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Star BUSINESS

The dangerous illusion of bank bonds

Subordinated bonds circulate among commercial lenders, shoring up capital on paper while quietly concentrating risk across the system

AHSAN HABIB

At its core, banking is about pricing and managing risk. Trouble begins when risk is quietly recycled within the system rather than reduced or spread adequately across the board. In trading bonds, that is increasingly what is happening in the country's banking sector.

Commercial lenders issue subordinated bonds and buy them from one another to strengthen capital in line with regulatory requirements.

While this boosts capital ratios on paper, it does not attract funds from corporates or individual investors to the desired level, which goes against the very purpose of bank bond trading. The practice keeps risk tightly concentrated within the banking sector.

Put simply, it is like households in a neighbourhood lending to and borrowing from each other, rather than spreading risk by transacting with better-off groups. The exposure does not vanish; it just circulates.

In the three years since 2022, banks accounted for around 80 percent of subordinated bond investors, according to official data. The consequence hit three years later, when the Bangladesh Bank in 2025 put five ailing lenders in the merger process.

Of them, four banks collectively owe institutional investors about Tk 2,900 crore in Mudaraba subordinated bonds and more than Tk 1,000 crore in Mudaraba perpetual bonds.

That enormous Tk 3,000 crore could simply disappear from the books, since bond investments do not have the insurance protection deposits enjoy.

RISK BUILDING INSIDE

Under banking regulations, subordinated bonds count as Tier-2 capital. In the event of a failure, these bonds are repaid only after depositors and senior creditors, making them higher risk and higher return than deposits.

Banks deduct subordinated bonds from their demand and time liabilities but lend using the bond proceeds. This can worsen liquidity mismatches in a fragile banking system.

When banks subscribe to one another's bonds, no fresh capital enters the sector. Even when corporates appear to buy bonds, many of these investors are provident funds of other banks, keeping exposure within the system.

"Deposits of one bank are effectively being shown as capital of another," said AF Nesaruddin, former president of the Institute of Chartered Accountants of Bangladesh (ICAB). "That erodes the quality of capital."

The Bangladesh Bank has previously recognised the danger of direct cross-buying, where two banks subscribe to each other's bonds. The banking regulator instructed banks to avoid such transactions to limit contagion risk.

Banks then adopted somewhat a circular subscription, according to data.

Under this arrangement, Bank A buys Bank B's bonds, Bank B buys Bank C's, and Bank C buys Bank A's. While technically compliant with the rules, the effect is much the same.

"It keeps almost the same risk within the system," said Asif Khan, president of CFA Society Bangladesh, a platform for practitioners in the investment and fund management industry.

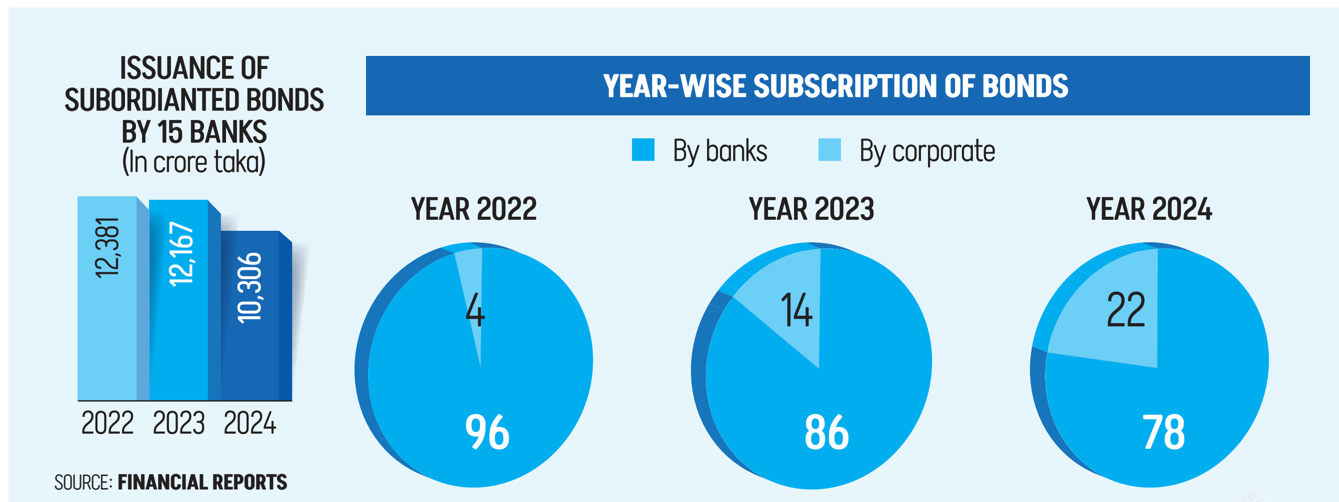
"If one bank fails, the stress spreads to others," he added.

Khan said the practice goes against the spirit of the central bank's directive but said banks are driven into it by a lack of investors. According to him, strengthening the demand side of the bond market could resolve the problem.

BANKS ARE NOT THE VILLAINS

Bankers and analysts say heavy reliance on bank-to-bank bond subscriptions is caused by a weak bond market rather than reckless behaviour by the lenders.

READ MORE ON B3



Swiss firm starts operating Pangaon terminal

STAFF CORRESPONDENT, *Ctg*

The Pangaon Inland Container Terminal (PICT) in West Keraniganj of Dhaka formally resumed operations yesterday under the management of Medlog Bangladesh Private Limited, a concern of the Switzerland-based logistics giant Medlog.

The resumption of operations under a globally reputed company has raised hopes that the long loss-making terminal will turn profitable.

The Pangaon terminal was constructed jointly by the Chittagong Port Authority (CPA) and the Bangladesh Inland Water Transport Authority (BIWTA) in 2013, with the aim of reducing cargo pressure on highways.

Before the Medlog handover, the CPA managed the terminal's operations. However, high freight rates, lengthy clearance times, and a lack of other logistics support had left most of the terminal's capacity unused.

The facility, built at a cost of around Tk 155 crore, incurred losses for nearly a decade, prompting the government to decide to hand over its operations to an efficient private management.

On November 17, the CPA signed an agreement with Medlog Bangladesh for the management and operation of the Pangaon ICT for 22 years.

Inaugurating the terminal's resumed operations, Shipping Adviser Brig Gen (Retd) M Sakhawat Hussain hoped that upgrading the terminal to international standards would increase container movement

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ACI to enter property, semiconductor businesses

STAR BUSINESS REPORT

ACI Ltd, one of the leading diversified conglomerates in Bangladesh, plans to enter the property and semiconductor businesses.

The group will form two new subsidiaries -- ACI Properties Ltd and ACI Semiconductor Ltd -- according to decisions by the ACI board, taken on Thursday.

The group has 17 subsidiaries and 5 joint ventures.

The group suffered losses for the third consecutive year in the financial year 2024-25

ACI, in disclosures made through advertisements, said it would form ACI Properties Ltd with an authorised capital of Tk 100 crore and a paid-up capital of Tk 10 crore.

ACI will hold 85 percent of the shares, subject to the approval of the concerned authority.

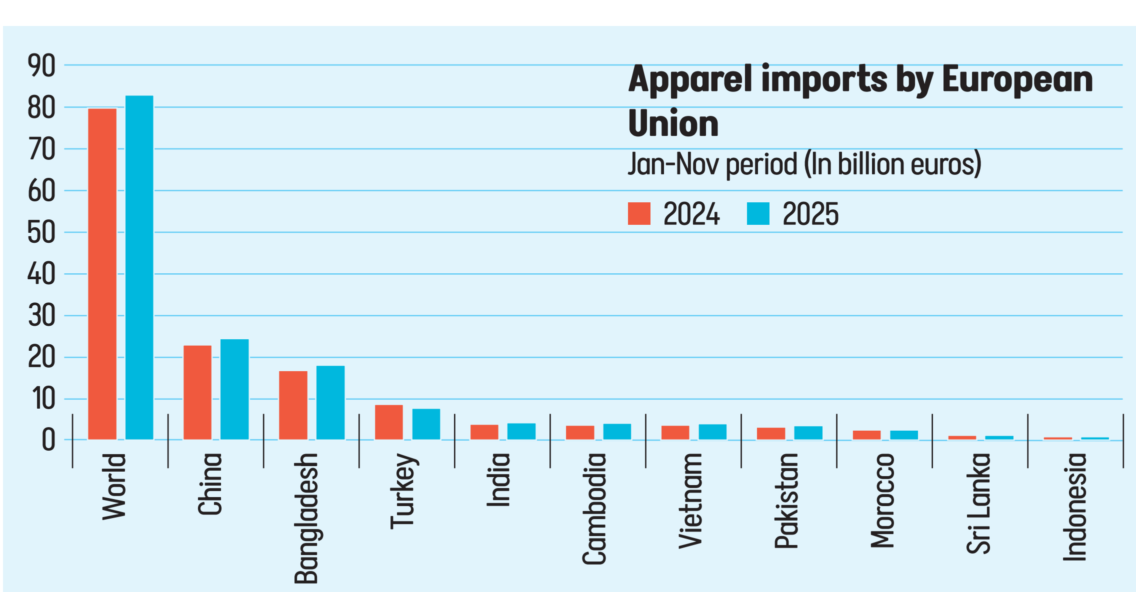
The group operates under five strategic business units, spanning health, consumer care, agribusiness, and motors, and said its semiconductor subsidiary will also have an authorised capital of Tk 100 crore and a paid-up capital of Tk 10 crore.

In this case, ACI will hold 85 percent of the shares.

The conglomerate said the formation of the subsidiaries is subject to the approval of the concerned authority.

The group suffered losses for the third consecutive year in the financial year 2024-25.

ACI, however, posted a profit in the first quarter of the fiscal year 2025-26.



SOURCE: EUROSTAT DATA COMPILED BY BANGLADESH APPAREL EXCHANGE LTD

RMG exports to EU grew 7% in Jan-Nov

REFAYET ULLAH MIRDHA

The country's ready-made garment (RMG) exports to the European Union (EU) grew 7.65 percent to €18.05 billion (around $20 billion) during the January-November period of last year, compared with the same period in 2024, according to Eurostat, the EU's official statistical office.

The rise follows a 15 percent increase in shipments to the United States, Bangladesh's single largest market, during January-October last year amid the reciprocal tariffs.

The new US duties reshaped the apparel trade in the South Asian region, prompting countries with higher US tariffs to divert a large portion of shipments to Europe, often at more competitive prices. This shift intensified competition in the European garment market.

Despite the year-on-year gain, exports to the EU fell 10.87 percent month-on-month to €1.37 billion in November 2025 compared with November 2024. Eurostat data showed that while unit prices for garments fell 3.25 percent, export volumes rose 11.26 percent. Over the 12 months from November 2024, unit prices dropped 12.27 percent.

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Govt tightens oversight of public assets to curb fiscal risks

STAR BUSINESS

The government has introduced a new "Property, Plant and Equipment (PPE) and Lease Manual" to strengthen asset governance and mitigate long-term liabilities, as hidden fiscal exposures from state-owned entities continue to pose risks to macroeconomic stability.

The move comes amid revelations by the Finance Division that Bangladesh's total contingent liabilities have reached Tk 6.39 lakh crore.

Much of this is linked to state-owned enterprises (SOEs) and poorly monitored lease arrangements that often remain outside regular budget calculations, according to a press release.

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ACI Motors launches country's first hybrid motorcycle

STAR BUSINESS REPORT

ACI Motors Limited has launched Bangladesh's first hybrid motorcycle, the Yamaha FZS Hybrid, marking a new chapter in the country's motorcycle industry with the introduction of advanced technology for local riders.

Subrata Ranjan Das, managing director of ACI Motors Limited, inaugurated the new model as the chief guest at a programme held at Le Méridien Dhaka on Friday, according to a press release. Hiroshi Setogawa, director for sales at Yamaha Motor India, virtually joined the event.

The Yamaha FZS Hybrid has been priced at Tk 349,500, while an introductory offer price of Tk 343,500 has been set for customers who place pre-bookings.

Under the offer, buyers will receive a discount of Tk 6,000, which is available only through the pre-booking system.

Initially, the motorcycle will be available in two colours -- Cyan Metallic Grey and Racing Blue -- across all authorised Yamaha showrooms in Bangladesh.

The launch follows growing anticipation among motorcycle enthusiasts, with widespread speculation surrounding the arrival of a high-technology model. The Yamaha FZS Hybrid has already generated strong interest among bike lovers.

Equipped with cutting-edge technology, the motorcycle features a hybrid engine that operates on a combination of fuel and battery power. It uses a Smart Motor Generator (SMG) for silent starts and power assistance during acceleration, along with an automatic Stop & Start System (SSS) to enhance fuel efficiency.

Compared with conventional motorcycles, the hybrid model offers better mileage, quicker acceleration and reduced carbon emissions, making it more environment friendly.

Subrata Ranjan Das, managing director of ACI Motors Limited, inaugurates Bangladesh's first hybrid motorcycle, the Yamaha FZS Hybrid, for local riders at Le Méridien Dhaka on Friday. PHOTO: ACI MOTORS

Gold falls over 1%

REUTERS

Gold fell more than 1 percent on Friday as investors booked profits after recent record highs, while signs of easing geopolitical tensions further dampened the metal's safe-haven appeal.

Spot gold was down 0.5 percent at $4,592.29 per ounce as of 01:39 p.m. ET (1839 GMT), after falling as low as $4,536.49 earlier in the session.

However, the metal is poised for its second consecutive weekly gain, of about 1.9 percent, after scaling a record peak of $4,642.72 on Wednesday.

US gold futures for February delivery settled 0.6 percent lower at $4,595.40.

"It's a general retreat in the commodity complex after weeks of aggressive gains, with some profit-taking. The de-escalation of Middle East tensions has also removed some of the geopolitical premium in gold and other metals, especially silver," said Marex analyst Edward Meir.

Geopolitical tensions appeared to ease as protests in Iran subsided, while US President Donald Trump took a wait-and-see approach and Russia's President Vladimir Putin moved to mediate in Iran and de-escalate the situation.

On the trade front, the US and Taiwan struck a deal on Thursday that lowers tariffs on many of Taiwan's semiconductor exports and channels new investments into US tech, and risks infuriating China.

Meanwhile, the Federal Reserve is expected to keep rates unchanged through the first half of the year, with a first 25-basis-point cut projected in June, as per data compiled by LSEG.

Safe-haven gold tends to do well during times of geopolitical and economic uncertainty, as well as when interest rates are low.

"I still think we have a chance of getting to $5,000 sometime this year, punctuated with these big corrections in the meantime," Meir said.

Midland Bank strikes MoU with Best Western Plus Bay Hills on discount benefits

PHOTO: MIDLAND BANK

Md Tajuddin Mahmood, deputy managing director of Best Western Plus Bay Hills, and Md Nazmul Huda Sarkar, deputy managing director of Midland Bank PLC, pose for a photograph after signing the memorandum of understanding at the bank's head office in Gulshan-2, Dhaka recently.

STAR BUSINESS DESK

Midland Bank PLC recently signed a memorandum of understanding (MoU) with Best Western Plus Bay Hills, a hotel of the Goldsands Group located in Cox's Bazar.

Md Nazmul Huda Sarkar, deputy managing director and head of information technology and chief technology officer at Midland Bank PLC, and Md Tajuddin Mahmood, deputy managing director of Best Western Plus Bay Hills, signed the agreement at the bank's head office in Gulshan-2, Dhaka, according to a press release.

Under the partnership, all debit, credit and prepaid cardholders of the bank will enjoy a 40 percent discount on room tariffs (rack rate), a 15 percent discount on banquet hall services and a 10 percent discount on the à la carte menu.

Md Abed-Ur-Rahman, head of cards at the bank, and Md Abu Seheri Forhad, head of sales at the hotel, along with other senior officials from both organisations, were also present.

US dollar gains

REUTERS, *New York*

The dollar gained on Friday after US President Donald Trump praised economic adviser Kevin Hassett at a White House event and said he may want to keep him in his current role, prompting speculation he is less likely to be named as chair of the Federal Reserve.

"I see Kevin's in the audience, and I just want to thank you. You were fantastic on television today. I actually want to keep you where you are, if you want to know the truth," Trump said.

"We have seen some US dollar buying on this headline, as it underscores that the Fed decision is mostly about political credibility," Adam Button, chief currency analyst at investingLive, said in a note.

"Of the candidates, Hassett is seen as the least independent, which in turn is the most dovish due to Trump's longstanding desire to cut rates," Button said.

Trump is expected to name his candidate to succeed Jerome Powell in the coming weeks, with Powell's term due to end in May. The leading four candidates for the role are Hassett, Fed Governor Christopher Waller, former Fed Governor Kevin Warsh and BlackRock's chief bond investment manager Rick Rieder.

Betting site Polymarket shows that Warsh is now a favorite to get the role.

The dollar index, which measures the greenback against a basket of currencies including the yen and the euro, rose 0.06 percent to 99.41, with the euro down 0.1 percent at $1.1594. The index reached a six-week high of 99.49 on Thursday.

SBAC Bank signs deal with MAY International Trade Services

STAR BUSINESS DESK

SBAC Bank PLC recently signed an agreement with MAY International Trade Services Limited, a financial advisory firm operating in Bangladesh.

SM Mainul Kabir, managing director and chief executive officer of SBAC Bank PLC, and Syed Aminul Kabir, managing director and CEO of MAY International Trade Services Limited, signed the agreement at the bank's head office in Dhaka, according to a press release.

Under the agreement, MAY International Trade Services Limited will support SBAC Bank by providing information and related services for international container tracking and vessel screening systems.

Md Rabiul Islam, additional managing director; Md Altaf Hossain Bhuyan, deputy managing director; Md Mazharul Hasan, vice president and head of the international division; and Layla Kowkine Ara, deputy managing director of MAY International Trade Services Limited, along with other officials from both organisations, were also present.

Syed Aminul Kabir, managing director and CEO of MAY International Trade Services Limited, and SM Mainul Kabir, managing director and chief executive officer of SBAC Bank PLC, pose for a photograph after signing the agreement at the bank's head office in Dhaka recently. PHOTO: SBAC BANK

OpenAI introducing ads to ChatGPT

AFP, *San Francisco*

OpenAI announced Friday it will begin testing advertisements on ChatGPT in the coming weeks, as the wildly popular artificial intelligence chatbot seeks to increase revenue to cover its soaring costs.

The ads will initially appear in the United States for free and lower-tier subscribers, the company said in a blog post outlining its long-anticipated move. Premium Pro and Enterprise subscribers will remain ad-free.

The integration of advertising has been a key question for generative AI chatbots, with companies largely reluctant to interrupt the user experience with ads.

But the exorbitant costs of running AI services may have forced OpenAI's hand.

Only a small percentage of its nearly one billion users pay for subscription services, putting pressure on the company to find new revenue sources.

Since ChatGPT's launch in 2022, OpenAI's valuation has soared to $500 billion in funding rounds -- higher than any other private company. Some expect it could go public with a trillion-dollar valuation.

But the ChatGPT maker burns through cash at a furious rate, mostly on the powerful computing required to deliver its services.

With its move, OpenAI brings its business model closer to tech giants Google and Meta, which have built advertising empires on the back of their free-to-use services.

Unlike OpenAI, those companies have massive advertising revenue to fund AI innovation -- with Amazon also building a solid ad business on its shopping and video streaming platforms.

"Ads aren't a distraction from the gen AI race; they're how OpenAI stays in it," said Jeremy Goldman, an analyst at Emarketer.

"If ChatGPT turns on ads, OpenAI is admitting something simple and consequential: the race isn't just about model quality anymore; it's about monetising attention without poisoning trust," he added.

OpenAI's pivot comes as Google gains ground in the generative AI race, infusing services including Gmail, Maps and YouTube with AI features that—in addition to its Gemini chatbot—compete directly with ChatGPT.

OpenAI Chief Executive Officer Sam Altman has long expressed his dislike for advertising, citing concerns that ads could create distrust about ChatGPT's content.

To address these concerns, OpenAI pledged that ads would never influence ChatGPT's answers and that user conversations would remain private from advertisers.

"Ads do not influence the answers ChatGPT gives you," the company stated. "Answers are optimized based on what's most helpful to you. Ads are always separate and clearly labeled."

Mercantile Bank holds annual business summit

STAR BUSINESS DESK

Mercantile Bank PLC yesterday held its "Annual Business Summit 2026" at the Pan Pacific Sonargaon Dhaka.

Md Anwarul Haque, chairman of Mercantile Bank PLC, inaugurated the summit as the chief guest, according to a press release.

Haque expressed his sincere appreciation to the branches, sub-branches and divisional heads for their dedicated efforts in achieving the bank's overall objectives.

"Despite the ongoing instability at both national and global levels, Mercantile Bank's operating profit in 2025 was achieved as expected. Moreover, bringing the level of non-performing loans down to a tolerable limit over the past year is a major success for us, reflecting the bank's firm commitment to good governance, integrity and safeguarding customers' interests," he said.

Mati Ul Hasan, managing director of the bank, presided over the programme.

Hasan provided important guidelines on the necessary actions to achieve the bank's business targets for 2026. He also urged an increase in agriculture and SME lending to accelerate the rural economy.

Md Abdul Hannan, vice-chairman of the bank; M Khan Belal, chairman of the executive committee; Mohammad Abdul Awal, chairman of the risk management committee; ASM Feroz Alam and Mosharref Hossain, directors; and Tapash Chandra Paul, deputy managing director and chief financial officer, attended the summit.

Md Zakir Hossain, Shamim Ahmed, Ashim Kumar Saha, Md Zahid Hossain and Shah Md Sohel Khurshid, deputy managing directors, were also present at the event.

PHOTO: MERCANTILE BANK

Md Anwarul Haque, chairman of Mercantile Bank PLC, inaugurates the bank's "Annual Business Summit-2026" at the Pan Pacific Sonargaon Dhaka yesterday.

Lutfar Rahman Opu, founder chairman of Fortress Group, inaugurates the "Fortress Property Expo 2026" at Rupayan Shopping Square in the Bashundhara Residential Area of Dhaka on Friday. PHOTO: FORTRESS GROUP

Fortress Property Expo 2026 kicks off in Dhaka

STAR BUSINESS DESK

Fortress Property Expo 2026 began on Friday at Rupayan Shopping Square in the Bashundhara Residential Area of Dhaka.

Organised by Fortress Group, one of the leading real estate developers in Bangladesh, the exposition will remain open to the public every day from 10:00am to 8:00pm until January 31, according to a press release.

Lutfar Rahman Opu, founder chairman of Fortress Group, inaugurated the exhibition as the chief guest at the realtor's head office in the capital, according to a press release.

Speaking at the event, Opu said the company focuses on aesthetically pleasing designs and internationally standard, earthquake-resistant housing, developed by a team of experienced local and foreign engineers.

"All our projects are handed over to clients within the stipulated time," he said, adding that Fortress currently has several ongoing projects in Jolshiri Abashon, Bashundhara and Uttara.

The exposition aims to bring modern housing solutions and profitable investment opportunities under one roof, offering visitors a wide range of options including sky villas, penthouses, apartments and commercial spaces in prime locations across Dhaka.

During the event, special emphasis is being placed on quality construction, contemporary design and the long-term investment potential of Fortress Group's projects, the release added.

Customers can choose from more than 80 ongoing projects covering over 21 lakh square feet of development area.

Advisers, investors, landowners, clients, as well as the managing director, directors, chief operating officer and other officials of the company were present at the inauguration ceremony.

Oil prices settle up as US begins holiday weekend

REUTERS, *Houston*

Oil prices settled higher on Friday as some investors covered short positions ahead of the three-day Martin Luther King holiday weekend in the US and lingering worries about a possible US military strike against Iran.

Brent crude settled at \$64.13 a barrel up 37 cents or 0.58 percent. US West Texas Intermediate finished at \$59.44 a barrel up 25 cents, or 0.42 percent.

Most of Friday's gains seemed to be due to buying supply ahead of the long weekend, said John Kilduff, partner with Again Capital LLC.

"With that carrier strike group making the move to the (Persian) Gulf, it doesn't seem likely anything will happen soon," Flynn said.

The US Navy's aircraft carrier USS Abraham Lincoln was expected to arrive in the Persian Gulf next week after operating in the South China Sea.

Weighing against those fears are potential supply increases from Venezuela, said Phil Flynn, senior analyst with Price Futures Group.

"The supply from Venezuela has not become the tidal wave that was expected," Flynn said. "Buying today seems to be people not wanting to be caught short over the long weekend."

Both benchmarks hit multi-month highs this week after protests flared up in Iran and US President Donald Trump signalled the potential for military strikes, but lost over 4 percent on Thursday as Trump said Tehran's crackdown on the protesters was easing, allaying concerns of possible military action that could disrupt oil supplies.

"Above all, there are worries about a possible blockade of the Strait of Hormuz by Iran in the event of an escalation, through which around a quarter of seaborne oil supplies flow," Commerzbank analysts said in a note.

Jean Bouquot, president of the International Federation of Accountants, and Md Touhid Hossain, adviser to the Ministry of Foreign Affairs, are seen with guests and participants at the inaugural session of the SAFA International Conference on "Next Generation Profession: Converging Ethical AI and Sustainability Reporting", organised by the Institute of Chartered Accountants of Bangladesh, at Le Méridien Dhaka yesterday.
PHOTO: ICAB

Accountants urged to uphold ethics as AI reshapes profession

STAR BUSINESS REPORT

Global and regional leaders in the accounting profession have called for stronger ethical oversight, responsible use of artificial intelligence (AI), and robust sustainability reporting to reinforce trust and long-term value creation in financial governance.

The call was made at the inaugural session of the SAFA International Conference on converging ethical AI and sustainability reporting, organised by the Institute of Chartered Accountants of Bangladesh (ICAB) at Le Méridien Dhaka yesterday.

Speaking at the event, Foreign Affairs Adviser Md Touhid Hossain said a substantial amount of money had been siphoned out of Bangladesh over the past 15 years, with a significant portion facilitated by the misuse of professional accounting expertise.

He added that financial records were intentionally distorted to conceal irregularities and mislead stakeholders. "These were not simple mistakes or technical lapses."

Restoring trust in the financial system, he said, would require stronger accountability and collective vigilance, particularly from accountants and financial professionals.

Jean Bouquot, president of the International Federation of Accountants (IFAC), underscored the profession's responsibility in advancing ethical leadership, sustainability and digital transformation.

He said sustainability-related risks are reshaping corporate reporting and urged wider adoption of the International Sustainability Standards Board (ISSB) standards.

On AI, Bouquot called for continuous digital upskilling, while emphasising that ethics remains the foundation of public trust.

Md Sajjad Hossain Bhuiyan, chairman of the Financial Reporting Council (FRC), said AI and sustainability are becoming central to financial reporting.

"The FRC sees itself not only as a regulator but also as a partner in professional development and financial system credibility," he also said, adding that collaboration between FRC and ICAB will further strengthen Bangladesh's financial reporting ecosystem.

ICAB President NKA Mobin said the future of the accounting profession lies not only in technical innovation but in upholding values, ethical leadership and public trust.

He reaffirmed ICAB's commitment to capacity building, urging accountants to lead transformation with integrity in an increasingly digital environment.

"We must prepare future accountants to navigate a digital world with strategic vision, competence, and integrity," he said.

Former ICAB president Adeeb Hossain Khan said the convergence of ethical AI and sustainability reporting is reshaping the profession's core responsibilities.

"Technology is no longer a support function, and sustainability is no longer a remote disclosure; they are now central to value creation," he said.

Describing 2025 as a year of "contradictions and confusion", Khan pointed to heavy investments in AI alongside limited returns and a scaling back of ESG (environmental, social, and governance) initiatives in some regions.

He also highlighted tensions between AI's energy demands and sustainability goals, warning of risks related to bias and reduced transparency.

Khan warned of AI's potential to introduce bias and diminish transparency in critical financial decisions.

"AI may be powerful, but it lacks accountability and ethics. That responsibility must remain human," he said, adding that future accountants must exercise judgment to ensure technology strengthens trust and supports long-term value creation.

Govt takes down ICT white paper from official website

MAHMUDUL HASAN

The government-commissioned white paper on ICT has been removed from the official website of the ICT Division just days after it was uploaded.

The division was yet to officially issue any explanation or statement regarding the matter as of yesterday.

However, when contacted, ICT Division Secretary Shish Haider Chowdhury told The Daily Star that the document had been uploaded for about a week but was later taken down due to technical constraints.

"It was removed because of capacity issues, as it is a very large file," he said, adding that journalists could be provided with printed copies if needed.

He also said the ICT Division is preparing around 100 hard copies of the white paper for journalists.

The white paper on ICT spans 649 pages, including appendices. By comparison, a much larger sized telecom white paper, exceeding 3,200 pages including appendices, remains available on the websites of the Posts and Telecommunications Division.

A Google search for "ICT white paper" still displays a link to the relevant webpage – ictd.gov.bd. However, clicking on the link now leads to an error message stating, "The requested page could not be found."

ICT Division is preparing around 100 hard copies of the white paper for journalists

The document, titled "White Paper on Digital Bangladesh: Modernization, Mimicry and the Myth of Digital-Era Development," was formally submitted following extensive investigation and review by a taskforce, the ICT Division said on January 8.

It added that the paper detailed irregularities, corruption, administrative weaknesses, and structural problems across various division activities over the past 15 years.

Iftekharuzzaman, executive director of Transparency International Bangladesh (TIB), said the removal of the ICT White Paper without specific explanation raises a question whether the document was intentionally removed to conceal the responsibility of individuals and institutions implicated in corruption and irregularities identified in the report.

He further said the incident adds to the growing list of interim government's failures to practise transparency and ensure proactive disclosure of public interest-related information.

Such actions, he added, contradict the aspirations of the July Uprising and commitments of transparency and accountability made by the government soon after it took over the responsibility of laying foundations of state reform, he added.

The white paper found that the Awami League government's flagship "Digital Bangladesh" vision largely functioned as an "architecture of political slogan" rather than a coherent national digital strategy.

Southeast Bank holds annual agent banking conference for Dhaka zone

STAR BUSINESS DESK

Southeast Bank PLC recently organised its "Annual Agent Banking Conference 2026" for the Dhaka zone, bringing together all 84 agent partners operating agent banking outlets in the area.

MA Kashem, chairman of Southeast Bank PLC, inaugurated the daylong conference as the chief guest, according to a press release.

The conference reviewed the performance of the agent banking division in 2025 and discussed policies and strategies to achieve business targets for 2026.

Southeast Bank launched its agent banking service, branded "Shagotom", on March 7, 2021 with the objective of expanding banking services to the unbanked population.

The initiative particularly focuses on small entrepreneurs, school banking and farmers, in line with the bank's commitment to financial inclusion and wider access to banking services across the country.

The bank continues to provide both conventional and Islamic agent banking services under the brands Shagotom and Tijarah. Through these platforms, customers can access a wide range of modern, technology-based conventional and Islamic banking services.

MA Kashem, chairman of Southeast Bank PLC, poses for a group photograph with participants at the "Annual Agent Banking Conference 2026" for the Dhaka zone, in the capital recently.
PHOTO: SOUTHEAST BANK

The dangerous illusion

FROM PAGE B1

The country's bond market has historically been thin, with limited liquidity and a narrow investor base. Although some subordinated bonds are listed on the stock exchange, trading is rare, making exits difficult.

As a result, individual investors shy away, while corporates hesitate to lock funds into long-term instruments.

Interest rates also work against bank bonds. In recent years, yields on risk-free treasury bills and bonds have exceeded returns on subordinated bank bonds.

"Why would investors subscribe to subordinated bonds when treasury rates are higher?" said Tanzim Alamgir, managing director and chief executive officer of UCB Investment Limited, which manages around 50 subordinated bonds.

Shah Md Ahsan Habib, a professor at the Bangladesh Institute of Bank Management (BIBM), said the lack of institutional investors leaves banks with few options.

"There are no vibrant bond markets and no institutional investor base, so banks are forced to go to other banks," he commented.

Syed Mahbubur Rahman, a former chairman of the Association of Bankers, Bangladesh, said banks have limited scope to sell subordinated bonds to corporates.

"Corporates are reluctant to invest in long-term instruments, while individual investors want liquidity," said Rahman, who is also the managing director and CEO of Mutual Trust Bank.

THE SCALE OF EXPOSURE

According to an analysis of 18 banks' 2024 financial statements, around 80 percent of subordinated bonds were subscribed by other banks, while the rest went to corporates.

Among corporate subscribers, provident funds of banks still accounted for a large share.

In 2022, banks accounted for 96 percent of subscriptions. The ratio fell to 86 percent in 2023, showing a gradual rise in non-bank participation, though the market is still heavily skewed towards banks.

Of the 18 banks, Pubali Bank attracted the highest share of corporate subscribers at 65 percent. Nine banks failed to attract any corporate investors at all.

According to 2024 data, Agrani Bank subscribed Tk 350 crore of Mudaraba subordinated bonds issued by Exim Bank, while Standard Bank invested Tk 125 crore.

More than half of Exim Bank's bondholders are now banks facing potential losses.

Mudaraba bonds issued by First Security Islami Bank and Union Bank were fully subscribed by other banks.

Since 2016, banks have issued subordinated bonds worth more than Tk 35,000 crore, according to the Bangladesh Securities and Exchange Commission (BSEC).

WHAT REGULATORS ADMIT

A senior central bank official said the regulator ordered banks to include corporate subscribers after realising that bank-to-bank subscriptions weaken capital quality.

Arief Hossain Khan, spokesperson for the Bangladesh Bank, said subordinated bonds allow banks to reduce their capital deficit.

"It is true that when a bank invests in another bank's bond, it ultimately sends deposits to capital, which is not happy information. So, the central bank is considering this and trying to increase participation of corporates instead of banks," he added.

Abul Kalam, spokesperson for the BSEC, said subscriptions by banks do not create real capital, even though they count as Tier-2 capital.

"Deposits of one bank are shown as capital of another," he said.

He added that small savings and corporate funds need to be channelled into bonds for the proceeds to qualify as genuine capital.

While BSEC requires bond issuers to list, a lack of buyers due to low trust in issuers remains a problem, added Kalam.

Govt tightens

FROM PAGE B1

Senior officials disclosed the developments at a two-day workshop titled "SOEs and ABs Governance: Progress Review and Way Forward," which concluded in Cox's Bazar yesterday.

The event was organised by the Strengthening Public Financial Management Program to Enable Service Delivery (SPFMS) under the Finance Division.

Addressing the inaugural session, Md Hasanul Matin, additional secretary (budget and macroeconomics), said that the inefficient performance of several SOEs and the creation of overlapping authorities have significantly increased contingent liabilities.

"Bangladesh needs to restore its governance approach with global best practices," he said, identifying rising debt burdens and declining revenue as major challenges requiring a "whole-of-government" approach.

The Finance Division's assessment highlighted that 14 "very high-risk" entities represent liabilities equivalent to 3.13 percent of GDP, while another 28 high-risk entities account for 1.67 percent. Persistent weaknesses include delays in audited financial statements and a shortage of professional accountants.

Ziaul Abedin, additional secretary and national program director of SPFMS, argued that only commercially viable SOEs should operate in a market economy.

"Transforming SOEs requires strong political commitment. We must rethink their future through broader, sustainable business models," he added.

Rahima Begum, director general of the Monitoring Cell, emphasised that the new PPE manual aligns with international standards to ensure systematic tagging and tracking of government assets.

The workshop also detailed the "SOEs and ABs Governance Reform Strategy 2025-30," which proposes enacting a comprehensive SOE law and publishing annual fiscal risk statements to reduce reliance on government transfers.

RMG exports to EU grew 7%

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Bangladesh, the second-largest garment exporter to the EU, is narrowing the gap with China, the world's largest exporter. China shipped €24.42 billion worth of garments to the EU in the January-November period last year, up 6.55 percent year-on-year.

In total, the 27 EU member states imported a total of €82.94 billion worth of garments in the first 11 months of 2025, a 3.93 percent increase from the previous year.

Among Bangladesh's competitors, Turkey's exports fell 11.31 percent to €7.65 billion, India's rose 8.31 percent to €4.24 billion, Cambodia's grew 15.21 percent to €4.14 billion, and Vietnam's increased 10.10 percent to €4.01 billion.

Pakistan's shipments rose 10.46 percent to €3.54 billion, Morocco's fell 0.18 percent to €2.52 billion, Sri Lanka's grew 6.43 percent to €1.25 billion, and Indonesia's rose 3.30 percent to €0.90 billion, according to data.

Local exporters have urged the government to intensify negotiations with the EU to secure GSP Plus status. Bangladesh's current Generalised Scheme of Preferences (GSP) benefits under the Everything but Arms (EBA) initiative will expire in 2029.

The country is set to graduate from least developed country (LDC) status to a developing nation on November 24. The EU will maintain current GSP benefits for a transitional period of three years.

To qualify for GSP Plus, Bangladesh must comply with 32 international conventions covering human rights, labour standards, environmental protection, and good governance. GSP Plus would guarantee duty-free access to the EU market after graduation. Without it, Bangladesh could face tariffs of over 12 percent, potentially reducing competitiveness.

Studies suggest losing GSP Plus could cost Bangladesh roughly 14 percent of its exports in a year, equivalent to \$8 billion. Currently, 73 percent of the country's export earnings rely on GSP-related trade facilities, and Bangladesh alone enjoys 67 percent of the trade benefits available to all 44 LDCs.

Swiss firm

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on inland waterways and further strengthen multimodal transport connectivity. He urged Medlog to come forward with investments and expand operations at other inland river ports and container terminals across the country.

ATM Anisul Millat, managing director of Medlog Bangladesh, outlined the firm's vision, modernisation plans, and operational roadmap for the terminal under its management.

Financial inclusion in rural areas improves: BB

STAR BUSINESS REPORT

A recently published Bangladesh Bank (BB) report shows a significant rise in financial inclusion of the rural population, especially women, in several sectors, including agent banking, deposit, CMSME, and cooperatives.

The strong rural footprint of banking infrastructure reflects a strategic push to reach beyond urban centers, BB said in its Financial Inclusion Report Bangladesh 2024.

The report offers a comprehensive update on the country's financial inclusion landscape as of December 2024. It states that the extensive network of financial players, emphasis on rural connectivity, and integration of mobile financial services (MFS) showcase a deep commitment to inclusivity.

Data from the report reveals that internet banking and point-of-sale services recorded strong growth during the year, reflecting Bangladesh's strategic push towards a cash-light, digital-first economy.

Agent banking continued its rapid expansion, with total outlets rising to 21,248, of which 85.6 percent were located in rural areas. The segment now serves more than 2.4 crore accounts, holding deposits of Tk 41,900 crore.

Notably, female ownership in agent banking reached 50 percent, indicating progress in gender inclusion.

Financial access among underserved groups also improved through no-frill accounts, which stood at 3.10 crore by the end of 2024. Nearly 70 percent of these accounts were based in rural regions, highlighting ongoing efforts to bring low-income populations into the formal financial system.

Credit flow to small businesses remained robust, with CMSME (cottage, micro, small and medium enterprises) loan disbursement amounting to Tk 62,600 crore. A growing share of this lending went to cottage and micro enterprises, supporting grassroots economic activity.

The microfinance sector remains crucial for inclusive growth, with over 42 million accounts, daily loans and savings, primarily benefiting rural and low-income populations.

Microfinance has remained pertinent in enabling small-scale entrepreneurs, farmers, and women-led enterprises to access funds that support livelihood activities and contribute to local economies, the BB report adds.

Cooperatives remain vital for accelerating financial inclusion across rural and urban communities and have been serving over 1.25 crore members (32 lakh women).

Despite its progress, the cooperative sector still faces some challenges, including the presence of inactive cooperatives, limited manpower, and the need for stronger transparency in management, the report mentions.

Gender and youth inclusion showed steady gains. Female-owned deposit accounts increased from 5.07 crore to 5.5 crore, an 8.48 percent rise.

School banking programmes covered 43.8 lakh accounts, with rural areas accounting for 53.28 percent of the total, while female participation reached 49.02 percent.

As per the report, key achievements include substantial growth in digital financial services, with MFS transactions of Tk 164,000 crore in 2024, a 32.02 percent increase from the previous year and total MFS accounts rising by 8.3 percent to 238.6 million, complemented by 18.3 crore MFS agents.

The report noted progress under the National Financial Inclusion Strategy, with 69 percent of targets fully achieved and 28 percent partially met by December 2024, while stressing the need for stronger digital literacy, infrastructure and interoperability to sustain momentum.

NUMBER OF ACCOUNTS BY AREAS
(In lakh) data: As on Dec 2024

	RURAL	URBAN	TOTAL
Bank	768	1032	1800
Finance Company	1.20	4.84	6.05
Mobile Financial Service Providers	1236	1052	2288
Microfinance Institutions			426
Beneficiary Owners' accounts			12

source: BB

US Fed official says bank should be ready to cut rates

AFP, *Washington*

A key US Federal Reserve official said Friday that central bank policymakers should be ready to lower interest rates further, citing "fragility" in the jobs market.

"Absent a clear and sustained improvement in labor market conditions, we should remain ready to adjust policy to bring it closer to neutral," said Michelle Bowman, the Fed's vice chair for supervision.

In prepared remarks to a forum in Massachusetts, Bowman said inflation was initially a concern for her last year.

But her views changed as she began observing "clearer signs of slowing economic growth and increasing fragility in the labor market."

She added that she grew more confident that the inflationary effects from President Donald Trump's sweeping tariffs would also "largely be one-off."

Looking ahead, Bowman believes that inflation is on a "sustained trajectory" towards the Fed's longer-term two percent target.

"My view is that we should continue to focus on risks to our employment mandate and preemptively stabilize and support labor market conditions," she said.

The cost of the FDI roller coaster and the price we pay

MAMUN RASHID

The Bangladesh Investment Development Authority chairman recently said that foreign direct investment has increased significantly, and he hinted that the return of Tarique Rahman could strengthen investor confidence. Comments like these make for good soundbites. Investors, however, do not allocate capital on soundbites. They allocate capital when they see a stable operating environment, predictable rules, and an administration that keeps its promises.

The latest figures from UNCTAD and the Bangladesh Bank point to a slowdown. Net FDI (Foreign Direct Investment) inflows in 2024 were about $1.27 billion, around 13.2 percent lower than $1.464 billion in 2023. The cumulative stock of FDI stood at roughly $18.30 billion by the end of 2024. The debate should not get stuck on whether one year looks better than another. The real question is why Bangladesh is still failing to convert its potential into sustained, high-quality investment.

More important is the composition of FDI than volume. This is where headlines mislead, and policy needs sharper priorities. When inflows rely on reinvested earnings or intra-company loans, it can signal that existing firms are sustaining operations, not expanding capacity. The leap comes from greenfield projects that build new plants, bring technology, and create export pipelines. Those projects arrive when approvals are fast, rules are steady, and contracts are enforceable. And basic services are reliable.

In practice, serious investors ask a simple question: can we plan here? Planning requires clarity on taxes, customs, licensing, land, utilities, profit repatriation, and dispute resolution. Costs and competition are normal business risks. Uncertainty created by discretion, delays, and shifting interpretations is a governance risk, and it raises the cost of capital immediately.

This is why speeches alone cannot fix FDI. What builds confidence is an ecosystem where policies remain consistent, processes are clear, and commitments are honoured without ambiguity. Predictability is the currency of investment promotion. Without it, promotional campaigns become noise.

Bangladesh's best marketing channel is the foreign companies operating here, as their experiences shape the country's reputation. Struggles with routine approvals, inconsistent enforcement, or slow service spread quickly through networks, while fast problem-solving and consistent treatment spread even faster. Aftercare -- protecting investors, removing pain points, and supporting expansion -- is key to turning them into credible ambassadors.

The decline in net inflows shows that structural weaknesses and policy ambiguity persist. Investors cite slow approvals, uneven implementation, and service delays, noting that outcomes often depend on the officer of the day. They also watch how local investors are treated, since domestic confidence underpins foreign confidence.

High-performing peers excel through four advantages: stronger institutional credibility built on rule-based decisions and reduced discretion; relentless business facilitation with permits, utilities, and customs clearances following published timelines and digital tracking; strategic integration via ports, logistics, trade links, and supply chains to reduce friction; and a clear sector focus, giving priority industries consistent incentives, predictable regulation, and rapid bottleneck removal.

Bangladesh can compete, but it must choose consistency over slogans. The reform agenda is well known: a one-stop service must genuinely stop the runaround; digitised processes should reduce face-to-face bargaining and informal gatekeeping; incentives must be transparent, time-bound, and consistently applied; regulatory changes should be communicated early and implemented without retroactive surprises; and contract enforcement and dispute resolution must speed up so investors can price risk and move forward.

Finally, a cultural shift within the state is needed. Investors should be treated as long-term partners, not occasional guests. Problems should default to resolution, not committees, and commitments must survive transfers, reshuffles, and news cycles.

Fresh hope exists that a new government, formed through an acceptable election, can reset expectations. But hope matters only if it becomes policy, process, and proof. If Bangladesh delivers stronger institutions and reliable regulation, FDI will follow, and the focus will shift from defending statistics to demonstrating competitiveness.

Mamun Rashid is an economic analyst and chairman at Financial Excellence Ltd.

Copper's surge offers false hope for miners

REUTERS, *London*

Mining bosses like BHP's Mike Henry should, in theory, be digging right now. Copper prices have surged 50 percent over the past year, topping $13,000 per metric ton on the London Metal Exchange on Thursday — well above the $11,000 mark that typically justifies constructing new mines. The catch? Soaring prices rarely stick.

Much of copper's recent record rally reflects temporary factors. Traders are stockpiling ahead of potential US tariffs due in June, while top producers such as Rio Tinto and Freeport-McMoRan have cut their production forecasts because of idiosyncratic problems at key sites. The resulting squeeze has proved enough to drive short-term prices higher, but it may not last. Richer margins encourage more collection and processing of recycled copper, boosting supply over time. Tariff fears also cut both ways: if US President Donald Trump backs off, prices could tumble fast.

Questionable demand is another reason to think prices may fall. China still consumes roughly half of global copper, but the mix of uses is changing. Clean energy and electric vehicles are gaining share: Wood Mackenzie and Bernstein analysis see them making up

12 percent and 9 perecent of global demand, respectively, by 2030, while traditional sources of demand like construction lose steam. The problem is that the newer Chinese sectors remain exposed to policy shifts, implying a slowdown if Beijing shifts its priorities or successfully ends the clean-car sector's chronic overcapacity. Globally, a much-heralded data centre boom may only help a little: the sector will account for just 1 percent of copper demand by 2030, according to Wood Mackenzie.

That uncertainty helps explain why miners like Anglo American and Teck Resources, or Glencore and Rio Tinto, are chasing M&A instead of breaking ground on new copper sites. The world needs a new supply, but the economics are tight. To make developing a mine economically sustainable, copper prices would have to stay at $11,000, according to consultant Wood Mackenzie. Price forecasts by Morgan Stanley suggest that between now and 2030 it will average around $10,700.

This would leave no room for miners to make a profit on new sites. And the real breakeven number may be higher after factoring in other challenges like securing water and labour, as well as possible permitting delays that can stretch over a decade, according to Morgan Stanley strategist Amy Gower.

Meanwhile, Wood Mackenzie estimates that meeting forecast 2035 demand will require over $210 billion in investment. Yet total capital investment in copper mining from 2019 to 2025 amounted to only around $76 billion. About half of that came from Chinese miners, followed by Russians.

There's a geographic shift happening, too. The next wave of supply is moving beyond Latin America and Central Africa into regions like Central Asia, where countries such as Kazakhstan are closer to Beijing. For global miners, record prices are welcome. But in copper, that's not always enough to justify putting a shovel in the ground.

Netflix, Warner Bros bonds among $100m bought by Trump

REUTERS, *Washington*

US President Donald Trump purchased about $100 million in municipal and corporate bonds from mid-November to late December, his latest disclosures showed, including up to $2 million in Netflix and Warner Bros Discovery bonds just weeks after the companies announced their merger.

Financial disclosures posted Thursday and Friday showed the majority of Trump's purchases were municipal bonds from cities, local school districts, utilities and hospitals. But he also bought bonds from companies including Boeing Occidental Petroleum and General Motors.

The investments were the latest reported assets added to Trump's expanding portfolio while he is in office. It includes holdings in sectors that benefit from his policies, raising questions about conflicts of interest.

India looks to finalise 'mother of all deals' with EU

AFP, *New Delhi*

A trade deal between India and the European Union will be the "mother of all deals", Delhi's Commerce Minister said on Friday, as both sides seek to overcome the final sticking points.

The deal comes after relations between New Delhi and Washington have soured following US President Donald Trump's punishing tariffs aimed at stopping India's purchases of Russian oil -- which it says finances Moscow's invasion of Ukraine.

The EU and India's trade chiefs said last week they were getting closer to reaching a deal after days of talks in Brussels. "This (India-EU trade pact) will be the mother of all deals," Commerce Minister Piyush Goyal said, according to the Press Trust of India news agency.

The 27-member bloc is pushing for a trade deal that will strengthen intellectual property rules and lower entry barriers for exports, including cars, spirits and wines.

New Delhi has pushed to improve skilled labour mobility and wants easier market access for products such as textiles and pharmaceuticals.

The leaders of the EU and India are expected to hold a summit at the end of January and the two sides have been pushing to wrap up negotiations for that event.

A senior Indian commerce ministry official, Rajesh Agarwal, told reporters on Thursday that the negotiating teams were "very close" to a deal and had "closed 20 out of 24 chapters". India, the world's most populous nation with 1.4 billion people, is on track to become the world's fourth largest economy this year, according to International Monetary Fund projections.

China, Canada reach 'landmark' deal on tariffs, visas

AFP, *Beijing*

Canada's Prime Minister Mark Carney and Chinese President Xi Jinping agreed on a raft of measures from trade to tourism on Friday at the first meeting between the countries' leaders in Beijing in eight years.

The Canadian leader hailed a "landmark deal" under a "new strategic partnership" with China, turning the page on years of diplomatic spats, tit-for-tat arrests and tariff disputes.

Carney has sought to reduce his country's reliance on the United States, its key economic partner and traditional ally, as President Donald Trump has aggressively raised tariffs on Canadian products.

"Canada and China have reached a preliminary but landmark trade agreement to remove trade barriers and reduce tariffs," Carney told a news conference after meeting with Xi.

Under the deal, China — which used to be Canada's largest market for canola seed — is expected to reduce tariffs on canola products by March 1 to around 15 percent, down from the current 84 percent.

China will also allow Canadian visitors to enter the country visa-free.

In turn, Canada will import 49,000 Chinese electric vehicles (EVs) under new, preferential tariffs of 6.1 percent.

"This is a return to the levels that existed prior to recent trade frictions," Carney said of the EV deal.

Trump, who has cut off trade talks with Ottawa and insists the United States does not need any products from its northern neighbour, told reporters it was "good" that Carney had secured an agreement during his trip. "If he can get a trade deal with China, he should do that," the president said.

The head of the Canola Council of Canada, Chris Davison, called the deal an "important milestone".

But the Global Automakers of Canada, an industry group, voiced concern.

The deal may be an "expression of goodwill" to ease pressure on the canola industry, but allowing thousands of Chinese EVs into Canada at a low tariff rate "risks creating significant market distortions" and could hurt companies that employ Canadians, the group said.

Welcoming Carney in the Great Hall of the People, Xi said China-Canada relations reached a turning point at their last meeting on the sidelines of the APEC summit in October.

"It can be said that our meeting last year opened a new chapter in turning China-Canada relations toward improvement," Xi told the Canadian leader.

"The healthy and stable development of China-Canada relations serves the common interests of our two countries," he said, adding he was "glad" to see discussions over the last few months to restore cooperation.

Ties between the two nations withered in 2018 over Canada's arrest of the daughter of Huawei's founder on a US warrant, and China's retaliatory detention of two Canadians on espionage charges.

The two countries imposed tariffs on each other's exports in the years that ensued, with China also accused of interfering in Canada's elections.

A container ship sails at the port in Qingdao, in China's eastern Shandong province. China is expected to reduce tariffs on Canadian canola products by March 1 to around 15 percent, down from the current 84 percent.

PHOTO: AFP/FILE