BRAC EPL
STOCK BROKERAGE LTD

Important News Snippets

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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.

Bangladesh Bank moves to deal with troubled banks

• The Bangladesh Bank has taken an initiative to deal with troubled and weak banks as the number of such banks has been increasing over the last one decade. The central bank in a draft bill seeking amendments to the Bank Company Act 1991 spelt out its plans for 'structuring', 'merger' or 'liquidation' of the bank companies in trouble. As per the bill, a permanent body would be established at the Bangladesh Bank to deal with such banks. Once problems in banks are exposed the permanent body, according to the draft, will be able to impose a 'moratorium' for six months with an extension of another six months. The body can approve a restructuring plan for a 'problem bank' for a maximum of one year or the bank may face merger, acquisition or even liquidation.

• The central bank in the draft also recommended penalties for the officials and persons responsible for putting a bank into financial maladies or other problems. The penalties include fine, removal from posts, suspension, confiscation of shares and closure of bank accounts, according to the draft, now kept open by the Financial Institutions Division for public opinions. The proposals for amending the 1991 act would be placed before the cabinet soon and it would be up to the cabinet whether or not to accept the proposals.

• The government has meanwhile dished out an opportunity to banks to reschedule their bad loans at two% down payment since May although the move drew sharp criticisms from economists as an 'artificial arrangement' to contain the bad loans that soared to BDT 1.12 trillion or 11.69% of the BDT 6.92 trillion total loan extended by the banks until September 2019.

https://www.newagebd.net/article/99713/bangladesh-bank-moves-to-deal-with-troubled-banks

Asian Development Bank (ADB) provides additional USD 170 million for capital market reform

• The Asian Development Bank (ADB) has approved a second tranche loan of USD 170 million to conclude the Third Capital Market Development programme in Bangladesh. ADB approved the programme totaling USD 250 million in November 2015 with a first tranche USD 80 million loan to support vital capital market reforms accompanied by a technical assistance grant of USD 700,000, out of which USD 300,000 was financed by the government of the Republic of Korea's e-Asia and Knowledge Partnership Fund, to assist in the implementation of the reform actions.

• ADB has been actively supporting the government's current capital market reform agenda since 2012 when the Second Capital Market Development programme was approved. This aimed to rebuild market confidence after stock market turbulence in December 2010 and put the capital market back onto a sustainable development path.

https://thefinancialexpress.com.bd/economy/adb-provides-additional-170m-for-capital-market-reform-1581762403

Interest rate cap: Private banks' apathy could slow execution, says Fitch

• Global ratings agency Fitch warns the execution of an interest rate cap will pose "severe" downside risks to Bangladesh's financial stability. The report titled "Industry Forecast-Interest Rate Caps Pose Severe Downside Risk to Bangladesh's Financial Stability" was published on Wednesday. It said the persistent pushback from private commercial banks over more than a year points towards an inability of the authorities to enforce the regulation. This suggests that the implementation of 9.0% lending interest rate cap is likely to remain slow, fearing about the delay beyond April, it added. The ratings agency's views came as both the government and top bankers had agreed to bring down both lending and deposit rates to a single-digit from April 01.

• The Fitch also said capping interest rates would restrain the ability of banks to adequately price in such risks, amid poor lending practices and a weak bad loan recovery framework in the country. The Fitch feels that the government is likely to step in to spearhead higher loan growth to attain its ambitious economic growth targets, which would once again put the industry on course for a continued surge in troubled loans.

https://thefinancialexpress.com.bd/economy/interest-rate-cap-private-banks-apathy-could-slow-execution-says-fitch-1581653419

Rate cut of post office savings tool: Bad days ahead for small savers

• To implement single-digit interest rate in the country's banking sector, the government on Thursday lowered interest on three-year fixed deposit to 6% from 11.28% on maturity. Meanwhile, the rate for the first year and second year of the deposit has been set at 5% and 5.5% from previous 10.20% and 10.70% respectively. Slashing interest rate on savings in post office by half will make the lives of pensioners difficult as it has cut their earnings from the savings.

• The reduced interest rate would not apply to other savings certificates. The investor may collect the profit every six months, for which they will get 4% in the first year, 4.50% in the second year and 5% in the third year. Previously, this was 9%, 9.50% and 10% in the first, second and third years respectively. Tax at source on saving certificates this year has also gone up from 5% to 10%. This tax has also been imposed on fixed deposit bank accounts. For those with no TIN, the rate is 15%.

https://www.dhakatribune.com/business/2020/02/15/rate-cut-of-post-office-savings-tool-bad-days-ahead-for-small-savers
https://www.newagebd.net/article/99515/bangladesh-halves-post-office-savings-interest-rate

Bank deposits now largely fetching 6% interest

• On January 28, the Association of Bankers, Bangladesh (ABB), a forum of managing directors of banks, took the decision to provide not more than 6% for FDRs from February 1. The Daily Star has collected the FDR data of 29 banks and found seven - Mercantile, Southeast, Trust, AB, IFIC, Premier and National -- are yet to bring down their interest rate to 6%. The seven banks, however, have already taken measures to lower the interest rate on their FDRs though.

• To facilitate banks to charge 9% for loans from April, the finance ministry on January 20 instructed the autonomous, semi-autonomous and government companies to keep half of their surplus funds at 6% interest rate with private lenders. The remaining half of their deposits will go to state banks, which can offer no more than 6% interest. The private banks would get government funds in line with their paid-up capital.

https://www.thedailystar.net/business/news/bank-deposits-now-largely-fetching-6pc-interest-1867708

Bangladesh RMG exporters expect order shift from Cambodia

• The country's readymade garment exporters are expecting that the suspension of the European GSP facility to Cambodia would lead to an increase in export orders for Bangladesh in the EU market. They said that there were similarities between the RMG products produced in Cambodia and Bangladesh for export to the EU market.

• Buyers may shift their sourcing from Cambodia to other countries due to the rise in the prices of products manufactured in the Southeast Asian country because of payment of duties due to the suspension of the GSP facility.

The EU on Wednesday partly suspended the Generalized Scheme of Preference facility to Cambodia due to the violation of human and labor rights. EU imported apparels worth USD 4.33 billion from Cambodia in 2018 while its total apparel exports to the world in the year stood at USD 7.83 billion.

https://www.newagebd.net/article/99670/bangladesh-rmg-exporters-expect-order-shift-from-cambodia

Merchant bankers seek fiscal incentives to revamp stock market

• Merchant bankers on Saturday suggested offering special fiscal incentives, including tax and VAT waivers, to help woo large and renowned companies to the stock market. They felt since mobilization of funds from banks were easier than stock market, businesses tend to avoid going public. Leaders of Bangladesh Merchant Bankers Association (BMBA) said these while placing an eight-point recommendation. The recommendations include increasing the supply of good shares and ensuring strong coordination among stakeholders. The recommended measures also include listing of profitable government and multinational companies for IPO, necessary steps for investment education, strong coordination among policymakers and stakeholders, updating necessary legal frameworks, protecting interest of foreign investors and expansion of capital market by enlisting good companies.

https://today.thefinancialexpress.com.bd/first-page/merchant-bankers-seek-fiscal-incentives-to-revamp-stock-mkt-1581786080

United Kingdom's upcoming tariff policy after Brexit: Bangladesh could lose out to rich nations

• Bangladesh's exports to the United Kingdom are set to face stiff competition as Britain is preparing for its new tariff policy after leaving the European Union. The tariff policy will come into force in January next, bringing duties of the products of many developed counties on par with developing nations, which can erode the competitive advantage Bangladesh now enjoys.

• The UK, which left the EU in January, is developing a new most favored nation, MFN, tariff schedule, replacing the regional grouping's common tariff policy. But the new tariff will not be applicable to goods coming from developing countries like Bangladesh, which are beneficiaries of the generalized system of preferences, or GSP. Under the GSP, Bangladeshi goods continued to enjoy duty-free market access there. To simplify the UK's tariff, the British government is considering removing the "nuisance tariffs," which are as low as 2.5%.

• Analysts agree that lowering tariff means Bangladesh will face competition from the developed world exporters. Research director of the Centre for Policy Dialogue, or CPD, said the UK is trying to prepare a unique tariff structure compared with the EU, thus making it liberal and further opening up its market. Britain has lived up to its promise and kept the GSP facility for the poorer countries, he said.

https://today.thefinancialexpress.com.bd/public/first-page/bd-could-lose-out-to-rich-nations-1581701613

Foreign Direct Investment (FDI) flow far lower than pledged in three years

• Investment in Bangladesh by overseas firms was far below their initial pledges in the past three consecutive years through 2018. Such a picture was painted in a written speech by a minister in charge of the Prime Minister's Office in parliament. He said foreign firms' business strategy, local market and fluctuation of foreign exchange rates are believed to be the main reasons behind such poor actual foreign direct investment (FDI) here.

• The actual FDI figure in 2018 was USD 3.6 billion, down by USD 1.57 billion than what they pledged. In 2017, the real FDI inflow dropped to USD 2.2 billion from USD 10.3 billion pledged. There was an even sharper drop in the size of investment in 2016 by foreign firms. In 2016, foreign firms pledged to invest here USD 11.3 billion. But actually they invested only USD 2.3 billion during the period under review. In calendar years 2014 and 2015, the amounts were much higher than the proposed sizes of investment.

https://today.thefinancialexpress.com.bd/public/last-page/fdi-flow-far-lower-than-pledged-in-three-years-1581617094

International incoming call rate slashed 66%

• The government has slashed the international incoming voice call rate by 65.71% to USD 0.006 per minute in the face of shrinking earnings from the sector in recent years. The decision, which was taken last Thursday, comes following requests from the International Gateway (IGW) operators to help them cope with the growing threat of internet-based communication services. A significant portion of international calls are now made through internet-based communication platforms such as WhatsApp, Viber, Messenger, Skype, IMO and WeChat, which cost nothing other than the price of data. IGW operators are responsible for all international voice call termination going in or out of Bangladesh. Legal voice calls have currently gone down to about 20 million minutes a day, which was some 100 million minutes a few years back. Apps like WhatsApp, Viber, Imo, Skype, WeChat and Messenger are taking over local calls too, said the Telecom Minister.

• The government considered this move for two other reasons as well: to help save the IGW industry and control the illegal termination rate. International call termination was one of the government's main sources of revenue just five years ago. However, earnings from the sector has shrunk substantially in recent years. In fiscal 2014-15, the government's earnings from international calls was BDT 20.76 billion, which declined to BDT 13.87 billion, BDT 9.68 billion, BDT 9 billion and just a few billion in successive years, according to BTRC officials.

https://www.thedailystar.net/business/telecom/news/intl-incoming-call-rate-slashed-66pc-1868662

Government asks handset businesses to discourage feature phone use

• The government has instructed the country's mobile phone manufacturers, assemblers and importers to discourage the use of the second generation (2G) mobile phone technology-enabled feature phones. The government move came despite the fact that around 70% of the country's mobile phone users are still using 2G technology dependent feature phones and the rest 30% are using the third generation (3G) and the fourth generation (4G) technology-supported smartphones.

• In October last year, the Bangladesh Telecommunication Regulatory Commission announced that the 5G service would be launched within the year 2021. Meanwhile, the telecom regulator has formed a committee on framing rules and regulations to facilitate the 5G launch. With a view to supporting the government plan to launch 5G within the year 2021, the telecom ministry and the BTRC have been pressing the mobile phone importers, assemblers and manufacturers to promote the use of 4G- and 5G-enabled smartphones instead of 2G-enabled feature phones.

• At the time of the launch of the 4G service by the government in 2018, the mobile phone operators were reluctant to launch the 4G service initially making an excuse that they were yet to get returns against their investments for the 3G network expansion but finally launched the service following pressure from the government. Now, the telecom operators are reluctant to launch the 5G service as only 27.1 million or 16.37% out of 165.5 million mobile phone subscribers availed the 4G service in two years of the service launch, leaving the telecom operators' projected profits unattained.

https://www.newagebd.net/article/99561/govt-asks-handset-businesses-to-discourage-feature-phone-use

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Foreign investors scurry off from DSE

• Foreign stock investors are retreating from Bangladesh's capital market as the bear run in the bourse is chipping away their portfolio value. So low have their holdings been in the last few months that the Dhaka Stock Exchange decided not to provide breakdown of their net investment going forward.

• In the past two months, their net investment in the capital market have been in the negative: BDT 1.1 billion in December last year and BDT 1.29 billion in January this year. The protracted tussle between Grameenphone, the stock of choice of foreign investors, and the telecom regulator has dented their confidence in the Bangladesh market. On the other hand, a sudden decision change of the Bangladesh Securities and Exchange Commission to extend tenure of closed-end mutual funds also impacted their investment.

https://www.thedailystar.net/business/news/foreign-investors-scurry-dse-1867672

bKash gets Bangladesh Bank nod for instant remittance receipt from Malaysia

• The Bangladesh Bank has given the primary nod to leading mobile financial service operator bKash to launch a service that would facilitate instant remittance of money into the country from Malaysia through a wallet-to-wallet payment system.

• Once the service is launched, it would be possible for Bangladeshi immigrants living in Malaysia to send money to any bKash account using the mobile wallet service of Malaysia-based financial service provider Valyou. The country received USD 1.2 billion in remittance from Malaysia out of its total USD 16.42 billion remittance inflow in the fiscal year 2018-2019.

https://www.newagebd.net/article/99503/bkash-gets-bangladesh-bank-nod-for-instant-remittance-receipt-from-malaysia

RMG accessories, packaging sector: BDT 15 billion losses feared if coronavirus persists

• Bangladeshi garment accessories and packaging manufacturers fear losses worth BDT 15 billion if coronavirus impact prolongs for six months as in that case it will create shortage of raw materials for the sector hindering production. Slump in production, along with workers' wages and charges for utility services as well as business losses, will cause the losses.

• About 50% raw materials are sourced from China, so the sector people urge the government to search for alternatives. The platform also called for taking steps to expedite the delivery of imported goods when import-export with China would resume after the Chinese New Year holidays extended to February 21.

https://www.dhakatribune.com/business/2020/02/15/rmg-accessories-packaging-sector-BDT1-500cr-losses-feared-if-coronavirus-persists

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	$52.05	+0.63	+1.23%
Crude Oil (Brent)*	$57.32	+0.98	+1.74%
Gold Spot*	$1,584.06	+8.06	+0.51%
DSEX	4564.61	+83.78	+1.87%
Dow Jones Industrial Average	29,398.08	-25.23	-0.09%
FTSE 100	7,409.13	-42.90	-0.58%
Nikkei 225	23,687.59	-140.14	-0.59%
BSE SENSEX	41,257.74	-202.05	-0.49%

Exchange Rates

USD 1 = BDT 84.80*
GBP 1 = BDT 110.65*
EUR 1 = BDT 91.85*
INR 1 = BDT 1.19*

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

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