



Saiful Islam

Bank merger: Investors pay the price; regulators, auditors escape blame

Says president of DSE Brokers' Association of Bangladesh

AHSAN HABIB

Shareholders and depositors of the five sharia-based troubled banks are bearing the brunt of the government-led merger, while the parties also seen as responsible for the banks' collapse — including regulators, auditors, and credit rating agencies — are going scot-free, said Saiful Islam, president of the DSE Brokers' Association of Bangladesh (DBA).

In an interview with The Daily Star, he said the dire state of the banks is the outcome of a collective failure across the entire supervisory chain: the central bank, the Bangladesh Securities and Exchange Commission (BSEC), the Ministry of Finance, auditors, credit rating agencies, and market intermediaries.

"Yet, we have not seen the regulators take any responsibility or even verbally admit liability. Nor have we seen any regulatory precautions to ensure this does not happen again. Instead, shareholders and depositors have ended up as the biggest losers," he said.

Stock exchanges recently suspended share trading of the five banks — First Security Islami Bank, Social Islami Bank, Union Bank, EXIM Bank, and Global Islami Bank — after confirming that their net asset value per share had turned negative, leaving shareholders with no claim in the new entity under the Bank Resolution Ordinance 2025.

Islam said the collapse was not caused by a crisis beyond human control. "This was not an act of God, nor a national disaster. It was manipulation orchestrated by certain people, while everyone else allowed it to happen."

"No one raised a red flag about what was going on. At the very least, auditors knew; the credit rating agencies knew they were issuing fake ratings; and regulators, especially the central bank, certainly knew what was happening. This is collective failure," he said.

He added that unless regulators, auditors, and rating agencies are held accountable, "there is no guarantee similar incidents will not recur."

"NOT A MERGER; IT'S A BAILOUT"
Islam, also a director of BRAC EPL Stock Brokerage, said the move has been most destructive for equity investors. "Depositors will get some of their money back, but shareholders will get nothing."

He argued that the process does not resemble a merger as defined in the

Merger and Acquisition Act.

"In a proper merger, the banks would sit together, agree on a formula, and seek shareholder approval. None of that happened."

According to BB's own position, the rights of ordinary shareholders cannot be protected because the banks' net worth is already negative.

"It is more of a bailout. The government is trying to rescue five bankrupt banks using public funds," he said.

He added that in a bailout, shareholder consent is not required. "A bailout means your company is effectively bankrupt. In such cases, shareholders no longer

But the DBA president also took a jibe at the investors for not being "responsible" with their money.

He pointed out that it is common sense to invest responsibly and perform due diligence. "They should know what they are investing in. If someone has invested in the wrong place for years, they too must share part of the responsibility."

Even so, he acknowledged that many invested based on BB-ratified financial statements. In this context, he proposed that the government could consider an equity swap under special consideration, first identifying the ordinary shareholders and then offering

not the end of the problem.

"Are these five banks the end of the story? I can say without hesitation that they are not. There are more to come."

He said a broader bailout covering all weak banks would have been fairer and more reassuring for the financial sector. "As it stands, mistrust will persist because several fragile banks are still operating."

He added that similar vulnerabilities exist beyond banking. "There are companies on the capital market whose conditions are equally dire, yet their shares trade at high prices. Investors in those firms can face losses at any time, but no one seems to be paying attention."

TAKEAWAYS FROM INTERVIEW

Accountability

All agencies failed, yet only depositors and shareholders are suffering

BB and BSEC cannot evade responsibility for the banking sector's collapse

Without holding regulators and auditors accountable, similar disasters may recur

Market impact

Ordinary shareholders are the biggest losers

Depositors may recover some, investors get nothing

A retail-driven market without strong mutual funds will always remain unstable



ON BANK MERGER

This is not a merger — it's a government bailout of bankrupt banks with public money

In a true merger, shareholders decide the formula; here, their voices were never heard

exist because their shares hold no value. Without government intervention, these banks would have closed."

"BANK INSIDERS BIGGEST BENEFICIARIES"

According to Islam, the individuals who oversaw the decline of the banks will walk away untouched and gain the most from the merger.

"Bank directors siphoned off funds and are now the biggest beneficiaries. Those who worked within these banks are now being told that no one will lose their job. The insiders who witnessed all these irregularities are escaping any accountability, while ordinary shareholders bear the burden," he said.

them a few shares in the new bank.

"For example, one or two shares in the new bank for every ten previously held. It would help restore market confidence."

The veteran investment expert recommended that investors seek the advice of financial or capital market advisers before putting money into a firm, as financial statements in our country cannot be fully trusted.

He assumes the investors of the said banks probably did not follow the aforementioned method. "That's why I say none of us can avoid our share of responsibility."

"STORY DOES NOT END HERE"

Islam warned that the five banks are

For Islam, the deeper structural issue is the absence of strong institutional investors.

"Ideally, mutual funds should be our main institutional investors. Until the mutual fund industry grows and behaves properly, we won't overcome these issues. A retail investor-led market will never be stable, because small investors rarely understand balance sheets or the factors beyond them. Mutual funds do," he said.

He noted that reputable mutual funds avoided these weak banks long before the collapse. "Ordinary investors should enter the market through mutual funds."

Making of a good risk manager

MAMUN RASHID

I became a credit signatory at ANZ Grindlays Bank in 1992. At Standard Chartered Bank, I had to clear all fourteen modules of the Credit Skills Assessment (CSA) by OMEGA London to qualify as a proper risk manager. At Citibank N.A., apart from my long experience in corporate banking and loan restructuring, I also needed cross-border audit exposure to even be considered for the Senior Credit Officer (SCO) designation.

In today's banking world, the role of a risk manager has evolved from that of a back office compliance monitor to a front-line strategic partner. The best bankers today not only understand balance sheets but also have insights into behavioural economics, geopolitics, and ethics. A true all-round risk manager does not just minimise risk; they anticipate it, read its signals, and turn it into an opportunity.

At its core, banking is about managing risk. Credit risk remains central to commercial banking. It is the art of lending wisely, balancing growth with prudence. A seasoned credit officer looks beyond a borrower's financial statements to assess character, industry conditions, and cash flow management. Experienced bankers know that behind every non-performing loan lies not only a flawed business decision but often a failure to understand people, purpose, or process. Credit appraisal must go beyond number-crunching to grasp how a business can sustain itself.

A capable risk manager must understand operational risk alongside credit risk. Operational risk arises when things go wrong within an organisation, whether due to weak processes, insufficient controls, or human error. As the world becomes more digital, operational risk is increasingly linked to cyber resilience and data integrity. A single failure in system control can erode years of trust and reputation.

Today's banker must therefore think like a technologist, recognising that internal controls are not bureaucratic burdens but safeguards for credibility and public trust.

Market risk, originating from fluctuations in interest rates, exchange rates, or equity prices, is equally significant. Global shocks or policy shifts can heighten volatility for banks operating in emerging economies such as Bangladesh. A sound risk manager must blend prudent treasury management with economic foresight. The hallmark of a good banker lies in their ability to maintain liquidity buffers, align asset-liability positions, and interpret macroeconomic trends.

In a globalised financial system, country or cross-border risk has become crucial. When a bank finances international trade or takes offshore exposure, it indirectly inherits the political and economic stability of the partner country. A prudent risk manager knows that domestic balance sheets can be affected by sudden regulatory changes or a sovereign default elsewhere. Careful diversification, constant monitoring, and awareness of global risk indicators are therefore essential.

Perhaps the most subtle yet far-reaching of all is reputational risk, especially for global banks. A single lapse in communication, ethics, or lending practice can cause damage that extends beyond financial loss. Reputation today is shaped daily through an organisation's interactions with clients, regulators, and communities, and it is not the responsibility of public relations alone. A risk manager must act as the institution's moral compass, ensuring that every business decision aligns with accountability, fairness, and transparency.

A good risk manager is part guardian, part strategist, and part analyst. Their strength lies not in saying "no" but in understanding and managing risk effectively. As Bangladesh's banking sector continues to grow and integrate with global markets, the demand for such comprehensive risk leaders will only increase. Banks that invest in developing professionals who balance caution with profitability will not only withstand the pressures of global finance but also thrive.

The writer is a banker and economic analyst

Work together to unlock supply chain opportunities

Experts also stress digital transformation

STAR BUSINESS DESK

Government, the private sector and development partners must work together to unlock and expand supply chain opportunities in Bangladesh, experts said.

Addressing people-centric elements is critical for the successful implementation of Supply Chain 4.0, said Prof Shams Rahman, vice-chancellor of East West University, at a programme yesterday.

He made the remarks at the closing session of the Bangladesh Supply Chain Conference 2025, held at the Radisson Blu Water Garden Hotel in Dhaka, according to a press release.

The conference drew record participation from 70 organisations and professionals across fast-moving consumer goods (FMCG), logistics, pharmaceuticals, telecom, banking, apparel, and academia.

The event also featured the ISCEA Night and Certificate Ceremony 2025, celebrating professionals who achieved globally recognised ISCEA qualifications, a testament to Bangladesh's growing pool of data-driven, future-ready supply chain leaders.

Mahfuz Anam, editor and publisher of The Daily Star, attended as a special guest and reaffirmed the newspaper's commitment to supporting initiatives that strengthen Bangladesh's economy and empower the supply chain community.

Syed Shakil Ahmed, head of AI strategy and development at Gramscophone Ltd, and Ruhul Quddus Khan, chief executive officer and managing director of Unilever Bangladesh Ltd, presented two keynote papers.

Ewa Wasiluk, head of supply chain operations at Syngenta CP (AMEA), presented another paper titled "Case Spotlight—AI in Action," showcasing practical applications of artificial intelligence in forecasting, routing, inventory management, and scenario planning.



PHOTO: COLLECTED

Prof Shams Rahman, vice-chancellor of East West University, speaks at the conference in Dhaka yesterday.

Three panel discussions — "Digital & Inclusive: Future-Fit Supply Chains," "Talent for Future Supply Chains," and "Local to Global, Global to Local: Making Bangladesh Supply Chains Future-Ready" — emphasised the importance of collaboration among the government, private sector, and development partners to unlock new opportunities.

"Today's conversations moved from vision to practice, from snapshots to live signals, and from isolated tools to inclusive ecosystems that connect customers, suppliers, SMEs, and channel partners," said Mohammad Ejazur Rahman, managing director of Mind Mapper Bangladesh and regional CEO for ISCEA Asia, in his welcome and closing remarks.

Under the theme "Digital Data Shapes the Future," the conference explored how digital data, artificial intelligence (AI), and automation are reshaping supply chain planning and execution at both local and global levels.

Organised with ISCEA as the knowledge partner, the conference was powered by Mozumder Logistics and Prime Bank, with support from Radhuni, GPH Ispat, and AH Khan & Co. Radisson Blu Water Garden, Dhaka served as the hospitality partner.

REUTERS, London

Throughout the late 1990s Fred Hickey, the editor of The High-Tech Strategist, was relentlessly critical of the wild market excesses of the time. So-called "bubbleheads" responded by leaving vile messages on his voicemail. However, he developed a cult following among bearish investors. Although Hickey was eventually vindicated, he turned out to be wrong in one respect. In December 1999 he wrote: "The lunacy of tech stock valuations is beyond description ... I'm certain I'll never see it again in my lifetime." Hickey still publishes his monthly investment newsletter. He finds much to remind him about the earlier dotcom mania. Except this time, he believes the market is even crazier.

Hickey has been writing his monthly publication since 1987. It is a discreet affair. It has no website, the letter goes out by snail mail or PDF, and its masthead has not changed in a quarter of a century. Hickey works from his home in a leafy suburb of Nashua, New Hampshire, where he peruses industry journals, listens in on quarterly earnings calls (assisted by his son Ryan) and corresponds with his contacts in the tech world. He believes it's a huge advantage to work far from the pressures of Wall Street and the "wild optimism (delusion)" of Silicon Valley. He sees himself as the little boy in the Hans Christian Andersen tale who announces what no one else dares: that the

emperor's new clothes do not exist.

Today, Hickey observes speculative excesses across the investment world: an options market dominated by zero-day-to-expiry options that provide leverage for day traders; investors conditioned by years of support from the Federal Reserve to buy into every dip, giving the market an aura of invincibility; spoof cryptocurrencies serving as gambling chips for nihilistic speculators; margin debt far above its 2021 peak; and mutual funds' cash levels at record lows. "I've seen it all before during the height of the 1999/00 dotcom mania," writes a weary Hickey.

The excitement surrounding artificial intelligence overshadows

everything else. Hickey points to a recent JPMorgan research report showing that 41 AI-related stocks account for nearly half of the market capitalisation of the S&P 500 Index. Bulls claim that market exuberance is not as intense as in the late 1990s because there have been relatively few initial public offerings. Hickey counters that startups no longer need to rush to the market to raise capital. Companies like OpenAI have been able to attract vast amounts of cash while avoiding the scrutiny that comes with a public listing. If the \$500 billion OpenAI and other private AI firms are added to JPMorgan's list the total capitalisation of AI-related businesses in the U.S. is far larger than the technology, media and

telecoms sectors at the turn of the century.

Though Hickey questioned the crazy valuations during the dotcom era he never doubted that the internet was truly a revolutionary technology which was going to change the world. By contrast, today he's extremely sceptical about the future impact of AI. He distinguishes between artificial intelligence, a technology that has been around for decades, and generative AI, which is at the epicentre of the current frenzy. "GenAI is probably the most over-hyped technology I've ever witnessed in my 45 years of following tech stocks," he writes. We are told that GenAI will shortly be in a position to cure cancer, write Shakespeare, win Nobel prizes, and drive soaring productivity growth. In short, as Meta's Mark Zuckerberg says, it may be "the beginning of a new era for humanity."

Hickey does not buy into this narrative. He points to the profound limitations of large language models (LLMs): chatbots are unable to reason, have no ties to the real world and are incapable of adapting to change. MIT recently tested the performance of a variety of chatbots against humans, and humans crushed every model. Hickey has been waiting in vain for a killer app that would prove him wrong. Instead, attempts to integrate AI into smartphones have flopped. While the public's use of chatbots has taken off, relatively few users are prepared to pay for the service.



A trader works on the floor of the New York Stock Exchange on Friday. According to a JPMorgan research report, 41 AI-related stocks account for nearly half of the market capitalisation of the S&P 500 Index.

PHOTO: AFP