

*Following is a summary of important business news published in the leading daily newspapers of Bangladesh. For the complete news, please follow the online link given below each news. Please note that the news summary doesn't reflect the opinion of BRAC EPL Stock Brokerage Limited.*

### **Record 17.0% slide in FY '20 exports**

■ Country's export earnings decreased by a record 17% or USD 6.9 billion in the just-concluded fiscal since fiscal year (FY) 2001-02. The country fetched USD 33.7 billion in FY 2019-20 which was USD 40.5 billion in FY 2018-19, according to the provisional data of the Export Promotion Bureau (EPB). Export earnings over the decades have been gradually increasing barring the year FY 2001-02 when Bangladesh fetched USD 6.0 billion against USD 6.5 billion earned in FY 2000-2001.

■ The overall USD 33.7-billion export earnings also fell short of the target by 26.0% last fiscal. The government had set a target of USD 45.5-billion export earnings for FY 2019-20. The single-month earnings in June 2020, however, declined by 2.5% to USD 2.7 billion over that of June 2019. The June earnings also fell short of the target by 31.2%, according to the data.

■ The RMG sector contributed about 83.0% or USD 27.94 billion to the total export income in FY '20. The sector also witnessed an 18.1% negative growth during the last FY. The sector's earnings also fell short of the target set for the FY '20 by 26.8%. Bangladesh earned USD 13.9 billion from knitwear exports, registering 17.6% negative growth. The same had fetched USD 16.9 billion in FY '19.

<https://today.thefinancialexpress.com.bd/first-page/record-17pc-slide-in-fy-20-exports-1593971597>

<https://tbsnews.net/economy/export-earnings-fall-17-fy20-102166>

<https://www.newagebd.net/article/110322/exports-slump-by-17pc-hit-five-year-low-in-fy20>

<https://www.dhakatribune.com/business/economy/2020/07/05/exports-decline-by-17-in-fy20>

### **Loans from Investment Promotion and Financing Facility made cheaper**

■ The Bangladesh Bank, on Sunday, lowered the applicable interest rate for financing from the Investment Promotion and Financing Facility II (IPFF II) to make the USD 403.7 million fund more attractive. As per the relaxed provision, borrowers will be able to choose a weighted average rate of interest on deposits (Warid) as an applicable interest rate against loans in local currency from the IPFF II.

■ Under the newly introduced operation manual, either the yield of the government's 364-day treasury bill plus one-percentage point or Warid plus one percentage point will be applicable under the fixed rate method. In both cases, borrowers will be charged the lower interest rate. Earlier, the yield of the government's 364-day treasury bill plus one percentage point was imposed under the fixed rate method while the yield of the government's 364-day treasury bill was imposed under the variable rate method. At present, the rate of 364-day treasury bill has increased to seven to nine% whereas the Warid has dropped to 5.4%.

■ IPFF loans are granted either in USD, in BDT or in a combination of both of them at fixed or variable rates. However, the newly introduced facility will only be applicable for loans in BDT. The IPFF II, worth USD 403.7 million, was launched for five years in 2017, upon the completion of the first phase in 2016, to alleviate constraints in infrastructure financing. Of the fund, the World Bank contributed USD 356.7 million and the government contributed another USD 60.0 million. A total USD 13.0 million was set aside for technical assistance. Under the first phase of the IPFF, 21 infrastructure projects were financed between 2006-2016.

<https://tbsnews.net/economy/banking/loans-investment-promotion-and-financing-facility-made-cheaper-102244>

<https://www.newagebd.net/article/110332/financing-from-ipff-ii-made-cost-efficient-for-borrowers>

### **Suspicious transactions decrease by 8.0% in FY19**

■ Banks, financial institutions and other reporting organisations sent a significant number of suspicious transaction and activity reports to the Bangladesh Financial Intelligence Unit (BFIU) in fiscal year 2018-19, though the number is lower than the previous year. In 2018-19, the BFIU received a total of 3,573 suspicious transaction reports (STRs) and suspicious activity reports (SARs) from reporting agencies, down by 7.86% year-on-year, according to the BFIU's annual report released on Sunday.

■ The BFIU is responsible for analysing STRs, SARs, cash transaction reports, plus information related to money laundering and terrorist financing received from reporting agencies and other sources. In FY19, the BFIU disseminated only 52 STRs and SARs to different investigation and law enforcement agencies – in contrast to 677 the previous year, according to the report. The reporting agencies – banks, non-bank financial institutions, money changers and capital market intermediaries – have lodged 5,036 suspicious transactions worth BDT10.2 million in FY19.

■ According to a former deputy governor of the central bank, the global community always accepts the rise in STRs

and SARs positively as they think that this is an indication of the financial organisations' compliance with corporate governance. For instance, American financial organisations make roughly 55,000 STRs and SARs per day

<https://tbsnews.net/economy/banking/suspicious-transactions-decrease-8-fy19-102235>  
<https://www.newagebd.net/article/110325/suspicious-money-transaction-report-drops-786pc-in-fy19>

### **Government to set up company to salvage soured loans**

■ The government now plans to set up a state-run corporation to buy and trade distressed loans off banks as part of its efforts to clean up the financial sector. The planned Bangladesh Asset Management Corporation (Bamco) would be run as a state-run entity by the Financial Institutions Division under the finance ministry. The division has prepared a draft of the Bangladesh Asset Management Corporation Act 2020 (Bamco) to this effect. The authorised capital of the planned corporation would be BDT 50.0 billion and the paid-up capital would be BDT 30.0 billion. A 15-member board led by a chairman would run it.

■ According to the Asian Development Bank (ADB), despite several measures in Bangladesh, including the implementation of prudent measures in the banking system in 1990 and loan classification and provisioning with the international standards, the default loans in the banking system are still very high. Defaulted loans stood at BDT 943.1 billion at the end of 2019, up 0.42% year-on-year. As of last year, reported default loans approached 9.0%, with state-run commercial banks' bad loans reaching 24%, the International Monetary Fund (IMF) said recently.

■ The planned Bamco would take control of the assets of the defaulted individuals or firms, manage them and advise lenders to manage and recover defaulted loans as well as advise borrowers. If a borrower becomes sick, the corporation would stand by it. It would work as a government receiver if a borrower firm goes bankrupt, according to the draft act. The draft act would be sent to the public administration ministry this month. After approval by the cabinet and vetting by the law ministry, it would be sent to parliament to turn into law.

<https://www.thedailystar.net/business/news/govt-set-company-salvage-soured-loans-1925845>

### **Banks in Bangladesh have the lowest capital base in South Asia**

■ The capital base of Bangladesh's banking sector is much weaker than in peer countries -- a situation that not only highlights its frailty but also the heightened vulnerability amid the coronavirus pandemic. Capital adequacy ratio (CAR) is the reflection of all financial indicators of banks, including the ratio of defaulted loans, the capability of keeping provisioning against regular and classified loans and the actual situation of corporate governance. The CAR is a measurement of a bank's available capital expressed as a percentage of risk-weighted credit exposures.

■ Banks in Bangladesh maintained the CAR at 11.6% last year, way less than 17.0% in Pakistan, 16.5% in Sri Lanka and 15.1% in India. This means the banking sector is weaker than the lenders in neighboring nations. But banks would be in a better position to tackle the ongoing economic fallout brought on by the coronavirus pandemic if they could manage a strong capital base.

■ The BB took initiatives to implement the Basel III guidelines by 2019 as part of its effort to bolster the banks' capital base. Basel III is an internationally agreed set of measures developed by the Basel Committee on Banking Supervision in response to the global financial crisis of 2007-09 to improve regulations, supervisions and risk management within the banking sector. As per a roadmap unveiled by the BB in 2014, banks were supposed to push up the minimum CAR to 12.5% by December 2019 from 10.0% then. Of the 58 banks, 43 met the standard by the deadline. As of December, the CAR of foreign banks was 24.5%, private banks' 13.6% and state banks' 5.0%, data from the central bank showed.

<https://www.thedailystar.net/business/news/banks-bangladesh-have-the-lowest-capital-base-south-asia-1925365>  
<https://www.dhakatribune.com/business/banks/2020/07/05/banks-in-bangladesh-maintain-lowest-capital-than-other-south-asian-nations>

### **Bangladesh Securities and Exchange Commission (BSEC) makes mandatory bank perpetual bonds' trading on bourses' main boards**

■ The Bangladesh Securities and Exchange Commission on Sunday made mandatory listing of perpetual bonds issued by the banks as tradable securities on the main platforms of stock exchanges. The stock market regulator will soon frame necessary rules for listing of the banks' perpetual bonds and allow their trading on the main boards.

■ The commission has allowed ONE Bank and Mutual Trust Bank to float non-convertible perpetual bonds worth BDT 4.0 billion each. The banks will float the bonds, which would be unsecured nonconvertible, Basel III compliant perpetual and floating rate bonds. The face value of each unit of the bonds of the two banks will be BDT 1.0 million and coupon rate will be 11-14%. Only banks, financial institutions, corporate institutions and other eligible investors will be allowed to subscribe the bonds through private placement.

■ The purpose of the issue is to strengthen the bank's additional Tier-I capital base. EBL Investment Limited is acting

as the trustee of the two banks while City Bank Capital Resources Limited is the lead arranger for both the bonds and MTB Capital Limited will also be the lead arranger of MTB's bond.

<https://www.newagebd.net/article/110329/bsec-makes-mandatory-bank-perpetual-bonds-trading-on-bourses-main-boards>  
<https://today.thefinancialexpress.com.bd/stock-corporate/bsec-move-to-formulate-rules-1593973129>  
<https://www.dhakatribune.com/business/stock/2020/07/05/bsec-approves-BDT800cr-in-bonds-for-two-banks>

### **Bangladesh Securities and Exchange Commission (BSEC) asks 61 directors of 22 companies to ensure minimum shareholding in 45 days**

■ The Bangladesh Securities and Exchange Commission has asked 61 directors of 22 listed companies to ensure holding of minimum 2% shares in their respective firms in 45 days to continue their directorship in the entities. The BSEC sent a letter to all the companies on July 2, asking them to ensure compliance of mandatory 2% shareholding by each director other than the independent one, BSEC officials said. There are some more non-compliant directors in the other listed companies, who would also be asked later to ensure holding of 2% shares, they said.

■ The BSEC made it mandatory for each sponsor-director to hold minimum 2.0% shares of a company's paid-up capital by issuing a directive on November 22, 2011. The directive was amended on May 21, 2019, imposing more restrictions. According to the rules, if any director fails to comply with the 2.0% shareholding rules, his/her position would be automatically vacated. Despite repeated warnings from the regulator, many directors continue holding their position without complying with the rules.

■ As per shareholding data in February 2020, 22 companies had 61 directors who held less than 2% shares. Of the 22 companies, 14 companies are from the insurance sector, which have 49 non-compliant directors. Of the 61 non-compliant directors, 12 became directors after 2018 and the others have continued ignoring the minimum shareholding rules for years. Besides, 31 of the 61 directors held less than 0.1% shares each in their respective companies. Earlier in 2017, the BSEC listed 219 directors of 79 companies who were non-compliant with the 2.0% shareholding rules to take legal action against them.

<https://www.newagebd.net/article/110327/bsec-asks-61-directors-of-22-cos-to-ensure-minimum-shareholding-in-45-days>  
<https://www.dhakatribune.com/business/stock/2020/07/05/minimum-2-shareholding-bsec-issues-ultimatum-to-61-non-compliant-directors>

### **World Stock and Commodities\***

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	USD 40.35	(USD 21.28)	-34.53%
Crude Oil (Brent)*	USD 42.90	(USD 25.54)	-37.32%
Gold Spot*	USD 1,773.53	USD 252.06	16.57%
DSEX	3,981.52	-471.41	-10.59%
S&P 500	3,130.01	-100.77	-3.12%
FTSE 100	6,157.30	-1429.75	-18.84%
BSE SENSEX	35,843.70	-5798.44	-13.92%
KSE-100	34,978.18	-5756.9	-14.13%
CSEALL	5,109.04	-1020.17	-16.64%

### **Exchange Rates**

USD 1 = BDT 84.91\*  
 GBP 1 = BDT 106.00\*  
 EUR 1 = BDT 95.76\*  
 INR 1 = BDT 1.14\*

\*Currencies are taken from XE Currency Converter and Commodities are taken from Bloomberg.

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