



**IFIC BANK LIMITED
TRAINING & RESEARCH DIVISION
HEAD OFFICE, DHAKA**

01. Keya directors, Marico share investors fined for price tampering

The Securities and Exchange Commission has fined all members of the Board of Directors of Keya Cosmetics Ltd for allegedly manipulating the company's stock price through circulating rumours that a big investment from Sri Lankan entrepreneurs was in the pipeline. Abdul Khaleque Pathan, Keya's managing director, has been fined Tk 5 crore and five other directors Tk 5 lakh each for the alleged infraction that took place in 2008. An SEC probe found that Keya, a cosmetics and toiletries products maker, manipulated its share prices by disseminating news that it would sell more than one crore shares to Hamus, a Sri Lankan company and client of Lanka Bangla Finance. Following the rumour share prices of the company had soared dramatically and a corporate sponsor of the company made hefty profits by selling its stake. The regulator would inform the company of the fine in writing soon and ask the company to submit the penalty to the commission within 15 days after notification. The SEC also fined a Keya sponsor shareholder Tk 38 lakh for violating security rules. The name of the sponsor was not disclosed. As per securities rules, a disclosure is required for selling or buying sponsor shares in a six-month period. But the Keya shareholder sold his shares without making any disclosure. The SEC also levied Tk 50 lakh against LankaBangla Finance for its involvement in the Keya Cosmetics scam. Meanwhile, the stock market watchdog took action against two investors of Marico Bangladesh Ltd, another beauty care products maker that specialises in coconut oil skin and hair care. The SEC pressed investors Yakub Ali Khondker and Arifur Rahman with manipulating the prices of their shares. They fined the men Tk 1 crore and Tk 0.75 crore respectively. The SEC chief pointed to a probe that detected Yakub and Rahman's manipulation of Marico share prices through buying a bulk amount of shares within a short period and thus created artificial demand that push the share prices to abnormally high.

Daily Star: 04.05.2010

02. Apparel exports flicker into life

Apparel exports grew 18.38 percent in March, compared to the same period a year ago, data from Export Promotion Bureau (EPB) shows. Exports are breaking free from the negative trend with a rebound in apparel exports. Overall exports in the July-March period declined only 0.8 percent from the same period last year. The single month export for apparels in February was 8 percent. The EPB data shows exports in March 2009-10 were worth \$1.52 billion, up from \$1.28 billion in the same month last year, registering 2.28 percent growth. In the first nine months of 2009-10, Bangladesh exported goods worth \$11.541 billion, compared to \$11.634 billion in the same period last fiscal year. Daily Star: 05.05.2010

03. BB's new executive director

SK Sur Chowdhury has been promoted to executive director of Bangladesh Bank (BB), the central bank said in a statement yesterday. The former general manager of the department of off-site supervision for BB, Chowdhury is an MA in English from Rajshahi University. He started his banking career with the central bank in 1981 as an officer and served in different capacities. He also headed the Chittagong office of the central bank as general manager for two years. A Bangladesh Bank medalist, he is also an MBA in finance and accounting.

Daily Star: 06.05.2010

04. Biman gets lifeline from banks

Two aircraft to join the national airline fleet next year

Local banks have come up to lend in foreign currency for the first time to the national airline. For this, 10 banks have inked a \$114.49 million (about Tk 791 crore) syndicated loan agreement with Biman Bangladesh Airlines to facilitate pre-delivery payment (PDP) for collecting two new aircraft next year. The induction of these two into its fleet is part of collecting 10 aircraft at a cost of \$1.3 billion from Boeing. The two Boeing 777-300 ER planes are expected to be delivered by October 2011. Led by Eastern Bank, the other participating banks in the syndication are AB Bank, BRAC Bank, Dhaka Bank, IFIC Bank, Mutual Trust Bank, National Bank, Prime Bank, The City Bank and Premier Bank. Terming the deal 'a landmark', the bankers pointed out that the loan, arranged through their offshore banking units, would help save as much as \$7 million of Biman, which will require repaying the money to the lender banks in a two-year time at an interest below 5 percent. Boeing's eight other aircraft are expected to join the Biman fleet in phases in years between 2013 and 2019. As per the aircraft purchase venture, Biman has already paid Boeing \$11.96 million for buying the plane.

Daily Star: 07.05.2010

05. BRAC Bank launches stock market service for NRBs

BRAC Bank has launched its latest banking service -- Probashi Biniyog -- to help non-resident Bangladeshis (NRBs) invest in capital market. The service enables NRBs to open BO (beneficiary owner) accounts, buy and sell stocks in both primary and secondary markets, and repatriate profit to their countries of residence. BRAC EPL Securities Ltd, a concern of BRAC Bank, will provide the stock exchange-related services. The solution will be available to NRB customers of BRAC Bank. Under Probashi Biniyog, NRBs can apply for initial public offerings and buy and sell shares in secondary market through a BO account, which will be funded by a non-resident investor's taka account, held with the bank. Clients can e-mail, fax or phone to issue trade orders to the bank, where they will receive 100 percent of the repatriation of capital, dividend and investment profits.

Daily Star: 09.05.2010

06. FDI dips 41pc

Foreign direct investment in the January-June 2009 period dropped 41 percent, compared to the previous six months. In a report that comes every six months, Bangladesh Bank linked the fall to slowing investment in the telecom sector. In January-June of 2009, the total FDI inflow was \$357.94 million, down from \$602.65 million in the July-December 2008 period, according to data released on Thursday. In the January-June 2009 period, the FDI flow to the telecom sector fell 65 percent to \$148.92 million, compared to the previous six months. In the same fashion, the textile and garment sector suffered a 16.28 percent fall to \$59.40 million in FDI. In the same period, the FDI flow to the banking sector increased 296 percent to \$88.02 million. In the gas and petroleum sector, it rose 2.59 percent to \$11.89 million. The power sector saw a 1.38 percent rise to \$11.78 million.

Daily Star: 16.05.2010

07. Call money rate soars

Inter-bank call money rate shot up abnormally 16.05.2010 following a hike in cash reserve requirement (CRR) by 50 basis points, according to market players. The rate reached 9.5 percent, the highest since February 2009, and had been hovering between 0.5 percent and 5.5 percent over the past one year. Bangladesh Bank earlier in May announced to increase the CRR by 50 basis points to 5.5 percent from May 15. But the decision came into effect yesterday, as May 15 was a holiday. According to the central bank, the CRR rate hike will mop up nearly Tk 1,500 crore from the market, which it said would help contain the mounting inflationary pressure. The central bank's decision to hike up SLR (statutory liquidity ratio) by 50 basis points to 10.5 percent for the Islamic banks also increased the demand for money in the market. This decision also came into effect yesterday (16.05.2010). According to the market players, most of the local banks, particularly private ones, faced liquidity crunch yesterday. Only the foreign banks and state-owned Sonali and Agrani banks did not feel the shortage of money. The operators

said borrowing by non-bank financial institutions has also fuelled the demand for money. A boost in agriculture and SME (small and medium enterprise) loans may have created the cash shortage in the banks.

Daily Star: 17.05.2010

08. New hotel zones in Cox's Bazar

The land ministry has proposed four new exclusive hotel and motel zones in the main tourism hub of Cox's Bazar. The zones are Baradale Hotel-Motel zone sprawling on 57 acres, Shilkhali-1 zone on 100 acres, Shilkhali-2 on 112 acres and Sabrang Island zone on 961 acres. For these zones, the government will allot about 165 plots, with each having at least two acres and a maximum of three. The government took the decision as the 230 hotels and motels in Cox's Bazar can accommodate only 70,000-75,000 tourists, while the number of tourists crossed the 150,000 mark last winter. According to the civil aviation and tourism ministry, the state tourism body earned Tk 5.49 crore in July-March from its 17 commercial units. The ministry statistics also showed that 4.35 lakh foreign tourists visited Bangladesh in 2009, which was a sharp rise from 3.82 lakh in 2008, 2.65 lakh in 2007 and 2 lakh in 2006.

Daily Star: 17.05.2010

09. ICCB backs coal for power

The International Chamber of Commerce-Bangladesh (ICCB) yesterday stressed the need to diversify sources of power generation and rely on local coal as a solution to the energy crisis. The country should also look at imported coal and LNG as long-term solutions, according to ICCB. Currently, per capita power consumption in Bangladesh is the lowest in the region -- only 183 kWh compared to 325 kWh in Sri Lanka, 408 kWh in Pakistan and 665 kWh in India. Only about 47 percent people in Bangladesh have access to electricity, but even that is irregular in supply. Most of the power generation is mainly based on natural gas, on the assumption of its plentiful reserve. The two major inputs are available domestically for power generation -- gas and coal. The gas supply is currently just under 2,000mmcf*, against demand for over 2,200mmcf.

Daily Star: 17.05.2010

10. NCC Bank to add 100 ATMs

National Credit and Commerce Bank plans to open 100 ATM booths in Dhaka by June 2011 to ensure round-the-clock money withdrawal for clients. In addition to their own ATMs, clients can use the ATMs of some other banks through syndication. However clients will have to pay a fee of Tk 10 to use the ATMs of other banks. At present, the bank has 67 ATM booths. NCC Bank is also participating in bank loan syndicates that are financing power projects. NCC Bank is playing a pioneering role in bringing in remittance. They have taken special measures to bring remittance from Japan

Daily Star: 17.05.2010

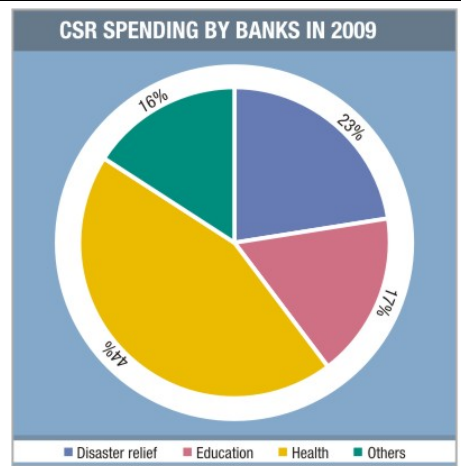
11. Banks shell out 35pc more for CSR

Bangladesh Bank releases report

Commercial banks hiked spending on corporate social responsibility (CSR) by 35 percent last year and shifted from passive grants and donations. The banks' expenditure for social welfare jumped to Tk 55.38 crore in 2009 from Tk 41 crore in 2008, according to a Bangladesh Bank report, first of its kind. The central bank held a discussion yesterday with the bankers on the report titled Review of CSR Initiatives in Banks (2008-2009). "Apart from one-off grants and giveaways, some banks have engagements in longer term continuing support commitments, in areas of education and healthcare

* mcf= Thousand Cubic Feet per Day, Here m = Thusand, not Million.

Of 48 scheduled banks in Bangladesh, 46 were involved in CSR activities in 2009. The number was 27 in 2008. Dutch-Bangla Bank Ltd spent the highest, Tk 15.92 crore, on education, health, disaster relief, sports and social welfare in 2009. Islami Bank Bangladesh Ltd secured the second position, spending Tk 11.62 crore mainly on education and disaster relief. Some researchers define CSR as "the situation when a firm does more than it is compulsory and it involves itself in actions meant to be useful to society, actions that surpass the immediate economic interest of the firm and the minimal standards imposed by the law". The difference between CSR and charity is, CSR involves developing an implication strategy within the community and a partnership of which the company gains, too. The CSR activities are not mandatory for the banks. However Bangladesh Bank now considers the banks' yearly CSR initiatives as an extra instrument for their performance rating. This idea has mainly brought the banks to involve more in such activities. Private commercial banks were found more active than the state-run ones in spending on CSR activities, said the BB report.



Daily Star: 18.05.2010

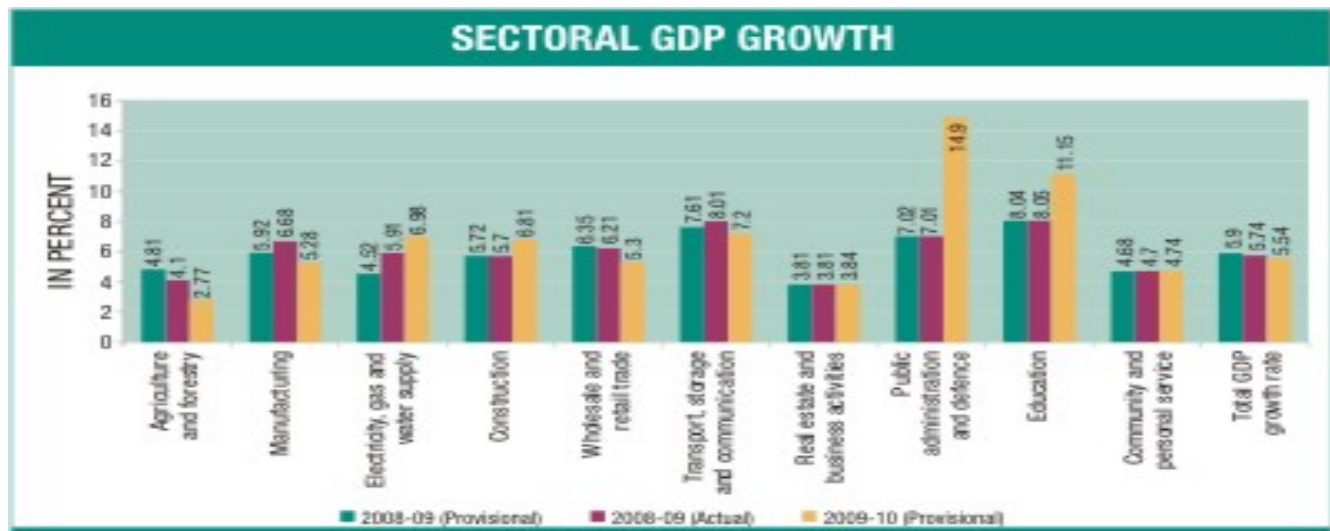
12. BB goes online

All the branches and departments of Bangladesh Bank (BB) yesterday came under an online network to ensure faster and transparent services at the central bank. The new system will enable the BB staff to intercommunicate and share necessary information online without physical movements, saving both time and resources. Under the system, all the data are stored at a data centre at the central bank, backed by a highly secured disaster recovery site. A total of 2,600 computers have also been installed at BB branches from where the designated staff can log in to work.

Daily Star: 18.05.2010

13. Per capita income crosses \$700

The per capita income crossed the \$700 mark in the current fiscal year, mainly because of a healthy GDP growth. The people of lower strata have got a share of the rise in the income as small-scale industries have shown a rapid growth and employed the poor segment. The per capita income has reached \$750 this fiscal year from \$676 last year.



For Bangladesh to graduate to a mid-income country, its per capita income should be \$975 now. Bangladesh Bureau of Statistics (BBS) early this week finalised the provisional account of GDP for the current fiscal year and

the actual GDP calculations for the last year. In the manufacturing sector, small-scale industries, which are more labour intensive, have shown the most rapid growth. The government repeatedly projected the GDP growth rate to be 6 percent but the BBS provisional account shows that the growth was 5.54 percent this fiscal year. The BBS in the final calculation of last fiscal year's GDP growth showed a slide to 5.74 percent, which was 5.9 percent in earlier estimate. The services sector showed a good growth this year, but the overall GDP growth was lower because of a fall in the agriculture and industries sectors. The growth rate in the agriculture sector dropped almost by half due to the declining growth in crop. The growth rate in crop sector was 2.20 percent this fiscal year, down from 4.02 percent last year. BBS officials said the main contributor to the crop sector is rice. In the last fiscal year crop sector saw a bumper production of rice at around three crore tonnes. Although Aus crop was hampered this year, the harvest is expected to be around three crore tonnes. As the production remained the same, the crop sector did not rise. In the manufacturing sector, the growth rate fell by 1.40 percentage points compared to the last fiscal year, due to a poor performance by the export sector. The inflow of a big amount of remittance and the implementation of pay scale in the public sector contributed to the growth in the services sector.

Daily Star: 28.05.2010

14. BRAC Bank launches account for students

BRAC Bank yesterday launched its latest product, Future Star Account, an account designed to encourage schoolchildren to develop a saving habit. Designed for children below 18, the account also enables parents to save for their children's future, the bank said in a statement. The account, with an initial opening balance of Tk 2,000, gives up to 8 percent interest on account balance (subject to fulfillment of criteria), and the interest is accrued on monthly average balance and applied to the customer account yearly. With no account maintenance fee, the account also supports e-banking services such as internet banking, phone banking, SMS banking.

Daily Star: 31.05.2010

15. Sudden spurt of foreign demand for local rubber

Local rubber growers are having a good time as a growing number of international traders are looking for rubber in Bangladesh because of the current shortage of the item in the global market. Businessmen from Turkey, Pakistan and India have come here looking for rubber. Some growers have already shipped out around 1,200 tonnes of rubber in the last six months and many other orders have already been received. According to the London-based Financial Time, the price of natural rubber, the commodity used to make products ranging from tyres to condoms, has hit an all-time high [above \$3.50 per kg] in the current month after a severe drought in Thailand, the world's largest producer, curtailed supplies. The country has attained self-sufficiency in rubber, which is mainly bought by footwear industries and tyre and tube producers. Rubber has huge export potential, especially to India that imports nearly 1,00,000 tonnes of rubber to meet its internal demand of 10,00,000 tonnes annually

New Age: 01.04.2010

16. Nat'l service holders can open bank account with Tk 50

People enrolled under the newly introduced National Services programme will be able to open bank accounts with only Tk 50 for obtaining facilities in the commercial banks, said a senior official of the Bangladesh Bank. The government introduced the National Services programme at upazila level to train unemployed youths having higher secondary certificate for temporary appointment in agriculture, social welfare and housing and public works ministries for one and a half year. The central bank on 02.05.2010 issued a circular to all commercial banks for providing the banking facilities to the beneficiaries of the National Services. They will be able to withdraw their allowances from their bank accounts for this they will not need to pay any service charge to the concerned commercial banks. New Age: 03.05.2010

17. US economy expands as consumers boost spending

The US economy expanded at a 3.2 per cent annual rate in the first quarter as consumers increased spending at the fastest pace in three years, the strongest sign yet a sustainable recovery may be taking hold. While growth

slowed from the fourth-quarter's rapid 5.6 per cent pace and was a touch weaker than economists expected, the details of Friday's report from the Commerce Department were fairly upbeat. High unemployment remains a sore point as the economy climbs out of its worst recession since the 1930s. Consumer spending, which normally accounts for about 70 per cent of US economic activity, added nearly 2.6 percentage points to gross domestic product growth last quarter — the biggest contribution since the fourth quarter of 2006. But stock market investors were disappointed growth fell short of the 3.4 per cent analysts had expected. Combined with reports of a federal criminal probe of Goldman Sachs, stocks on Wall Street posted their worst week since January. US government debt prices rallied, tapping a safe-haven bid, while the dollar fell for a third straight day against the euro on hopes debt-stricken Greece would soon receive emergency aid.

New Age: 03.05.2010

18. Toyota faces 327 lawsuits in US

Toyota Motor Corp now faces more than 320 lawsuits in federal and state court related to its sudden acceleration problems. In a report filed Friday with US District Judge James Selna, attorneys for the plaintiffs and Toyota listed 228 federal cases and 99 related cases in state courts. A judicial panel consolidated the federal cases before Selna last month. Selna's court is in Orange County, California, near Los Angeles and close to Toyota's US headquarters. The next court date in the case is scheduled for May 13. The lawsuits began appearing last fall as Toyota initiated the first of a series of recalls eventually involving about 8 million vehicles — including about 6 million in the US — over acceleration problems in several models and brake issues with the popular Prius hybrid. Toyota said the acceleration problems were caused by faulty floor mats and sticky accelerator pedals. Some plaintiffs (complainants) also claim that there is a defect with Toyota's electronic throttle control system, but Toyota denies that. Plaintiffs are alleging injury and death due to the sudden acceleration as well as breach of warranty, fraud and economic injury because the values of their vehicles plummeted after the recalls. Attorneys estimate that if Toyota were to settle the cases for even a modest payout to affected motorists, it could cost the company at least \$3 billion and possibly much more. In comparison, drug maker Merck & Co has paid more than \$4.8 billion into a settlement fund for tens of thousands of claims from people who used its withdrawn painkiller Vioxx.

New Age:03.05.2010

19. Govt directs urgent release of stimulus funds to RMG sector

Govt directs urgent release of stimulus funds to RMG sector The government on 04.05.2010 directed the authorities concerned to arrange immediate release of the second stimulus package to the garment factory owners, finance ministry sources said. The Tk 1,00-crore package, announced on the 7th of last month (April'10), was designed to support the exporters who have been affected by the tail impacts of the global recession. In a letter the ministry on 04.05.2010 said license fees on the captive power generators of the RMG factories would be paid from the fund of the stimulus package. It directed the concerned authorities to release cash incentives on the apparels shipments to new markets, defined as the ones other than USA, EU and Canada. The letter said export of yarn would be treated as a new product which is also entitled to get cash incentives. The ministry also advised the authorities to realise at best 10 per cent interest on the rescheduled bank loans of the factory owners who have been affected by recession. Authorities have also been advised that small factory owners, having annual export proceeds of up to \$3.5 million, should get 5 per cent cash incentives. The incentive would be calculated on the extra shipment amounts which is more than their export amounts in the last 2008-09 fiscal year. The directive also made it clear that factories that have no gas-fuelled captive generator would receive a 10 per cent discount on its electric bills. As power interruptions hinder production forcing some factory owners to use expensive diesel generators, discounts on electricity bills were sought. The government directive also said all these facilities would be entitled for the factory owners who have enjoyed or are entitled for easy rescheduling of bank loans by June 30 of this year.

New Age: 04.05.2010

20. SEC fines 4 cos, investors for market manipulation

The Securities and Exchange Commission has decided to fine two investors and two companies more than Tk 7 crore for manipulating share prices by spreading rumours and breaching laws. The decision was taken at a meeting of the SEC on 02.05.2010. The SEC slapped fines of Tk 1 crore and Tk 75 lakh each on investors Yakub Ali Khondker and Arifur Rahman, after they were found guilty of manipulating Marico's share prices, SEC sources said. SEC officials alleged Yakub and Arifur raised the price of Marico shares - set at Tk 90 each with Tk 10 face value—to around Tk 400 within a month by purchasing heavily and sold the shares when the price of the company's shares at its peak. The regulator also penalised LankaBangla Securities Tk 50 lakh for 'playing a part into the Keya share scam', said the sources. Keya Cosmetics and its directors were fined around Tk 5.40 crore- the second highest penalty in the country's stock market history. The SEC officials said Keya Cosmetics manipulated its share prices after it spread a 'rumour' that it would sell 12.4 million shares to a Sri Lankan company named 'Hamus' in 2008.

New Age: 04.05.2010

21. Remittance posts 16.72 per cent growth in 10 months Inward remittance stands at \$802 crore

The country's inward remittance recorded a 16.72 per cent growth during the first 10 months of the current fiscal year compared to the similar period of last fiscal year, said an official of the Bangladesh Bank. The remittance inflow in June 2009-April 2010, was more than \$802 crore which was \$668.62 crore during the corresponding period of the 2008-09 fiscal. The growth of the inward remittance in the previous fiscal was 19.19 per cent. Inward remittance in the month of April 2010 stood at \$92.12 crore, an increase of \$8 crore compared to the remittance in April 2009. Four state-owned commercial banks — Sonali, Janata, Agrani and Rupali —channeled \$27.07 crore of inward remittance in April. Islami Bank Bangladesh Limited topped the list of banks channeling \$24.91 crore while all private commercial banks brought \$62.61 crore

New Age: 04.05.2010

22. TV channels asked to take BB consent for foreign exchange transaction

The Bangladesh Bank asked commercial banks to ensure private television channels take permission from the central bank for export and import of equipment worth over \$50,000 in foreign currency. The BB issued a circular in this regard aiming to check money-laundering incidents in the country. Besides, the circular said the commercial banks should not pay \$ 50,000 in foreign currency to each private television channel without the BB's consent.

New Age: 04.05.2010

23. Indian cows become 3 times costlier in Bangladesh market

Price of beef in Bangladesh is more than three times than the cost of sourcing the cows from remote India states and the animals are injected hazardous energising drugs before they cross the borders, a Los Angeles Times investigation reveals. An LA Times report on 04.05.2010 said the Bangladesh-bound animals that arrive exhausted are injected [at stopover Indian markets] with Diclofenac sodium, a banned anti-inflammatory drug, to energize them on their long trek. A medium-size cow that is sold at \$100 in Jharkhand, India, costs nearly double in markets of Murshidabad, West Bengal, and in Bangladesh's cattle market the same cow is sold at about \$350, the Times report says. At the Panso market in Jharkhand state, an interim stop for Bangladesh bound cows, about 300 miles from the border, some 15,000 or so cows pass through each week to fetch about \$100 a piece. The cows come from Rajasthan and other cow-loving remote Indian states and they trade hands several times en route raising the cost of Indian cows in Bangladesh market. The LA Times investigators quoted estimates that suggest 1.5 million Indian cows, valued at up to \$500 million, are smuggled into Bangladesh annually, providing more than half the beef consumed in the country.

New Age: 05.05.10

24. BB hikes cash reserve requirement of commercial banks

Worried by growing inflation, the Bangladesh Bank has increased the cash reserve requirement of the commercial banks in a clear hint to follow a contractionary monetary policy. The central bank on 05.05.2010 issued a directive and set the new cash reserve ratio for the commercial banks at 5.5 per cent from previous 5 per cent which was fixed in 2005. The new measure, which will come into force from May 15, is expected to help the BB to mop up liquidity worth around Tk 1,000 crore from the banking sector, said officials. Commercial banks have been glutted with excess liquidity worth over Tk 32,000 crore. Recently, neighbouring India also increased cash reserve requirement of the commercial banks to contain inflation.

New Age: 06.05.2010

25. BRAC Bank launches Probashi Biniyog

The BRAC Bank has launched a new service, Probashi Biniyog, enabling non-resident Bangladeshis to invest into the capital market of Bangladesh and to operate their beneficiary owner's account online from abroad. The service will enable NRBs to open beneficiary owner's account, buy and sell stock in both primary and secondary markets and repatriate profit to their country of residence. BRAC EPL Securities Ltd, a concern of BRAC Bank, will provide the stock-exchange related services where the solution will be available to all NRB customers of the bank. All share related services such as non-resident investor's taka account (NITA), BO and stock broking accounts are being offered under 'Probashi Biniyog'. Through the service NRBs can operate their accounts online from abroad

New Age: 06.05.2010

26. Banks asked to reduce interest rate for import of 9 essential items ahead of Ramadan

The Bangladesh Bank has directed all commercial banks to slash their interest rate from existing 13 per cent to 12 per cent for import-financing for nine essential items (edible oil, lentil, gram, peas, onion, date, fruit, spices and sugar) in a bid to bring down their prices in the month of Ramadan. Besides, the central bank also directed the banks not to take exorbitant fees and commissions from the importers of essential commodities. The central bank issued a circular on 06.05.2010 in this regard.

New Age: 07.05.2010

27. Biman gets \$114m in loan from local banks to purchase 2 aircraft

National flag carrier Biman Bangladesh Airlines on 06.05.2010 received documents of a syndicated term loan agreement of \$114.49 million from 10 local banks for pre-delivery payment financing to purchase two brand new 777-300 ER aircraft from the US-based Boeing Company. Eastern Bank Limited has arranged the syndicated loans participated by AB Bank Ltd, BRAC Bank Ltd, Dhaka Bank Ltd, IFIC Bank Ltd, Mutual Trust Bank Ltd, National Bank Ltd, Prime Bank Ltd, The City Bank Ltd, and The Premier Bank Ltd.

New Age: 07.05.2010

28. Indian billionaire Mukesh Ambani wins family gas feud

India's Supreme Court ruled in favour of the country's richest man Mukesh Ambani on Friday in his long-running feud with his brother Anil over a family deal to share the nation's largest gas find. Mukesh, 53, who heads India's largest company Reliance Industries Ltd, sought to have the deal annulled in a legal battle that has riveted India with its heady mix of incredible wealth and vitriolic family in-fighting.

New Age: 09.05.2010

29. BB suspends realisation of farm loan for flash flood hit areas

The Bangladesh Bank has directed all banks for suspending realisation of farm loan from the farmers of the flash-flood-hit areas across the country, official sources said. Besides, it has also asked the banks to introduce new credit programme for the farmers of those areas. The Bangladesh Bank's farm loan and special programme department issued the circular in this regard on 10.05.2010. The Bank will suspend realisation of the farm loan for one year after the expiry of payment of loan of the farmers of north-east Sylhet and Sunamganj haor areas affected by the flash flood. **New Age: 12.05.2010**

30. IFIC Bank signs agreement with CRAB

IFIC Bank signed an agreement with Credit Rating Agency of Bangladesh on 12.05.2010. Under the agreement, CRAB will conduct credit rating on the financials of the bank for the year 2009 as per mandatory requirement, said a news release. IFIC Bank managing director Mosharraf Hossain and CRAB managing director Hamidul Huq signed the agreement on behalf of their respective sides

New Age: 13.05.2010

31. Pakistan imposes duty on yarn export Local textile sector to suffer more

The imposition of high duty on yarn export by the Pakistan, along with the Indian ban on cotton export, has dealt an almost crippling blow to Bangladesh's textile sector. Bangladesh is one of the major importers of Pakistani yarns on which many local denim fabric manufacturers and knitters depend partially as local production cannot meet their requirement. The Pakistani government on 13.05.2010 imposed a 15 per cent regulatory duty on export of all types of cotton yarns after textile and garment industries there complained that yarn shortage was hurting their business and exports. A Pakistani cabinet panel on textiles discussed the issue on 13.05.2010 and decided to impose a regulatory duty to improve supplies for manufacturers of value-added exports worth \$10 billion a year. Pakistan is the world's fourth biggest cotton producer, but often has to depend on imports to feed its textile sector which accounts for about 60 per cent of its exports. Pakistani fabric and apparel manufacturers started decrying the shortage of yarns as an insufficient cotton crop last year pushed up cotton prices to highest ever levels. The market situation deteriorated further after India banned cotton export in mid-April.

New Age: 14.05.2010

32. India relaxes wheat export ban for Bangladesh

India has partially lifted a ban on wheat export to facilitate its supply to Bangladesh. The Indian commerce ministry relaxed the three-year-old prohibition on overseas shipment of wheat to allow export of some 400,000 tonnes to Bangladesh. India, the second largest producer of wheat in the world, banned exports of the grain in 2007. The prohibition was briefly lifted in July 2009 before being re-imposed. India's wheat stocks stood at more than seven times its target of 30.8 million tonnes on April 1. India had relaxed the prohibition on wheat export to facilitate supply of 50,000 tonnes to Nepal in February.

New Age: 14.05.2010

33. Banks asked not to take deposit service charge

The Bangladesh Bank has asked the all commercial banks not to take any service charge against the deposit of Tk 5,000 to preserve the interests of the small depositors. Besides, the central bank has also given directive to all banks for taking only Tk 100 as service charge against the deposit of Tk 25,000 for six months. The central bank on 13.05.2010 issued a circular in this regard as most of the commercial banks are now taking 'excessive' service charge in the name of account maintenance fees from the depositors. The directive will come into effect immediately, the circular said. Considering customers' complaints lodged with it, the central bank has found that an amount of Tk 10,000 deposited at the beginning of a year decreases by Tk 500 - Tk 850 at the year-end.

New Age: 14.05.2010

34. Ban on yarn import through Benapole withdrawn partially Weavers continue strike as they want full withdrawal of the ban

The government on 17.05.2010 withdrew the ban on import of yarns of four categories through the Benapole land port but weavers said the categories are useless for local handloom and power-loom units. Leaders of weavers criticised the government for not allowing import of yarn of all categories through the land port. The National Board of Revenue on Friday issued a notification allowing import of four counts of yarn - 82/1, 100/1, 100/2 and 120/1- through Benapole land port. The spinning mill owners have been urging the government not to allow yarn import through Benapole land port as they argued that move would harm local spinners. According to industry estimates, Bangladesh annually produces approximately a million tonnes of yarns, with over 70 per cent of it consumed by the export-oriented knitters. Local spinners supply yarn to weavers after meeting over 90 per cent of the knitters' requirements

New Age: 15.05.2010

35. DFID, Robi sign remittance deal

Mobile phone operator Robi and DFID Remittance Payment Challenge Fund signed an agreement to create a consortium of partnerships with banks and non-bank organisations with a view to improving migrant entrepreneurship and vocational skills in Dhaka recently. The grant is funded by UK Aid through the Department for International Development (DFID), as part of the Remittance and Payments Partnership between DFID and Bangladesh Bank, said a new release. Through the agreement Robi will establish a sustainable remittance access for migrant families. It will also provide access to banking facilities over mobile phones. Robi will partner a number of banks to create basic remittance disbursement service from its service points (authorised by Bangladesh Bank) spread nationally. It will team up with non-bank organisations to create a support web where these families can get access to free or discounted agro or vocational training facilities, consultations, product and service solutions to gain better economic value out of the remittance they will receive. New Age: 16.05.2010

36. Berger Paints, HSBC sign MoU

Berger Paints Bangladesh Limited has recently signed a memorandum of understanding with HSBC in the corporate office of Berger Paints in Dhaka. Under the agreement, HSBC will promote Berger products and Home Decor services to its home loan customers, said a news release. HSBC will also offer reduced interest rate in home loan and personal loan to the Home Decor customers of Berger Paints. On the other hand, Berger Home Decor will offer privileged services in any illusions work to HSBC Home Loan customers. Berger Home Decor services also include colour consultancy, colour scheme, suggestions on surface preparation, painter and dealer selection etc.

New Age: 17.05.2010

37. Citibank holds workshop on capital markets

Citibank, NA Bangladesh has recently organised a daylong Workshop on capital markets in Dhaka. The workshop was attended by 25 Citi officials and facilitated by former chief executive officer of Dhaka Stock Exchange Professor Salahuddin Ahmed Khan and University of Liberal Arts Bangladesh pro-vice chancellor Imran Rahman. The workshop provided the participants knowledge of theoretical/conceptual aspects of capital market tools and SEC's role, regulations and its enforcement, said a news release. Instructor for the course Imran Rahman distributed the certificates to all participants during the concluding session in presence of Citi country officer Mamun Rashid.

New Age: 17.05.2010

38. No gain tax for individuals in share market, 5pc for FIs

The finance ministry has decided not to impose any tax on capital gain for individual share market investors to ensure participation of more investors in the country's capital market. The ministry, however, decided to impose 5 per cent tax on capital gains of the financial institutions and banks. The NBR, on the other hand, has planned to re-introduce property tax, which was scrapped in 1999-2000 fiscal, in the budget for the upcoming year.

New Age: 19.05.2010

39. Govt disburses Tk 150 crore to HBFC for more housing loan

This current fiscal year the government has disbursed Tk 150 crore to the House Building Finance Corporation to enable it to provide more house construction loans to its prospective clients. The banking division of the finance ministry on 18.05.2010 (Wednesday) asked HBFC to disburse the loans, official sources said. In this regard, an agreement was signed on May 16 between the finance ministry and HBFC. According to an official circular, the entire amount should be disbursed among the clients as house building credit. The total amount of credit would be withdrawn in 20 years in 40 installments with an interest rate of 3 per cent. Earlier at a meeting, the finance ministry had taken a decision on a petition by HBFC for allocation of more funds for house building. The finance ministry had also directed HBFC to send its proposal for amending the seventh provision of the HBFC Order 1973 for increasing its authorized capital. HBFC's interest rate is 11 per cent while the private banks and financial institutions charge 15 to 18 per cent interest rate on house building loans. HBFC wants to raise its authorized capital base to Tk 1,000 crore from Tk 110 crore and increase the paid up capital base to Tk 650 crore from Tk 97.29 crore. In 2007-08 the HBFC disbursed Tk 147 crore to its clients against the sanctioned amount of Tk 226 crore. It made a profit (before tax) of Tk 161 crore that fiscal year, almost double of the profit of Tk 92 crore earned in FY 2003-04. It was also able to reduce the rate of classified loans from 21.24 per cent in 2003-04 to 13.93 per cent in 2007-08.

New Age: 19.05.2010

40. StanChart launches visa fee collection centre for US embassy

Standard Chartered bank has launched a 'Visa Fee Collection Centre' at its North Gulshan branch. The centre will collect diversity immigrant visa application fees and non-immigrant visa application fees for the United States embassy. With the opening of the service, Standard Chartered Bank will be the exclusive bank for collecting visa application fees for the United States embassy. The newly set up counter will be open to visa applicants for payment of visa application fees during regular banking transaction hours, said a news release. US embassy first secretary and consul general Sandra Ingram and Standard Chartered Bank managing director (origination and client coverage) Ahmed A Shah jointly inaugurated the centre.

New Age: 19.05.2010

41. Bangladesh eyeing bigger US shoe market chunk

Bangladeshi shoemakers have reasons to cheer with the vast US market welcoming increasing shipments of their leather and non-leather footwear, industry sources said. Quoting the latest import data of the US department of commerce, an official of the Bangladesh Leather Goods and Footwear Manufacturers and Exporters Association said that the exports rose to 193 thousand pairs of shoes during January-March this year, up from 123 thousand pairs of the same period of the previous year. Out of the total exports, leather shoes accounted for 143,000 pairs, including 130,000 pairs of men's shoes while rubber or canvas made footwear accounted for 44,000 pairs, the US commerce department figures showed. Europe and Japan had been the major markets for Bangladesh's footwear for the last two decades or so. The industry found reasons to cheer with the US importers eyeing Bangladeshi footwear. Until last year, Bangladesh exported footwear worth less than \$10 million to the US annual footwear market estimated at approximately \$18 billion, half of it for leather shoes. Industry sources expect Bangladesh's shoe exports to the US, still small, to grow rapidly as the recent trends indicate. A member of the American Chamber said that the US shoe importers were eyeing low cost sources like Indonesia, Cambodia and Bangladesh, gradually turning away from the traditional sources like China, Vietnam, Thailand and Taiwan. Bangladesh exported footwear worth \$147 million dollars in the first nine months of the current fiscal, with a two per cent growth, year on year. New Age: 21.05.2010

42. 3-day bank card fair begins

A three-day 'Bank Card Fair' to showcase services of credit and debit cards began in the city's Bangabandhu International Conference Centre on Friday. The country's leading banks and financial institutions set up 40 stalls at the card fair, the first of its kind in the country, organised by a business weekly newspaper, The Financial Mirror.

The editor of the weekly, Qazi Jahangir Alam, inaugurated the fair which would remain open for visitors during the working hours everyday till Sunday. The participants at the card fair include Eastern Bank Limited, United Commercial Bank Limited, Prime Bank Limited, Jamuna Bank Limited, Premier Bank Limited, National Bank Limited, Dhaka Bank Limited, One Bank Limited, Commercial Bank of Ceylon PLC, Shahjalal Islami Bank Limited, Q-Cash and Green Delta Housing.

New Age: 22.05.2010

43. Banglalink, Dutch-Bangla Bank sign mobile banking deal

Mobile phone operator Banglalink has signed a memorandum of understanding with Dutch-Bangla Bank at Banglalink head office in Dhaka recently. With the signing, both the parties have agreed to collaborate with each other to launch mobile financial services, said a news release. Banglalink managing director and chief executive officer Ahmed Abou Doma and DBBL managing director Md Yeasin Ali signed the agreement on behalf of their respective sides.

New Age: 24.05.2010

44. Jute moves to 2nd position as largest export earner

Jute has regained its position this fiscal year as the country's second largest export earning sector, surpassing the value of frozen foods exports after three years, according to the export promotion bureau. Bangladesh exported raw jute and jute goods worth \$547 million compared to frozen foods exports valued \$377 million in 10 months of the current fiscal. This 'revival' of the jute sector has been attributed to huge growth in exports of raw jute and jute goods as against falling exports of frozen foods. The readymade garment sector accounts for 76 per cent of the country's export receipts as the country earned foreign currency amounting to \$15.56 billion from the sector in 2008-09 fiscal. The exports of jute goods rose 70 per cent and raw jute 40.56 per cent during the July-April period of the fiscal compared to the exports of the corresponding period of the previous fiscal. The exports of frozen food declined by 13.66 per cent in the said 10 months due to strict rules of the European Union countries that slowed down exports from Bangladesh. Currently, the county produces 5.5 million bales (180 kg=1 bale) of raw jute a year compared to annual production of 7 million bales a decade back. Around 2 million bales are consumed locally and the rest exported.

New Age: 26.05.2010

45. Apple dethrones Microsoft as top US tech company

Apple, maker of the Macintosh computer, the iPod, iPhone and iPad, dethroned software giant Microsoft on 26.05.2010 as the largest US technology company in terms of market value. Microsoft shares shed 4.07 per cent on 26.05.2010 to close at \$25.01, dropping its market capitalisation — the number of shares outstanding multiplied by the stock price — to \$219.18 billion. Apple stock has risen steadily over the past few years as chief executive Steve Jobs, who returned to Apple in 1997, piloted the release of a string of hit products starting with the iPod in 2001, following by the iPhone in 2007 and the iPad this year.

New Age: 28.05.2010

46. Daimler, China's BYD in electric car joint venture

Chinese auto group BYD (Build Your Dreams) and German luxury car maker Daimler announced on Thursday a joint venture to mass produce an electric car in China. Daimler is to bring 'know-how in vehicle architecture and security' to the venture, while BYD will contribute 'its competence in batteries and (propulsion) systems for electric vehicles. The world's oldest automaker and one of the youngest aim to market the vehicle under a new jointly-owned brand, joining forces to target China's fast expanding urban market. Launched just seven years ago, BYD

Auto now claims to be the sixth biggest car maker in China and its future plans are focused on electric or hybrid vehicles, building on the experience of its battery-making parent group. Daimler, which made one of the first cars in the world in the 19th century, is the parent company of brands Mercedes and Smart. It recently started testing electric-vehicle technology on the road in Berlin with a local power company and has also taken a stake in the US electric sports car specialist Tesla. Some analysts are skeptical about the short-term prospects for electric cars however because of current limits on the range of purely battery-powered vehicles and their cost. Others argue for their environmental advantages and Japan's Nissan Motor has made a major commitment to the technology with the launch of its Leaf auto

New Age: 29.05.2010

47. Govt. wins international arbitration suit filed by Chevron

The government has won an international arbitration suit, having a cumulative worth of at least US\$ 500 million, by the US Chevron over the long-pending payment dispute for carrying gas to national gas grid. The International Centre for Settlement of Investment Disputes (ICSID) on 17.05.2010 verdict has rejected Chevron Bangladesh's demand for refunding the wheeling charge that Petrobangla used to deduct from its gas bills. The ICSID ruling also cleared the way for state-owned Petrobangla to continue deduction of wheeling charge at 4.0 per cent from Chevron's future gas bills the cumulative worth of which would be more than \$500 million. The ICSID Secretary General Meg Kinnear sent a certified copy of its verdict to Bangladesh lawyer dated on 17.05.2010. Petrobangla deducted around \$49 million until 2008 before going to ICSID. This payment goes to state-owned Gas Transmission Company Limited (GTCL), a subsidiary of Petrobangla. Chevron is the country's biggest gas provider with its supply hovering around 900 million cubic feet per day (mmcf), around half of the total production of around 1950 mmcf

The Financial Express: 19.05.2010

48. Exports of raw jute, jute goods exceed target

Raw jute and jute goods exports have exceeded the target in the July-April period of the fiscal year. The jute goods exports rose by 65.70 per cent to US\$377.09 million against the government target of \$282.71 million while raw jute exports rose by 36.07 per cent to \$170.41 million against the target of \$155.58 million, according to an Export Promotion Bureau monthly report. This fiscal the country's jute goods export increased by 69.82 per cent and raw jute by 44.35 per cent against the same period of the last fiscal. At present at least 250 jute mills are running across the country including 16 state-owned mills where around 50,000 people are working. Bangladesh produced 5.5 million bales of raw jute this year while the production was 4.6 million bales last year. The international market price of jute is around \$1,000 per tonne while it was \$400 per tonne during the same period the previous year. Bangladesh exported raw jute and jute products amounting to 795,000 metric tonnes in 2008-09 while this fiscal year we expect that the total export might be 775,000 metric tonnes. Bangladesh exports raw jute mainly to India and jute goods to Turkey, Belgium, Iran, Spain, Syria, Uzbekistan, China, India and Pakistan

The Financial Express: 28.05.2010

49. DSE net income shoots up 84% on booming market

Net income of the Dhaka Stock Exchange (DSE) nearly doubled in the year to June 2009 as market boomed with influx of new investors. The country's prime bourse made Tk 658.06 million as net income in 2008-09 fiscal years, up 84 per cent from Tk 358.44 million in 2007-08. Two-thirds of the revenue were generated from the bourse's 238 members who must pay 0.025 per cent of their turnover - locally known as laga charge - to the DSE. Shares worth average Tk6.05 billion was transacted daily in 2008-9 - a 114 per cent increase from a year back. The bourse earned Tk 120 million as levies on share transaction, up by more than 61 per cent over the previous year, DSE collects three taka from each share transaction. During 2008-2009, annual turnover of securities at DSE stood at Tk 893.79 billion against Tk 543.29 billion of 2007-08, posting a 64.52 per cent rise. More than 5757 million securities were transacted during the year, up 53.09 per cent from a year earlier. Income from listing fees shot up 27.44 per cent to Tk 65.22 million from Tk 51.18 million. Listing fees are paid by companies for floating their shares on the market. The DSE saw listing of 17 new companies with paid up capital of Tk 18068.84 million during the year. In

2007-8, 13 companies with paid-up capital of Tk7264.96 were listed. However, market capitalisation of the DSE jumped more than 85 per cent to Tk 1.90 trillion. The amount now made up 31 per cent of the country's gross domestic product (GDP). The 115 new brokerage houses, taking the total number to 387 - many of whom are now based in district towns, luring thousands of new investors to the market.

The Financial Express: 28.05.2010

50. Economic growth slows to seven – year low

Bangladesh said on 26.05.2010 that its economy grew at the slowest pace for seven years as the global downturn hit exports while drought and floods cut into agriculture and power troubles rocked industry. The Bangladesh Bureau of Statistics said growth in the year to June came in at 5.54 percent, the lowest since 2002-2003, when the economy expanded just 5.3 percent. Overall exports were down one percent year on year in the nine months to the end of March, with apparel, which accounted for 80 percent of 15.56 billion dollar shipments last year, seeing a fall in orders. Remittances were up nearly 20 percent to 8.27 billion dollars in the first nine months of the year and are projected to cross the 11 billion dollar threshold by June 2010. The statistics office said GDP almost touched 100 billion dollars.

The Financial Express: 27.05.2010

51. Private credit growth slows after five months of upward trend

Credit to private sector slowed down in March after five months of upward trend as demand for lending in the farm sector declined ahead of boro rice harvest. The banks' lending to the private sector including manufacturing, farms, consumers and foreign trade rose to Tk 408.904 billion in the year to March 2010, up from Tk 323.414 billion a year ago. Although the amount was still 19.45 per cent more than the previous year but Private sector credit growth in the year to February was 19.56 per cent. The banks disbursed Tk 9.68 billion farm credit in March, which was Tk 9.63 billion during the same month last year. Credit growth to key sectors such as manufacturing and foreign trade remained buoyant as exports made a turnaround in March after months of stagnation and contraction.

The Financial Express: 23.05.2010

52. Bangladesh bank Circulars during May, 2010

Circular Number	Date	Subject
DFIM Circular Letter No. 11	02/05/2010	Specimen signature
DFIM Circular No. 05	06/05/2010	Sending Information regarding Directors of Financial Institutes
DFIM Circular Letter No. 12	18/05/2010	Policy for the appointment of Chief Executive Officer/Managing Director of Financial Institution
ACD Circular No. 11	11/05/2010	Postponing the recovery of Agricultural Loan (Boro Crop) and providing Fresh Loan facilities in favor of farmers affected by flash flood in the North-Eastern Haor Areas of Bangladesh.
FEPD Circular No. 09	17/05/2010	Export subsidy against export of Pet Bottle-Flex
BRPD Circular No. 21	20/05/2010	Updated Guideline on ICT Security for Banks and Financial Institutions ^{NEW}
BRPD Circular No. 20	16/05/2010	Special Notice Deposit (SND) Account
BRPD Circular No. 19	13/05/2010	Master Circular on Schedule of Charges
BRPD Circular No. 18	06/05/2010	Fixing Rate of Interest on Import Financing
BRPD Circular No. 17	02/05/2010	Bank Account for Beneficiary of National Service Program.
DOS Circular Letter No. 05	19/05/2010	Amendment to the list of Holidays in 2010 for Banks
MPD Circular No. 01	04/05/2010	Cash Reserve Requirement
MPD Circular No. 02	04/05/2010	Statutory Liquidity Ratio (SLR)

Source: BB Website.

53. Information on Economy

	Amount	Previous month's Position
1. Foreign Trade:	Million US\$	Million US\$
a. Exports (2008-09)	15565.20	15565.20
b. Exports (February-2010)	1315.10	1426.20
c. Imports (2008-09)	22507.1	22507.1
d. Imports (February-2010)	1818.60	1861.10
2. Workers' Remittance (February-2010)	827.96	952.39
3. Inflation: point to point (January-2009)	9.06	8.99

Export= f O B Value, Import = CFR Value
Economic Trends: April, 2010

54. Banking Sector and Economic Information

	Amount (TK in Cr.)	Amount (TK in Cr.)
	February-2010	January -2010
1. Bank Deposit (excluding inter bank)	311588.20	304223.1
2. Bank Credit (excluding inter bank)	312339.60	310148.9
3. Money Supply		
a) Currency Outside Banks	41602.40	41694.4
b) Demand Deposit	34195.40	33505.6
c) Deposit with BB other than DMBs	138.90	135.8
d) Narrow Money (a+b+c)	75936.70	75335.8
e) Time Deposit	258434.40	252719.7
f) Broad money (d+e)	334371.10	328055.5
4. Excess Reserve (Liquidity)	11061.30	9592.5
5. Weighted average rate of Deposits of Schedule Banks(Quarterly)	6.35	6.35
6. Weighted average rate of Advances of Schedule Banks(Quarterly)	11.49	11.49
7. Ratio of DMBs Credit to Deposits (%)	100.24	101.95
8. DMBs Total Assets/Liabilities	780891.20	760819.9
9. F.E. Reserve (million \$US)	10554.60	10097.8
10. Cash Base of the Economy	72801.30	70810.0

- **Narrow Money (M1)** = Currency outside Banks+ Demand Deposits +Deposit with Bangladesh Bank
 - **Broad Money (M2)**= M1 + Time Deposit
 - **DMBs** = Deposit Money Banks
 - **Cash Base of the Economy** = Currency in Circulation+ Balances with Bangladesh Bank
- Monthly Economic Trends: April, 2010 2010

Readers please: Elaborate the term “DFID”.

Match our answer with yours: Knowledge Update: 133

Answer: The latest rate of CRR is 5.50%

We can be reached at: ifichrd@ailonline.net

55. Academic Activities in May: 2010

- I. Workshop on Inward Foreign Remittance Distribution: IFIC Bank Ltd. conducted a day long workshop on "Inward Foreign Remittance Distribution" on May 08, 2010. The workshop was inaugurated by The Executive Director, Refugee and Migratory Movements Research Unit and professor of IR, Dhaka University, Dr. C R Abrar at IFIC Bank Academy premises. It may be mentioned that, it was the 18th program of IFIC Bank Academy in the year 2010. 42 Officers working at different branches & Head Office have attended the program.
- II. Refreshers Course for Officers Grade-I : A two week long "Refreshers Course for Officers Grade-I" inaugurated on May 16, 2010 at IFIC Bank Academy .Mr. Mati-UI-Hasan, SEVP & RM, Motijheel branch was present on the occasion and delivered his inaugural speech before the participants. A total number of 24 Grade –I Officers from different branches & Head Office attended the program. The duration of the course was from May 16- 26, 2010.It was the 19th Program of the IFIC Bank Academy in the year 2010.
- III. Meeting with Eshna Consulting Team Ltd: IFIC bank Ltd arranged a Meeting with Eshna Consulting Team Ltd. on May 30, 2010, 32 Senior Executives and relationship Managers of Various branches of IFIC Bank attended the meeting.

Team Members

Ms. Zaitun Sayef, SEVP
Mr. A. K. Mojibur Rahman, FAVP
Mr. Md. Syfujjaman Milon, OG-I
Mr. Benjir Rahman, OG - I

Revisiting Basics

Financial system

Financial System is a set of institutional arrangement through which financial surpluses in the economy are mobilized from surplus units and transferred to deficit unit or unit having appetite for credit. Finance is basically defined as provision of funds from surplus units to deficit units. There are two types of finances in our country:

- 1. Direct finance and**
- 2. Indirect finance**

Direct Finance:

Direct finances are security market mode of finances-where surplus units directly provide funds to deficit units.

Indirect Finance:

In indirect finance, there are intermediaries. Funds are not directly routed to deficit units. Third party's involvement is must in this mode of finance. Banks are financial intermediaries acting as the 3rd party besides NBF1.

Both direct mode of finances and indirect mode of finances constitute financial system which is concerned with mobilization of funds.

Financial system is classified by two broad categories:

01. Financial Infrastructure: Financial Supervisor / Regulator

02. Financial Superstructure: Financial Institution, Financial Instrument, Financial Market

Components of Financial Superstructure:

A. Financial Institutions:

- **Banking Financial Institutions:** Commercial Banks, Specialized Banks
- **Non-bank financial institutions:** ICB, Merchant banks, Leasing companies, House finance companies, Grameen Bank, insurance companies etc.

B. Financial Instruments:

The Financial instruments are the evidences of financial claims of holder against issuer, without financial claim financial instrument can not exist.

Two Types:

B (i) Direct Financial Instruments:

Direct Financial Instruments: These are the financial claim against real sector unit created for raising fund to finance their deficit spending. e.g.: Bill, Bond, Equity, Commercial Paper etc.

B (ii). Indirect Financial Instruments: These are financial claim issued by financial institutions against themselves to raise funds from public. e.g.: Bank deposit, Insurance policies, Mutual Funds etc.

C. Financial Markets: Financial Markets are the markets where the financial instruments are traded, bought and sold. The financial markets may be viewed as channels through which moves a vast flow of funds that is continually being drawn up on demands of funds and continually being replenished by suppliers of funds.

Types of financial markets (Maturity basis):

a. Money Market:

Short term financial instruments are traded. By convention, a security or loan maturing one year or less is considered to be a money market instruments. e.g.: T-bill, commercial paper, Bankers acceptances. CC (H), SOD etc of maximum one year credit facility.

b. Capital Market:

Long term financial instruments are traded. Financial Instruments in the capital market have original Maturities of more than one year. e.g.: common stock, bond, Term loan.

Types of financial markets (Primary and Secondary basis)

a. Primary Market:

Primary market is for the trading of new securities never before issued. Its principal function is raising financial capital to support new investment.

b. Secondary Market:

Secondary market deals in securities previously issued. Its Chief function is to provide liquidity to security investors – that is, provide an avenue for converting financial instruments into ready cash.

The financial system of Bangladesh consists of Bangladesh Bank (**BB**) as the central bank, Security and Exchange Commission (SEC) as regulator of security market and

- ❖ 4 state owned commercial banks (SOCB),
- ❖ 4 government owned specialized banks (DFI),
- ❖ 30 domestic private banks (PCB),
- ❖ 9 foreign commercial banks (FCB) and
- ❖ 29 non-bank financial institutions (NBF)

The financial system also embraces: insurance companies, stock exchanges and Co-operative banks.