Khorshed Anowar, deputy managing director and head of retail and SME banking at Eastern Bank PLC, and Adnan Imtiaz Halim, founder and chief executive officer of Sheba.xyz, inked the deal at the bank's head office in the capital recently, according to a press release.

Under the agreement, Eastern Bank's women banking customers will enjoy discounts on beauty and wellness services through the Sheba.xyz online platform.

Among others, Sarmin Atik, head of liability and wealth management of the bank; Tanzeri Hoque, head of priority and women banking; Farzana Qader, head of retail alliance; Ronald Micky Gomes, chief operating officer of Sheba.xyz; and Nudrat Nawar Nodee, assistant vice-president and head of commercial, were also present.

Adnan Imtiaz Halim, founder and chief executive officer of Sheba.xyz, and M Khorshed Anowar, deputy managing director and head of retail and SME banking at Eastern Bank PLC, pose for photographs after signing the agreement at the bank's head office in Dhaka recently. PHOTO: EASTERN BANK

Pubali Bank wins awards at ICC Emerging Asia Banking Conclave

STAR BUSINESS DESK

Pubali Bank PLC recently won awards in five categories at the "3rd ICC Emerging Asia Banking Conclave & Awards 2025", organised by the Indian Chamber of Commerce at Le Meridien in New Delhi.

The categories were Best Bank, Asset Quality, Growth, MSME Acceleration and AI/ML Implementation.

JPR Karunaratne, deputy governor of the Central Bank of Sri Lanka, presented an award to Monzurur Rahman, chairman of Pubali Bank PLC, at the ceremony held in the Indian capital, according to a press release.

Mohammad Ali, managing director and CEO of Pubali Bank, was also present.

Partha Ray, director of the National Institute of Bank Management; Joydeep K Roy, president and CEO of QUIET Inc and former partner at PwC; and Atanu Sen, former chairman of NPS Trust-PFRDA, former managing director and CEO of SBI Life Insurance Co Ltd, and chairman of ICC's National Expert Committee on BFSI, attended the event.

PHOTO: PUBALI BANK

Monzurur Rahman, chairman of Pubali Bank PLC, receives an award from JPR Karunaratne, deputy governor of the Central Bank of Sri Lanka, at the "3rd ICC Emerging Asia Banking Conclave & Awards 2025"at Le Meridien in New Delhi recently.

Textile Series Exhibitions to begin in Dhaka on Sept 10

Meherun N Islam, president and group managing director of CEMS-Global for the USA and Asia-Pacific, speaks at a press conference at Pan Pacific Sonargaon Dhaka yesterday. PHOTO: CEMS BANGLADESH

STAR BUSINESS DESK

The 24th Bangladesh edition of the "Textile Series of Exhibitions", a major international showcase for the textile and garment industry, will begin in the capital's Purbachal on September 10.

The four-day event, jointly organised by CEMS-Global USA and CEMS Bangladesh, will be held at the Bangladesh-China Friendship Exhibition Centre, according to a press release.

Meherun N Islam, president and group managing director of CEMS-Global for the USA and Asia-Pacific, announced the event at a press conference at Pan Pacific Sonargaon Dhaka yesterday.

For over two decades, the exhibition has brought together global manufacturers, professionals and innovators from across the textile and apparel supply chain.

By hosting thousands of exhibitors, visitors and buyers every year, it has helped position Bangladesh as a reliable and innovative global sourcing hub, organisers said.

PHOTO: THE DUKE OF EDINBURGH'S AWARD FOUNDATION BANGLADESH

Raiyan Shahriar Islam, chairman of the board of trustees of The Duke of Edinburgh's Award Foundation Bangladesh; Mirza Salman Ispahani, honorary secretary; Talita Choudhury, treasurer, and Naser Ezaz Bijoy, Zakiya Shahrood Khan Runa and Rizwan Bin Farouq, members of the board of trustees, pose for photographs at the foundation's annual general meeting 2025 at Standard Chartered Bank's head office in Dhaka recently.

Merit, not surnames, should determine succession in family businesses

Business leaders say at MCCI seminar

STAR BUSINESS REPORT

Leadership and succession in family businesses must be determined on the basis of merit, not surnames, to ensure sustainability, business leaders said yesterday.

Emotional attachments and assumptions of entitlement threaten the long-term sustainability of even the most successful businesses in this era marked by rapid change, they warned.

They made the remarks at a seminar, "Where Family Values Meet Future Vision – Strategy for Sustainable Succession," jointly organised by the Metropolitan Chamber of Commerce and Industry (MCCI), Rajah & Tann Asia, and AAZ & Partners at MCCI's Gulshan office in Dhaka.

"Leadership should be defined by values, not surnames. Being a shareholder doesn't entitle anyone to a desk. Leadership must be earned on merit," said Mirza Salman Ispahani, chairman of MM Ispahani Ltd, at the event.

Tracing his family's business roots to 1820, the Ispahani chairman noted how the journey from Iran to India eventually led to their base in Chattogram.

"As businesses grow, relying solely on family isn't sustainable," he said, stressing the importance of professional management.

Speaking about succession, Salman said, "A family name doesn't guarantee leadership. Succession planning cannot be left to chance. It must be deliberate and, above all, guided by enduring family values, not emotion."

Anis A Khan, managing partner of AAZ & Partners, echoed a similar opinion, saying, "Succession in family-run businesses is no longer a mere legal or financial formality; it is a strategic and emotional process crucial to long-term survival."

"It is not just about handing over assets; it's the transfer of aspirations, values, and culture," Khan added.

Khan stated that in South Asia, many family businesses contribute significantly to GDP and employment. He, however, warned that poor planning in such businesses could unravel decades of growth.

He called for succession to be treated as a continuous, proactive process rather than a reaction to crisis.

Meanwhile, Tapan Chowdhury, managing director of Square Pharmaceuticals, reflected on the evolution of family businesses, sharing insights from his early years working under his father's leadership.

He recalled a dinner conversation where a family friend casually suggested that he be made managing director. "It was deeply embarrassing," he said. "In our culture, such matters were not openly discussed, especially while the founder was active."

Chowdhury stressed the importance of foresight in leadership transition. "Founders must plan how the company will run in their absence. Without clear structure, confusion is inevitable."

Highlighting Square Group's success, he credited its professional management. "Our organisation is now run by skilled professionals, many of whom feel like family. We work as a team."

Echoing other business leaders, he emphasised that leadership must be earned through experience and capability, not birthright. "Just being a son or daughter doesn't qualify someone to lead. Succession must serve the long-term interests of the organisation."

Also speaking on the matter, veteran industrialist M Anis Ud Dowla, chairman of ACI Group, said businesses must continuously evolve. "One has to realise that the organisation may not remain in the same shape and size as it is today."

Drawing from past engagements, he noted that similar discussions had taken place as early as 2016, reflecting a sustained interest in the future of family enterprises.

Commercial court law

FROM PAGE B1

delegation in Bangladesh, said that as Bangladesh moves towards LDC graduation and pursues export diversification, the establishment of commercial courts will be crucial for attracting foreign investment. The EU has been working closely with the government to help reform the legal process.

Md Abdur Rahim Khan, additional secretary (export wing) of the Ministry of Commerce and vice-chairman of the Export Promotion Bureau, said that delays in resolving trade disputes not only hinder FDI but also negatively affect export growth.

DCCI President Taskeen Ahmed noted that disputes related to business contracts, investments, and intellectual property are rising alongside economic expansion. "Currently, around 4 million cases remain unresolved in Bangladesh's lower and higher courts," he added.

In his keynote, Barrister Md Sameer Sattar, former DCCI president, said that contract enforcement is a crucial factor for both local and foreign investors, but Bangladesh lags far behind. "Bangladesh ranked 189th out of 190 countries in contract enforcement, according to a formerWorld Bank Ease of Doing Business Report."

Sattar added that, as of March 2025, nearly 25,000 cases were pending in money-loan courts, highlighting the lengthy legal processes.

Govt issues

FROM PAGE B1

framed the law in its effort to reform tax systems and improve tax collection, which is one of the lowest in the world, and to fulfil a condition of the International Monetary Fund tied to a \$5.5 billion loan given to Bangladesh.

As per the law, the Revenue Policy Division will be responsible for formulating tax policies, conducting research, and handling international agreements, while the Revenue Management Division will focus on field-level revenue collection, implementation of tax laws, and human resource management.

The move follows years of recommendations from international institutions such as the World Bank and the IMF, which have long urged Bangladesh to separate policy-making and revenue collection functions to reduce conflicts of interest and improve governance.

Hit by US tariff

FROM PAGE B1

Industry insiders attribute the growth to diversified products.

"Jute in particular benefited from growing global demand for natural fibre alternatives to plastic bags. The responses from the international buyers are also positive as they are adopting the natural fibre bag jute products instead of plastic goods," said Md Abul Hossain, chairman of the Bangladesh Jute Mills Association.

Shipment of leather and leather goods and ceramic sectors did not perform well in August.

According to EPB data, leather and leather goods recorded a 1.55 percent year-on-year decline last month. During the July-August period, however, the sector logged over 13 percent growth.

Ceramics, meanwhile, recorded a steep 18.97 percent decline in August. Rubber logged over 58 percent growth to reach \$4.39 million.

Urban poor

FROM PAGE B1

The population in these areas is increasing every day. People are moving to cities after being hit by various natural disasters and river erosion."

As a result, ensuring health and sanitation for slum dwellers in cities has become very complex, he added.

"We are currently spending about \$1 billion annually to ensure social protection, health, and environmental security in these centres. Yet, our actual need is \$7 to \$8 billion. We also have plans to work for the urban poor."

First Security Islami

FROM PAGE B1

concentration of control in the hands of connected influential interest groups," the letter said.

The central bank mentioned that repeated requests for repayment extensions and an inability to settle borrowings in time by the commercial lender exposed its severe liquidity shortfall.

BB said that First Security Islami Bank consistently failed to meet minimum thresholds for liquidity coverage and reserves. As of April this year, its liquidity coverage ratio had collapsed to 10.53 percent, way below the required 100 percent.

An asset quality review of First Security Islami Bank by an international audit firm showed that the bank is facing a significant erosion of capital.

By September last year, the bank faced a capital shortfall of Tk 53,890 crore, with its capital to risk-weighted asset ratio (CRAR) falling to negative 605.80 percent, against the required 10 percent. The review also found that 99.5 percent of the bank's investments had become non-performing.

As per the BB report, a provisioning shortfall of Tk 56,805 crore is another indication of weak credit management and poor risk controls.

Given these findings, the BB questioned the bank's viability.

"In order to protect depositors' interest, restore public confidence and preserve financial stability, the best available rescue option is to go for strategic regulatory intervention immediately," said BB, citing the Bank Company Act 1991 and the Bank Resolution Ordinance 2025.

The troubled lender is surviving on Tk 15,361 crore in emergency liquidity assistance, including Tk 14,311 crore directly from the BB and Tk 1,050 crore from other banks against central bank guarantees.

Mohammed Saiful Alam, founder and managing director of S Alam Group, was the chairman of the First Security Islami Bank. He was removed last year after the political changeover, with the BB forming a new board.

Mohammad Abdul Mannan, former managing director of Islami Bank Bangladesh, was appointed chairman of the scam-hit lender.

Contacted, Mannan said, "The ailing condition of the bank is a reflection of massive scams and loan irregularities in the bank. No banking was conducted here."

He cited a separate audit showing that one individual alone withdrew Tk 38,000 crore, against the bank's total investments of Tk 60,933 crore.

"That is one of the main reasons for the collapse," he told The Daily Star,

"The remaining investments went to businesses like the Sikder Group, Nassa Group, etc. These were mutual arrangements like you get Tk 3,000 crore from National Bank, and they waive your interest; in return, you give them Tk 3,000 crore and waive their interest," he commented.

"The central bank is now going to conduct regulatory intervention, and we agree with that," he added.

Stocks rebound

STAR BUSINESS REPORT

Indices at the Dhaka Stock Exchange ended trading on a positive note yesterday, rebounding from the losses of the previous day as turnover also rose.

The benchmark DSEX gained 37.13 points, or 0.66 percent, to finish at 5,620.91.

The other indices also performed positively, as the Shariah-based DSES increased by 0.66 percent to 1,233.13, while the blue-chip DS30 went up 0.29 percent to 2,195.11.

Turnover, a key gauge of market activity, stood at Tk 1,278.06 crore, up from Tk 1,181 crore in the previous session.

Block trades accounted for a notable share, with transactions recorded across several scrips and overall trading amounting to Tk 19.06 crore.

Market breadth was firmly positive, with 220 issues advancing against 131 decliners, while 47 remained unchanged.

The demand for milk and dairy products is rising every year, but domestic production remains relatively low, requiring Bangladesh to import large amounts of milk and milk products annually.
PHOTO: RASHED SHUMON

After 17 years of delay, govt forms Dairy Development Board

SUKANTA HALDER

The interim government has announced the formation of a Dairy Development Board, heeding the long-standing demand of farmers and stakeholders.

The move, announced in a gazette notification by the Ministry of Fisheries and Livestock last week, is expected to help boost domestic milk production, ensure fair prices for farmers, and reduce the nation's import dependence for nutrition.

"The gazette regarding the formation of the board has already been issued. We have now started working on the formation of the board and defining its functions," ABM Khaleduzzaman, director of production at the Department of Livestock Services (DLS), told The Daily Star.

The initiative to form a dairy board was first taken in 2008 by the then caretaker government to increase milk and dairy production nationwide and regulate standards. However, the initiative never saw the light of day for over a decade.

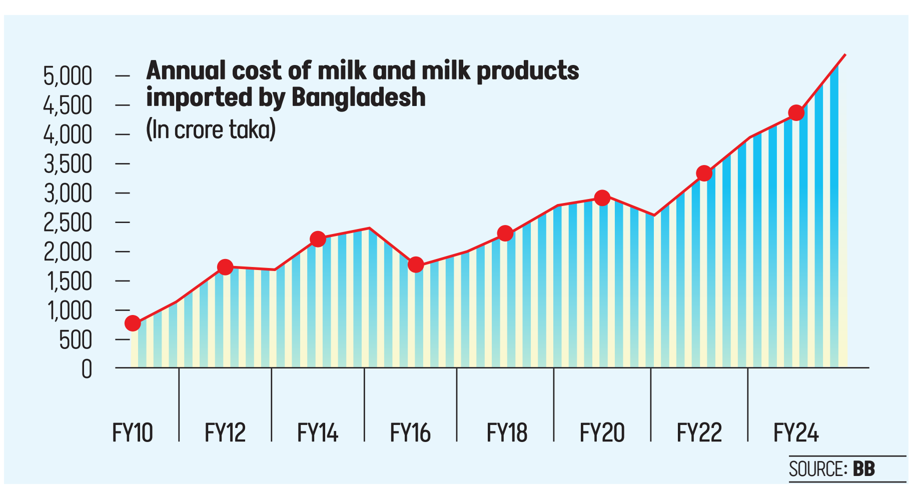
Later in 2023, the previous parliament passed the Bangladesh Dairy Development Board Act, paving the way for further development.

According to the law, the board will be chaired by the fisheries and livestock minister, while a state minister or deputy minister will act as the co-chairman.

It will also include one lawmaker nominated by the speaker; the fisheries and livestock secretary, who shall be the vice-chairman; the chairman of the Bangladesh Food Safety Authority; representatives from the Health Service Division, the Ministry of Agriculture, the Ministry of Commerce, the Ministry of Industries, the Rural Development and Co-operatives Division, government-nominated joint cooperative societies, commercial dairy and livestock producers; and the chiefs of the DLS and the Bangladesh Livestock Research Institute, among others.

Industry insiders and government officials have welcomed the latest move, saying the board will help organise the dairy sector, increase production, regulate quality, modernise market management, save foreign currency, create jobs, and improve nutritional security.

According to DLS Director Khaleduzzaman, the demand for milk and dairy products is rising every year, but domestic production remains relatively low, requiring Bangladesh to import large amounts of milk and milk products annually.



"Bangladesh's annual demand for milk and dairy products stands at about 162 lakh tonnes, while production is around 155 lakh tonnes. To bridge the gap, roughly $320 million worth of milk and dairy products are imported each year," he added.

In the last fiscal year, Bangladesh imported milk and milk products worth Tk 5,400 crore, seven times higher than just over Tk 700 crore of imports in FY2009-10, according to Bangladesh Bank data.

"In this context, the formation of the board is an innovative step," he said.

Khaleduzzaman said adulteration, poor quality control, weak marketing, and insufficient incentives for small farmers have held back the sector's potential. "The board could transform it into a modern, internationally standard industry, enabling self-sufficiency."

Mohammad Shah Emran, general secretary of the Bangladesh Dairy Farmers Association, lauded the development, calling it a significant milestone. "Farmers have long sought such an initiative to ensure better organisation, fair pricing, and support for smallholders."

"The board will provide an institutional framework to address long-standing challenges, modernise production, improve quality control, and promote sustainable practices," he added.

Prominent agricultural economist Jahangir Alam Khan, who was the director general of the Bangladesh Livestock Research Institute and was closely involved when the initiative was first taken in 2008, said the board's formation is crucial for food security, nutritional balance, and farmer livelihoods.

Khan stressed the need for experienced leadership familiar with livestock systems, domestic and global dairy markets, and strategies to make Bangladesh competitive.

With proper leadership and incentives, he said, self-sufficiency in the dairy sector could be achieved within five years, followed by entry into export markets, much like India's White Revolution.

He suggested offering agricultural and dairy loans at 4 percent interest, exempting income up to Tk 5 lakh from tax, and extending electricity subsidies for mechanised farms to the dairy sector.

"Our short-term goal is self-sufficiency; the long-term goal is a competitive, export-oriented dairy sector," he said.

Kamruzzaman Kamal, marketing director of Pran-RFL Group, one of the country's largest dairy producers, said the formation of the dairy board is a long-awaited move.

Similar institutions operate successfully in other countries, he said, citing India's National Dairy Board.

"Bangladesh is still a milk-deficient country, but our ambition is to transform it into a milk-surplus nation," Kamal said.

While private companies are investing, a strong government partnership will make these efforts more effective.

Moshiur Rahman, chairman of dairy producer Paragon Group, highlighted the need for a structured system that will not only reduce reliance on milk imports but also raise local milk quality, enforce hygienic practices, and modernise farming methods.

He added that the entire value chain, from on-farm practices to processing and packaging, requires proper regulation, and the board could play a vital role in ensuring this.

Capping audit fees risks weakening oversight

M MEHEDI HASAN

Bangladesh's banking sector is fragile, strained by non-performing loans (NPLs), poor governance, weak regulations and a trail of scandals. At a time when public trust in banks is thin, the role of auditors as the last line of defence has never been more critical. Yet auditors have often failed to deliver robust scrutiny, not least because statutory audit fees have traditionally been set too low to support meaningful oversight.

It is in this environment that the Financial Reporting Council (FRC), the country's audit watchdog, has moved to set both floors and ceilings on statutory audit fees for banks. The new ranges are linked to a bank's total assets or risk-weighted assets. Fees are calculated using the hourly rates of audit team members, but capped by a maximum number of hours permitted for each category of bank.

The intention may be to standardise costs and promote fairness. But in practice, the rigid framework risks limiting auditors' ability to respond to complex exposures. By constraining what auditors can charge and how much time they can allocate, the FRC has raised concerns about whether statutory audits can remain sufficiently rigorous. In a sector plagued by corruption and past audit failures, the cap could weaken oversight and erode trust further.

The problem is more acute because the scope of bank audits in Bangladesh is already far wider than in many jurisdictions. The Bangladesh Bank, the prime regulator, expects auditors to examine not only the annual financial statements but also areas such as irregularities in cash incentive claims, over and under-invoicing in trade, compliance with anti-money laundering rules, outward remittances, and withholding tax obligations. These tasks demand forensic expertise, sector-specific knowledge and significant investigative effort.

Imposing a ceiling on fees while widening responsibilities risks forcing audit firms to stretch limited resources. If auditors cannot dedicate the required time and staff, the quality of scrutiny will inevitably suffer. The cap on hours reinforces the worry that auditors will be unable to exercise their judgment freely or allocate sufficient effort to safeguard independence and thoroughness.

Looking abroad highlights the risks of this approach. In India, the Reserve Bank sets only minimum fee schedules, designed to prevent a race to the bottom and to protect audit quality. Regulators in Europe and the United Kingdom take a different tack: they restrict the proportion of fees that can come from non-audit services to preserve independence, but they do not cap statutory audit fees themselves. The common thread is that the priority lies in protecting quality, transparency and accountability rather than squeezing costs.

The initiative by the FRC, though well-meaning, could send the wrong message. A ceiling on statutory audit fees and hours may appear to save money, but it risks leaving the banking system even more vulnerable. Bangladesh would be better served by strengthening the floor -- guaranteeing fair remuneration, ensuring transparent disclosure of audit scope and hours, and demanding accountability from audit firms when quality is compromised.

Ultimately, confidence in the financial system cannot be rebuilt through tighter fee caps. It depends on stronger enforcement, credible oversight, and a commitment to making audits more effective. The stakes are high. If audit quality declines further, so too will public trust in a sector that is already on shaky ground.

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Import ban on Bangladeshi RMG triggers supply crunch in India

OUR CORRESPONDENT, *New Delhi*

Leading international clothing retailers in India, including Marks & Spencer, H&M, Zudio, and Lifestyle, are facing supply shortages amid a prolonged restriction on imports of readymade garments from Bangladesh through land ports, The Economic Times reported yesterday.

The Directorate General of Foreign Trade (DGFT) of India issued a notification on May 17 banning garment imports from Bangladesh via land routes. Imports are now allowed only through the Kolkata and Nhava Sheva seaports, causing significant disruptions in the supply chain.

The move has led to delays of two to three weeks in merchandise sourcing, especially in lower-price categories. As a result, several Indian retailers such as Lifestyle, Reliance, and Aditya Birla have started shifting part of their production domestically.

"While we have shifted some of our sourcing within the country, there are a few categories that we import from Bangladesh, which have been delayed due to the decision," said Devarajan Iyer, chief executive officer of Lifestyle International. Smaller retailers and grey-market operators, who rely heavily on low-priced products and faster deliveries, are bearing the brunt of the import ban.

"The cost of importing garments from Bangladesh could rise by 3 to 5 percent due to higher transportation costs through seaports. However, the impact will not be immediate as many retailers had secured contracts months in advance," said Rahul Mehta, chief mentor of the Clothing Manufacturers Association of India.

Gold races to all-time high above $3,500

REUTERS

Gold prices scaled the $3,500 per ounce level to hit a record high on Tuesday, as mounting expectations for a U.S. Federal Reserve interest rate cut this month lifted demand for the precious metal.

Spot gold was up 0.1 percent at $3,480.57 per ounce as of 1125 GMT, after hitting a record high of $3,508.50 earlier in the session. Bullion has gained 32 percent so far this year.

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U.S. gold futures for December delivery gained 0.9 percent to $3,549.

"Gold's rally is set to be heavily influenced by how much the Fed's rate-cutting path adheres to market projections," said Han Tan, chief market analyst at Nemo.money.

"It still enjoys enough fundamental tailwinds, from central bank purchases to safe-haven demand - especially if trade tariffs take a meaningful toll on global economic growth - going into next year," he added.

Traders are currently pricing in a 90 percent chance of a 25-basis-point Fed rate cut on September 17, according to the CME FedWatch tool. Non-yielding gold typically performs well in a low-interest-rate environment.

Long regarded as a dependable hedge against geopolitical and economic turmoil, gold has rallied to multiple record highs in 2025, drawing support from ongoing central bank buying amid a move away from the U.S. dollar, strong safe-haven demand in light of geopolitical and trade uncertainty, plus broad dollar weakness, analysts say.

Customers are browsing gold jewellery at a Chow Tai Fook store in Beijing. Long regarded as a dependable hedge against geopolitical and economic turmoil, gold has rallied to multiple record highs in 2025.
PHOTO: AFP/FILE

Spot gold prices rose 27 percent in 2024, and broke the $3,000 per ounce level for the first time in March this year as uncertainty around U.S. President Donald Trump's trade policies sent investors flocking to the safe-haven asset.

Meanwhile, Trump has criticised the Fed and its chair, Jerome Powell, for months for not lowering interest rates.

Investors are now looking forward to the U.S. nonfarm payrolls data due on Friday to determine the size of an expected Fed rate cut later this month.

"All the indicators - fundamental and technical - point toward a sustained rally. As always, we might not go up in a straight line, but we are in 'buy the dip' mode... plus, gold remains an uncorrelated asset to stocks, real estate, and credit," said Hugo Pascal, a precious metals trader at InProved.

SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, said its holdings rose 1.01 percent to 977.68 tons on Friday - its highest level since August 2022.

In a quarterly Reuters poll conducted in July, analysts forecast gold would average $3,220 in 2025, up from January's estimate of $2,756/oz.