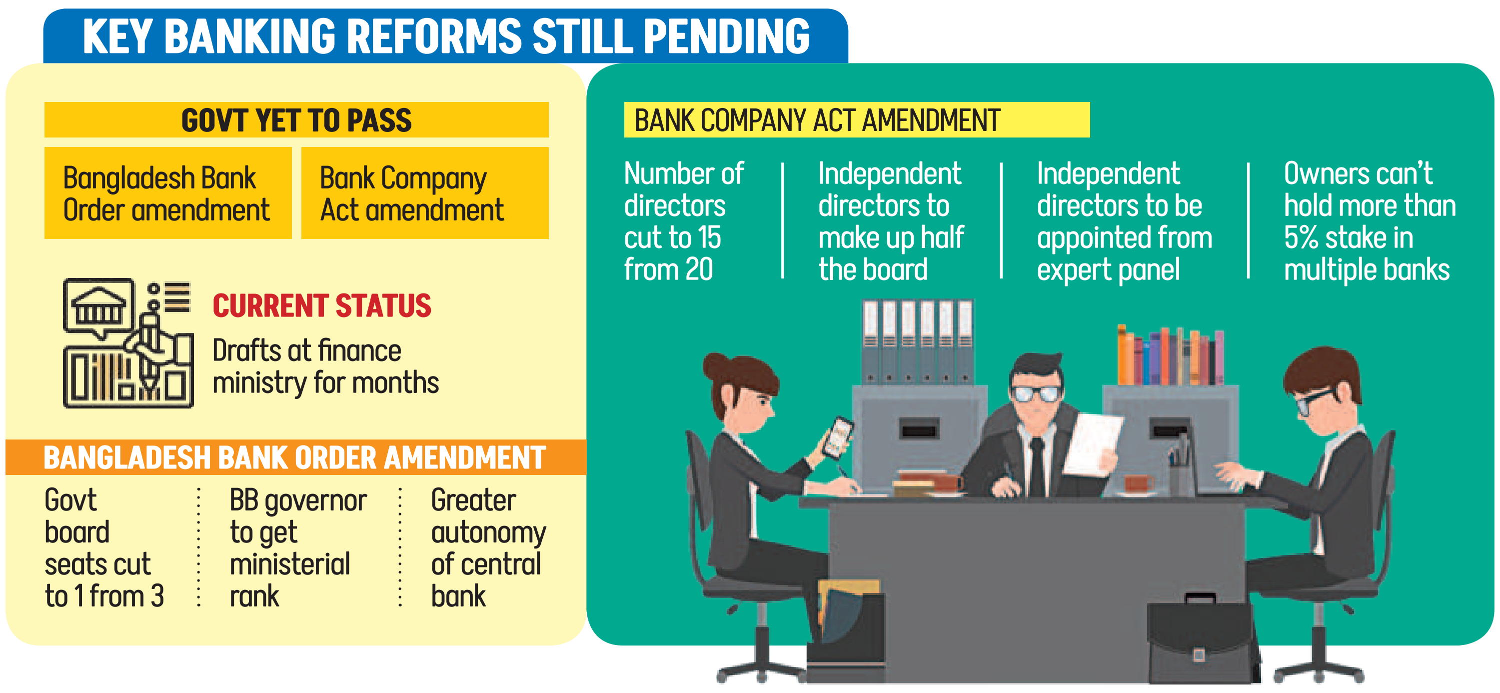
Star BUSINESS

BB autonomy deadlocked as interim govt nears end

Authorities tell IMF new govt will take key decisions as an economist says issue is about control, not policy substance



MD MEHEDI HASAN

With around two weeks left in office, the interim government has yet to pass two important banking reform laws that the central bank says are crucial for strengthening its oversight of the financial sector.

The laws are related to the autonomy of the Bangladesh Bank (BB) and the ownership and governance of banks.

Those laws topped the reform agenda that the interim government had pledged following the July uprising in 2024. Besides, the International Monetary Fund (IMF) has long advocated greater autonomy for the BB. Under its $5.5 billion loan programme, the Fund provided technical support in drafting the amendments.

Now both of the drafts are pending with the finance ministry, though the BB submitted them months ago and repeatedly urged their passage before the national election on February 12.

So far, the interim government has enacted only two banking-related laws. Those are the Bank Resolution Ordinance and the Deposit Insurance Ordinance.

Central bank officials say the remaining drafts, including amendments to the Bangladesh Bank Order 1972 and the Bank Company Act, have not progressed.

In a press release yesterday following its Article IV consultations, the IMF said the government reiterated its commitment to legal, institutional and operational reforms but noted that key policy decisions would be taken by the next government.

The IMF said that delays in banking and fiscal reforms would weaken growth, raise inflation, and increase macro-financial risks.

At a public programme last week, BB Governor Ahsan H Mansur expressed concern over the delays, saying passing the laws after the election would be difficult.

Finance Adviser Salehuddin Ahmed attended the event. Mansur reminded the government that the central bank considers the reforms unfinished business.

"We will try," said Ahmed in response. "However, the time is short, so we are not sure how much can be accomplished," he said.

Central bank officials said the revised draft amendment to the Bangladesh Bank Order has been with the finance ministry for around four months. The amendment is prepared to increase the autonomy of the banking regulator.

The original draft proposed removing bureaucrats from the BB board, where three government officials currently sit. Following objections from the finance ministry, the proposal was revised to allow one bureaucrat instead of three.

It also seeks to grant the BB governor the rank of a minister and require the governor to take the oath before the chief justice. Despite these revisions, the amendment has not been approved.

The second pending reform is the proposed amendment to the Bank Company Act. The BB board approved the draft

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BB's exchange rate framework incomplete: IMF

REJAUL KARIM BYRON and AHSAN HABIB

Although the authorities say the foreign exchange rate is now fully market-determined, the International Monetary Fund (IMF) has described the system as "incomplete".

"Foreign exchange intervention practices remained flawed," the IMF said in its Article IV consultation report released yesterday.

According to the report, the Bangladesh Bank (BB) either did not announce intervention volumes or failed to adhere to those announced. Instead, the central bank decided actual purchases to keep the dollar-taka rate near a nearly flat, preferred level.

"As a result, the market exchange rate flexibility was constrained, with rates consistently below the band's lower bound guided by the intervention rates," the IMF said.

When the new system launched, market participants could freely quote the exchange rate. The official reference rate was set using actual market transactions, establishing a new mid-point for the exchange rate band.

The rate was allowed to move within this band, which initially improved interbank liquidity and helped prices reflect supply and demand from mid-May to June 2025.

The multilateral lender said favourable conditions caused the taka to appreciate below the band's lower limit in July. In response, the BB intervened, buying over $2 billion in foreign currency in the July-November period last year.

However, the government told the IMF that since the launch of the new arrangement in May last year, the exchange rate has been fully market-determined, which has helped BB to add about $2 billion to FX reserves through interventions so far in FY26.

The IMF said the new exchange rate regime should be implemented fully, with greater flexibility within the band. Purchases during foreign exchange auctions should follow pre-announced volumes and not target the cut-off rate.

The Fund said free quoting of the exchange rate should continue, as it is essential for allowing the market to adjust naturally. Past reliance on moral suasion or regulatory measures to maintain a "preferred" rate disrupted market functioning and price discovery.

The Fund said that interventions should follow best practices agreed under the IMF-supported programme.

Otherwise, market participants could underestimate exchange rate risks, especially in calm market conditions, and take excessive short positions in foreign currency.

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Local sales surpass export orders as DITF ends

STAR BUSINESS REPORT

Companies participating in the 30th Dhaka International Trade Fair (DITF) bagged export orders worth $17.98 million, or Tk 224.26 crore, as the month-long international showcase came to an end yesterday.

However, sales of goods and services, including restaurants, rose 3.42 percent year-on-year to Tk 393 crore in this year's exhibition, according to a statement from the commerce ministry.

This year, 329 domestic and foreign companies took part in the fair at the Bangladesh-China Exhibition Center at Purbachal in Nayaranganj.

The sectors that succeeded in securing export orders include diversified jute products, electrical and electronics, home appliances, cosmetics, hygiene products, processed food, handloom, handicrafts, home textiles, Nakshi Kantha, fabrics, and more.

Export orders were received from Afghanistan, Singapore, Hong Kong, Indonesia, India, Pakistan, Malaysia, and Turkey.

At the closing ceremony of the fair, recognition was given through awards to the best pavilions, stalls, and institutions across various categories.

Forty institutions were selected as the best in different categories of the fair jointly organised by the commerce ministry and the Export Promotion Bureau (EPB).

They were judged on criteria such as construction structure, architectural beauty and decoration, interior design, product display, quality of customer and visitor services, customer satisfaction, compliance with allocation terms and

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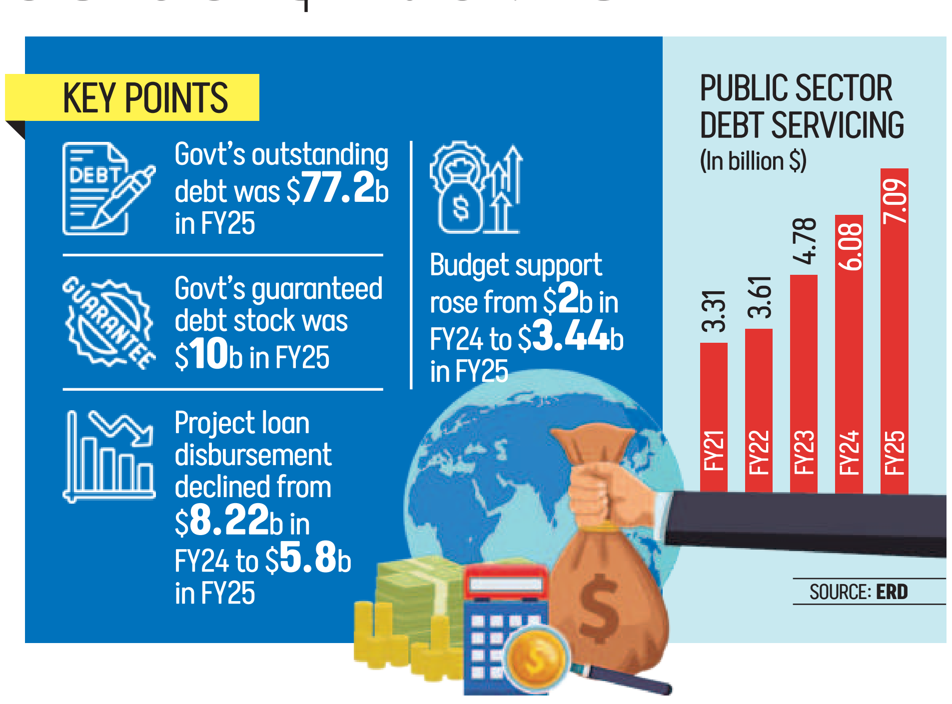
Foreign debt servicing rises to $7.09b

REJAUL KARIM BYRON and AHSAN HABIB



Foreign debt servicing by the government and its guaranteed loans rose 17 percent to $7.09 billion at the end of June in the last fiscal year.

The amount ate up around 76 percent of the total grants and loans of $9.3 billion that Bangladesh received in the fiscal year (FY) 2024-25.

Of the total repayment, $5 billion was principal, including $2.6 billion in state-guaranteed loans taken by public agencies. For example, Bangladesh paid $1.41 billion to settle crude oil import bills. The remaining $2.08 billion went to interest payments, according to data from the Economic Relations Division (ERD).

This marks another year of rising debt servicing costs for Bangladesh, which have more than doubled over the last five years. The government repaid $6.08 billion in principal and service charges to foreign lenders in FY24, double the $3.3 billion paid in FY21. Debt servicing crossed the $1 billion mark for the first time in FY13.

At the end of FY25, Bangladesh's foreign debt stock stood at $87.3 billion. Of this, $77.28 billion was government debt, while the rest was government-guaranteed debt taken by public sector agencies.

The debt stock rose around 12 percent from the previous year. External debt accounted for 18.99 percent of the country's Gross Domestic Product, well below the 40 percent threshold.

Mustafa K Mujeri, executive director of the Institute for Inclusive Finance and Development (InM), said the rise in debt repayment reflects the end of the grace period for some foreign loans, many of which are in their final stages.

He added that many loans are not soft loans but hard loans with high interest rates and short grace periods, which will increase repayment pressure in the near future.

Mujeri, a former director general of the Bangladesh Institute of Development Studies, said the previous government borrowed heavily to fund large projects, and borrowing continued under the current government. With many projects now at their final stages, principal repayments have begun, pushing up debt servicing costs.

He added that significant budgetary support in recent years, provided to help the country recover from the coronavirus pandemic, has also increased loan repayments.

Global interest rate increases are another factor, although the ERD said interest rate risk is limited because most external loans are obtained at concessionary fixed rates.

Citing the World Bank's classification, the ERD said that all indicators remain below threshold levels, categorising Bangladesh as a "less indebted" country.

However, Mujeri stressed that the government needs to strengthen its loan repayment capacity.

Plan to reduce SIM limits deferred until after polls

MAHMUDUL HASAN

The Bangladesh Telecommunication Regulatory Commission (BTRC) has halted its plan to reduce the number of mobile SIM cards registered under a single national identity (NID) card from 10 to five ahead of the upcoming national election.

Under the existing rule, a citizen is allowed to register up to 10 personal SIM cards using one NID.

Citing concerns over public inconvenience ahead of the polls, the commission took the decision to stall their plan at a meeting recently, according to official documents reviewed by The Daily Star.

In June 2025, the government formally capped personal SIM ownership at 10 per individual from 15 as part of broader efforts to strengthen transparency in telecom services, curb criminal misuse of mobile connections and enhance national security oversight.

Subscribers were allowed to voluntarily deregister or transfer ownership of SIMs exceeding the limit until October 30, 2025, at first. Later, the de-registration date was extended to December 29, 2025.

Amid growing security concerns and proposals from law enforcement agencies and intelligence bodies, BTRC later initiated a further reduction, cutting the maximum number of SIMs per individual to five. The commission subsequently sought approval from the telecom ministry to enforce the new limit starting January 1, 2026.

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