



IFIC BANK LIMITED
TRAINING & RESEARCH DIVISION
HEAD OFFICE, DHAKA

01. Online TIN and BIN from single window for new cos

The National Board of Revenue is set to issue online TIN and BIN certificates from a single window under which new companies will get the taxpayer status at the time of company registration with Registrar of Joint Stock Companies and Firms (RJSC). Trial operation of the new service is expected to take place soon. The decision came in line with the recommendation of International Finance Corporation (IFC), which proposed that such a step would reduce time and cost of doing business. It is mandatory to furnish TIN and BIN certificates at the time of registration of new companies. "We have found that owners of new companies have to spend time and money to obtain taxpayers identification number (TIN) and business identification number or BIN," said Farid Uddin chairman of the digital NBR committee. The NBR will discuss the matter with all stakeholders, business associations and incorporate their inputs before implementing the service, he said. "We want to introduce a business-friendly system that would help the business community spur economic growth," Farid said.

The Financial Express: 01.11.09

02. Bangladesh Bank click – starts online banking

Bangladesh made a giant stride towards introduction of e-commerce on 02.11.2009 after the central bank allowed online money transaction, payment of utility bills through Internet and transfer of funds from one bank to another. Bangladesh Bank gave the groundbreaking directives to commercial banks through a circular, saying from now on their clients can pay power, water, gas and phone bills from bank accounts and transfer funds within a bank or to other banks. The banks have been asked to accept any payment that their clients make for purchase or sale of goods or services using e-commerce platform and facilitate online credit card payments in local currency. The central bank said such "online payments will be treated like any other cash transaction" although it reminded the banks that these money transfers would be regulated by the country's strict Anti-Money Laundering Act. The BB ordered the banks to file reports on such payments to its Financial Intelligence Unit in an effort to combat money laundering. "All banks have been advised to keep a careful watch on misuse of online transaction," the order said.

The move comes after BB has successfully tested the online payment system in several commercial banks. BB officials said any qualms about the new payment system have been removed after the test. Commercial banks and IT firms have hailed the BB move as a "giant leap forward" for the country's banking and software industries, adding that it would boost revenue and ensure real time financial services for the first time. Online payments will be treated like any other cash transaction although it reminded the banks that these money transfers would be regulated by the country's strict Anti-Money Laundering Act. The country had only about 400,000 credit card holders at the end of June last year, according to BB. Payments and transactions by credit cards were nearly Tk11 billion in June 2008 - one of the lowest in the world. But that figures will now change thanks to the BB directives. A client can now transact fund through a click on his computer. He does not even need to come to the bank, spending hours in traffic jams and standing in the queue in front of the teller.

The Financial Express: 03.11.09

03. BB spurs banks into green investment

Bangladesh Bank governor has said every bank in its annual report should bring out the amount of green investment it made during the year. Dr Atiur Rahman said this at the signing ceremony of an agreement between the Bangladesh Bank and NCC Bank Ltd for refinancing in solar energy, biogas plants and effluent treatment plants. The governor said the banks should not invest in any project that destroys the environment. The banks have to be more enthusiastic in making investment in environment friendly projects, he added. Bangladesh Bank Deputy Governor Md Nazrul Huda said the central banks in developing countries have scope for doing many development works besides monetary and fiscal managements. Agriculture loan, small and medium enterprise, effluent treatment plant, solar energy and biogas are among such of the areas of activities, he said. For solar energy, the banks can give Tk 70,000 to Tk 1,75,000, for biogas plant Tk 36,000 to Tk 3 lakh, and for effluent treatment plant the loan can be up to Tk 1 crore. **The Daily Star: 03.11.09**

04. Private EPZs policy framed

The government has framed a policy for setting up new plants in the private export processing zones (EPZs) allowing investment in 14 categories of industries, including pharmaceutical, electrical, leather and backward linkage units for production of textiles. Private EPZ board of governors recently approved the policy with the guidelines for new investors and companies. There is an act called 'The Bangladesh Private Export Processing Zones', framed in 1996. But the act does not have any specific policy or rules for investors to set up industries. The industries include electrical and electronics items, software development, IT, scientific instruments and precision tools, jewelry, engineering products and equipment, leather products and shoes, bags, jackets etc, sports goods and toy, footwear, backward linkage for textile, pharmaceutical products, agro-based industries, organic fertilizer production, garden and firm equipment, ceramic, agro construction material and agro port related services and business.

The Financial Express: 04.11.09

05. NBFIs given 15 months to strengthen capital base

The Bangladesh Bank asked the leasing companies to increase their paid-up capital to Tk 500 million by December 31, 2010. The leasing companies, which are commonly known as non-banking financial institutions could issue IPOs or right shares or bonus shares within the timeframe to meet the new paid-up capital requirement. Currently, only three out of 17 listed NBFIs have above Tk 500 million paid up capital each. The total assets of all non-banking financial institutions was Tk 55.38 billion in 2003, when the paid-up capital for NBFIs was Tk 300 million. The asset value increased to Tk 158.04 billion as of June 30, 2009, argued the BB in support of its proposal to increase the paid up capital, according to a recent BB report on NBFIs.

The Financial Express: 05.11.09

06. Remittance growth beats bleak forecast

Remittance growth stood at 21.23 percent in the first four months of the current fiscal year, despite bleak forecasts by the World Bank. The July to October period measured the remittance inflow at \$3.61 billion, which was \$2.98 billion in the same period last year. Bangladesh recorded \$911.20 million in remittance in October, up from \$887.92 million a month ago, according to central bank data. Remittance crossed the \$900 million mark for the third time in 2009. The figure was \$935.15 million in August and \$919.10 million in June. Due to the large remittance inflow, the foreign currency reserve is increasing. It was recorded at \$9.56 billion yesterday. The foreign exchange reserve that was \$5.82 billion in June rose to \$7.74 billion in July. In August, the reserve crossed \$9 billion. The WB projected Bangladesh will record remittance growth at 12.3 percent at best and the least at 8.4 percent for the current fiscal year.

The number of migrant workers finding employment abroad has declined by 33 percent in fiscal 2009 -- a total of 650,000 migrant workers got a job abroad this year, compared to 969,000 last year. The GCC countries together accounted for 63 percent of total flows in fiscal 2009. Saudi Arabia was by far the largest source of remittance (\$2.9 billion), followed by UAE (\$1.8 billion). The outflow of Bangladeshi workers to GCC member countries was affected by the global economic crisis. In fiscal 2009, about 4,61,000 workers immigrated to the gulf, compared to 6,57,000 in the last year -- recording a 30 percent drop.

The Daily Star: 04.11.09

07. IMF sells 200 tonnes of gold to India

The International Monetary Fund kicked off the sale of more than 400 tonnes of gold with a wallop, saying it sold almost half to India, the world's biggest gold consumer, at near-record prices. The IMF announced it sold 200 tonnes of gold to India's central bank over a two-week period last month for a total of 6.7 billion dollars to bolster its finances as it increases lending amid the global economic crisis. The sale to India was nearly half the 403.3 tonnes of gold that the IMF has targeted for sale over the coming years and came as gold prices were close to record highs. The Washington-based IMF, which currently holds 3,217 tonnes of gold, is the third-largest official holder of the precious metal after the United States and Germany. India is the world's biggest consumer of gold, importing between 700 and 800 tonnes of the metal every year or 20 percent of global demand. A senior IMF official said that the IMF was "lucky" in selling the 200 tonnes to India for roughly 1,045 dollars an ounce, compared with 850 dollars an ounce in April 2008. Gold has found new luster amid the global financial crisis as investors seek shelter from economic uncertainty. The price of gold shot to an all-time high of 1,070.80 dollars an ounce on October 14 as a weakening dollar made the precious metal cheaper for investors holding other currencies, pushing up demand. The price of gold has risen by more than 20 percent since the start of 2009.

The Daily Star: 04.11.09

08. Online banking raises debate over security

An online payment system promises to ease the hassles of customers, but banking and IT professionals emphasise secure transactions. The online payment systems approved by the central bank may face security threats unless a common internet platform is established between banks and merchants, said experts. The systems may take some more time to come to user level, as the required internet infrastructure is yet to be readied at merchant points to ensure secured transactions for customers. IT professionals said the security issue is critical to such transactions, as no regulatory system has so far been developed in Bangladesh to monitor internet services. But intra-bank transactions and transactions with merchants already connected to some banks through a secure internet system will gain popularity, they said. Bankers said the number of plastic money users will increase significantly following the move by Bangladesh Bank. According to central bank data updated to June 2008, Bangladesh has four lakh credit card users. The country has one of the lowest records of money transacted by card -- Tk 1,100 crore recorded at the end of June 2008.

To secure a transaction through the internet, the central bank should build an internet network that only banks, merchants and designated customers can access. Otherwise, hackers may manipulate transactions, the experts suggested. Presently, credit and debit cards are used over the banks' own network or other global network systems such as VISA or Q-Cash. BB has introduced online payment systems, facilitating fund transfers and payment of utility bills on the net. A virtual private network (VPN) is a computer network that is implemented in an additional software layer (overlay) on top of an existing larger network to create private scope for computer communications or provide a secure extension of a private network into an insecure network, such as the internet. There is a possibility that a transaction is hacked in the open internet transaction system," said an official of a leading bank, asking not to be named. The official said the integration between a bank's foreign software-based network with a merchant that takes an internet connection from an internet service provider will become an issue.

The Daily Star: November 5, 2009

09. NBFIs asked to double capital to Tk 50cr

The Bangladesh Bank yesterday directed non-bank financial institutions (NBFIs) to double their paid-up capital to Tk 50 crore from the existing Tk 25 crore. The institutions will have to raise their capital by December next year, a circular issued by the central bank said. To meet the deficit in their paid-up capital, the financial institutions can opt for such means as issuance of initial public offering (IPO) or right shares or bonus shares, the BB said. "Even the NBFIs can examine the possibility of merger to raise their capital base," the circular said. The central bank in September sought the finance ministry's approval for raising the paid-up capital of the NBFIs to Tk 50 crore from the existing Tk 25 crore. The BB took the move to help consolidate the capital base of the country's NBFIs in line with the Basel-II framework, which would come into effect from next year. Basel-II accord is the latest version of risk-based capital standards set for banks worldwide. Earlier, in a similar move the BB directed banks to double their paid-up capital to Tk 400 crore by next year. The circular said the paid-up capital of the NBFIs should be increased to Tk 50 crore or the minimum capital reserved against their risk-based assets -- whichever is higher.

It also directed foreign companies operating in Bangladesh to maintain the same amount of paid-up capital at Tk 50 crore. A BB senior official said at present the amount of paid-up capital of the NBFIs including risk-based assets is Tk 25 crore. He said only the paid-up capital would be less than Tk 25 crore. However another BB official said: "Shareholders' equity constitutes only 23.5 percent of the total liabilities of NBFIs, revealing wide scope for the institutions to raise capital through IPOs rather than other high-cost funding." The central bank in June 2003 had raised the minimum ceiling of capital for NBFIs to Tk 25 crore from the previous Tk 10 crore to make those operationally sound. Of the NBFIs, one is state-owned, 15 are local (private) and the rest 13 are established under joint venture with foreign participation. Currently 17 NBFIs are listed with the stock exchanges. The total amount of loan and lease of these institutions was nearly Tk 10,000 crore as on December 31, 2008.

The Daily Star: November 5, 2009

10. Agriculture, SME branches now mandatory for banks

The central bank is set to ask private commercial banks to open agriculture and SME branches from next year to boost lending to farmers and small businesses across the country. Bangladesh Bank as the regulator took the decision yesterday and is expected to issue a circular next week. "I have already signed the circular," BB Governor Atiur Rahman told The Daily Star. Agriculture and SME branches must be located outside divisional headquarters, according to the circular. Presently, private banks operate SME and farm lending through conventional bank branches and some SME service centres. In a decision last year, Bangladesh Bank allowed commercial banks to open SME service centres to serve the SME sector exclusively. The centres were not allowed to run conventional banking. According to the circular, SME service centres will turn into SME branches and no permission will be given to banks to open new SME centres. Agriculture is a priority issue both for the government and the central bank. The government has already reduced the prices of fertilisers and other inputs. On the other hand, the central bank has set a Tk 11,512 crore farm credit disbursement target for banks for the current fiscal year, an increase of nearly 24 percent from a year ago. A senior central banker said the move would help banks reach out to rural potential customers. "We are taking this initiative to boost lending to small and medium enterprises and the farm sector," said BB Deputy Governor Nazrul Huda. According to the circular, half of the fund to be collected through SME and agriculture branches has to be invested in those sectors. The central bank will monitor the loan disbursement issue strictly.

A bank will have to submit a list of branches it wants to open to the central bank every year. The banks will have to mention the numbers of SME and agriculture branches along with their conventional branches. Another BB official said banks will be given priority in opening branches in potential rural areas at upazila level. In these branches all types of transactions except for foreign currency dealings could be done. Anis A Khan, managing director of Mutual Trust Bank, welcomed the BB move saying that it would help farmers and small enterprises get bank loans easily.

The Daily Star: November 6, 2009

11. Exports slump 11pc

Exports plummeted by 11.66 percent in the first quarter of the current fiscal year, dealing a heavy blow to the country's economic lifeline and calling for a government response. Export earning in September declined 28.27 percent compared to the same month of the previous fiscal year. The country was able to weather the global financial storm last fiscal year, earning \$15.8 billion with over 10 percent growth. But the global recession has put strains on exports this time that the exporters link to absence of an early response by the government. According to Export Promotion Bureau (EPB) statistics released yesterday, Bangladesh bagged \$3.9 billion in the July-September period of the current fiscal year, while earning in the same period last year was \$4.4 billion. The earning in September went down to \$1.3 billion from \$1.5 billion in the same month last year, the data said. Terming it the worst export performance of the country in recent times, Fazlul Hoque, president of Bangladesh Knitwear Manufacturers and Exporters Association, blamed the government's ineffectiveness. Hoque said the country probably experienced the biggest single-month-decline in the garment sector in September, and added that the possibility of a strong rebound in the next few months is slim as export orders are on the downturn. "But exports in the next few months will not be as bad as was in September," he added.

According to EPB data, knitwear sector earned \$1.7 billion in the July-September quarter with a 9.74 percent decline compared to the same period of last fiscal year. Export of woven garments has also gone down 9.74 percent with the quarterly gain reaching \$1.4 billion. All the major export earners, including home textile, leather, frozen food, pharmaceuticals and raw jute, witnessed a fall in the quarter compared to the same period last year. An EPB official said it was very unlikely that the country's export earnings were on a declining trend when the whole world was recovering from the crisis. EPB Vice Chairman Shahab Ullah told AFP: "We did well in the year ending June despite the first bout of the recession, but it's a major upset in the first quarter and it happened due to one of the worst performances of the garment sector. "According to EPB, knitwear export went down by 27.59 percent in September, while the woven garment export marked a fall of 25.69 percent. The government has set a \$17.6 billion export target for fiscal 2009-10 with a 13 percent growth over the previous year. But reaching the target largely depends on how efficiently the country can prepare the export sector to face the global financial crisis, said the sector people.

The Daily Star: November 10, 2009

12. Guideline out for Islamic banking

The Bangladesh Bank (BB) yesterday set guidelines for Islamic banking. Under the guidelines, the board of directors of Islamic banks have now been empowered more, instead of the Shariah Council. The central bank had been trying to issue the guidelines for years to establish proper control on the Islamic banking system, but it did not take place because of political interests. The Central Shariah Council is working as the parallel regulator of the central bank for the Islamic banks. In line with the guidelines, an Islamic bank can form an optional Shariah supervisory committee, but there will be no central council. Islamic banking was first introduced in Bangladesh in 1983. Now, a total of seven banks operate as full-fledged Islamic banks. Another dozen commercial banks have Islamic banking wings to cater to the growing market.

The Daily Star: November 11, 2009

13. 5pc incentive proposed for RMG exports to new destinations

The working committee of taskforce on recession yesterday recommended that the government give five percent cash incentive to readymade garment exporters and their backward integration only for new export destinations. The incentive was recommended at a meeting of the committee for the next five years. Except EU, the US and Canada, all the export destinations will be considered as the new markets.

At present more than 90 percent apparel items are exported to these three major markets, Export Promotion Bureau said. The committee also suggested extending bank loan rescheduling facility for the RMG exporters up to June next year at 10 percent interest rate without any down payment. The previous date for loan rescheduling ended in September. The eight-member committee formed recently also backed withdrawal of the annual licence fee of Tk 5 lakh for operating captive power plants. The committee also proposed giving five percent extra cash incentive for the growth of small and medium garment factories as those play a supportive role in employment generation and work as backward integrators for the big plants. At the meeting, all the stakeholders agreed in principle to form an emergency participatory fund to face any further crisis in RMG export. Primarily, the government will contribute Tk 200 crore and the exporters Tk 200 crore to forming such a fund.

The latest blow -- apparel exports declined more than 27 percent in September compared with the same month last year. After the meeting, Fazlul Hoque, president of Bangladesh Knitwear Manufacturers and Exporters Association, also a member of the working committee, said: "It's too late to work." "The government should come forward with all-out support to rescue the RMG sector as prices offered by buyers are too low to make any profit," Hoque said. Abdus Salam Murshedy, president of Bangladesh Garment Manufacturers and Exporters Association, said: "Orders may increase in near future, but it will be difficult to go back to the previous position." He demanded immediate improvement in gas and power supply situation for running the mills and factories.

The Daily Star: November 11, 2009

14. Uniform face value of shares recommended

The consultative committee of the Securities and Exchange Commission has recommended that the market regulator set a uniform face value of shares at Tk 10. The committee also proposed fixing a common market lot of 250 shares or shares worth Tk 2,500. The committee made the recommendations at a meeting. The consultative committee comprises representatives from Dhaka Stock Exchange, Chittagong Stock Exchange, Central Depository Bangladesh Ltd (CDBL) and SEC. An official who was present at the meeting said the committee had argued that a divergence in face value only misleads investors, especially retailers. The investors often compare the prices of one stock with another, although they do not have the same face value. For this, share prices, even of weak companies, often go up abnormally, ultimately upsetting the market, officials said. "Almost all developed nations have uniform or common face value for shares in stock exchanges, but the range of face value of shares is very wide in our market," said an official.

The Bangladesh stock market has shares with face value of Tk 1,000, Tk 100, Tk 10 and Tk 1. If all shares have a uniform face value, it will make the onscreen comparison between scrips more meaningful, the officials said. The consultative committee proposed a one-year period for converting all share prices of listed companies to Tk 10. Dhaka Stock Exchange has 198 securities with face value of Tk 100, 63 with Tk 10, two with Tk 1,000 and one with Tk 1. The committee also recommended that the listed companies, whose annual general meetings are close, should split their share prices in upcoming AGMs. Titas Gas, Desco and Powergrid will hold their AGMs soon. The committee however made a proposal not to split the per unit price of AIMS First Mutual Fund, the lone security with Tk 1 face value. Market insiders said if the consultative committee's recommendations are approved and implemented by the SEC, the initiative would bring a positive result to the market. The unusual price movement of shares with lower face value or Tk 10 shares, which are now dominating the price chart, will be stopped then, they said. It is often seen that retail investors are much focused on shares with lower face value. "With the latest initiative, the investors will be able to make comparison between stocks easily," said a market analyst.

The Daily Star: November 11, 2009

15. 'Made in China' now made in Egypt

A Chinese textile group has turned to Egypt as an ideal location to produce its readymade garments, beating stiff competition at home, as the north-eastern African country offers cheap labour, investment incentives and unrestricted exports. With cheap labour, investment incentives and unrestricted exports, one Chinese textile group has turned to Egypt as an ideal location to produce its ready-made garments, beating stiff competition at home. The Chinese-owned Nile Textile Group has set up shop in the Port Said free zone, overlooking the north entrance of the Suez Canal, and developed an industrial estate now hiring 600 workers, 20 percent of which are Chinese and the rest Egyptian. Cheap raw materials and favourable export conditions have given the company easy access to foreign markets. It's a bargain for the Nile Textile Group, which imports 60 percent of its basic products tax free and then sends them outside Egypt, mainly to the United States. Most of their cut-price clothes are now labelled "Made in Egypt" rather than "Made in China". "Egyptian free zones allow for export all over the world with almost no restrictions," said Mohammed Abdel Samie, the industrial estate's administrative director.

Local salaries are low enough to compete with those of Chinese workers, even with a system of bonuses offered to the Egyptian workers at the end of each month. "In the factories where salaries are fixed, we earn a maximum of 700 to 800 Egyptian pounds (around 130 to 150 dollars) a month. In this company, it works out better for us," said factory manager Mansur al-Said. In the neon-lit factories, Egyptian workers in headscarves work side by side with Chinese technicians in white blouses to the thumping sounds of the sewing machines. Instructions are posted in Arabic and in Chinese. As for the daily communication between colleagues, a little extra work was required. "They taught me a few words of Chinese and they are learning Arabic," Leila Ali, a seamstress, told AFP. Around 950 Chinese companies have set up operations in Egyptian free zones, representing a total investment of nearly 300 million dollars. Most of them work in industry (526 companies), 306 companies are in the service industry, 31 in the agricultural sector and eight in tourism, according to Egypt's General Authority for Investment (GAFI) which oversees free zones in the country. The meteoric increase in economic cooperation between China and Africa in the last few years will be at the heart of the summit, which will be attended by Chinese Prime Minister Wen Jiabao and Egyptian President Hosni Mubarak. Direct Chinese investment in Africa leapt from 491 million dollars in 2003 to 7.8 billion dollars in 2008. Trade between the two has increased tenfold since the start of the decade. FOCAC is held every three years and this will be the fourth since it started in 2000.

The Daily Star: November 11, 2009

16. Forex reserve at all-time high

The forex reserve crossed \$10 billion yesterday, breaking all previous records in Bangladesh. A fund of \$649.29 million received from the ADB on the same day has helped push the amount to this level. Meanwhile, remittances were increasing in the last few months which is another reason behind the surge. **November 12, 2009**

17. Banks cold-shoulder fixed deposits

Fixed deposits are discouraged by private commercial banks (PCBs), as evident in the low interest rate they now offer. The banking sector thinks this is because of huge surplus cash and declining investment demand. The interest PCBs offer its clients hardly crosses 8 percent on deposits, a reverse to the last year scenario when they had been in a race to lure deposits with as high as 13.5 percent rate. "Presently, investment demand is at its lowest ebb. The high cost prompts us not to encourage fixed deposits," said Anis A Khan, managing director and chief executive officer of Mutual Trust Bank. The issue came up recently for a Prime Bank board review, which concluded to discourage such deposits, a director of the bank said preferring anonymity. The situation is more or less same with all banks operating here. Banks discourage because they are not in need of money, but the clients' point of view is the scope for high return, for which they prefer depositing money for a period fixed. Total deposits of the banking sector stood at Tk 259,495 crore at the end of March 2009 and fixed deposits still remain as a major source of bank funds.

The central bank data on different types of deposit accounts with the banks show a 45 percent share of the fixed type at the end of March. It was around 43 percent three months back. The amount of fixed deposits increased by over Tk 8,000 crore during the period. Savings deposits slipped to 22 percent at the end of March 2009 from nearly 23 percent in December 2008. Short-term deposit constitutes over 12 percent and pension scheme nearly 8 percent of the total deposits. Global economic slowdown and domestic energy crisis have caused a serious decline in investment demand since mid-2008. Gas connection to industries is fully stopped at the moment. The situation has become so acute that banks are now overflowed with cash. Excess liquidity in the banking industry reached over Tk 35,000 crore up to June 2009, according to Bangladesh Bank statistics. "What will we do with deposits, especially with the costly fixed deposits?" questioned Anis A Khan, pointing his finger at less than one percent gain from the fixed deposits. Mustafa K Mujeri, director general of Bangladesh Institute of Development Studies (BIDS) said there is no other option than raising credit demand and improving investment climate. "Virtually, there is no investment demand. If the situation persists, the rate of interest for deposits can go down further," said Mujeri, also the immediate past chief economist of the central bank.

November 13, 2009

18. Tax payment goes online in January

The National Board of Revenue (NBR) will complete the tasks for introducing an online tax payment system within next month to streamline the existing tax return submission procedure, said the chairman of the board. "We have already signed a memorandum of understanding (MoU) with the International Finance Corporation (IFC) to initiate the online tax payment system. In this process, taxpayers will be able to submit tax returns online from January," said Nasiruddin Ahmed. "We are trying hard to enhance the board's transparency and accountability further by initiating 'digital NBR'. Once the system is introduced, the tax collection strategy of the board will be strengthened," he added. He was speaking at a press briefing at the NBR office in Dhaka after signing the MoU. The NBR and Bangladesh Investment Climate Fund (BICF) signed the MoU. The BICF is run by the IFC, the UK Department for International Development (DFID) and the European Union. The BICF will also provide technical assistance to the NBR initiative. In line with the MoU, there are two other methodological tasks to be done within the period to introduce the online tax payment system. One of the tasks is to ensure online business registration of all companies and single registration number for income tax, VAT, customs and Registrar of Joint Stock Companies and Firms. The NBR chairman said they would set up a national data centre and ensure that paying tax is no more a hassle. He said the number of taxpayers has exceeded 6.45 lakh until November 8. Out of around 2.4 million taxpayer identification number (TIN) holders, 7,40,906 submitted their returns last year. The NBR chief said a move is underway to set up 'dedicated benches' in the Supreme Court to handle NBR-related cases and promptly collect the revenues in due. He also said the government plans to introduce Alternative Dispute Resolution to settle cases outside the court.

November 13, 2009

19. BB services to go rural

The Bangladesh Bank (BB) will introduce next year a loan scheme styled 'one banking product in each upazila' across the country in an effort to generate jobs for more people. The central bank will implement the programme under a five-year strategic plan from 2010 to 2014, BB Deputy Governor Murshid Kuli Khan said at a press briefing at the bank's conference room. Khan said the plan aims at taking the services of the central bank to more people apart from its traditional roles in controlling inflation and regulating banks. In line with the plan, highest emphasis will be laid on small and medium enterprises after agriculture sector. Under the plan, different loan programmes will be launched targeting upazilas and villages so more rural people are get involved with the process of economic development. Necessity of taking diversified programmes for different areas will surface in future and schemes will be taken accordingly, Khan said. Earlier opinions were taken for the plan from the finance ministry, commerce ministry, SEC, Board of Investment, Economic Relations Division, various donor agencies and business bodies.

Khan said the plan is now at the final stage and would be launched soon. The details of the plan will be made available through the Bangladesh Bank website. The deputy governor said: "A vision of the future Bangladesh Bank was in our consideration while formulating the strategic plan. We want to see such a central bank where changes are visible and a continuous process." He said use of technology would increase to cope with the reality of globalisation. There will be scope for reaching the fruits of technology to each household. The future Bangladesh Bank will always encourage financial inclusion, he added. Khan said: "We did not take any assistance from foreign consultants in preparing the action plan. In the plan there will be specific vision for every department of the central bank. The schemes described in the strategic plan will be evaluated every year."

November 16, 2009

20. BB cuts bank service charges

Bangladesh Bank has once again lowered different banking charges, fees and commissions to provide assistance to businessmen hurt by falling exports. The central bank sent a letter to all commercial banks on the new decision. The highest rate of tri-monthly commission for opening deferred L/Cs may be fixed at 0.50 percent of the total amount, down from 0.60 percent now. The L/C confirmation charge has been fixed at a maximum of 0.20 percent from the existing 0.25 percent. L/C advising, amendment and transfer charges have been reset at a maximum of Tk 750 from the current charge of Tk 1,000. Charges for data fax, handling, copy document endorsement have been cancelled, the central bank said in the circular. Commissions on export bill negotiation and export bill collection may be set at a maximum of 0.15 percent. Earlier, the banks had fixed these charges independently. When the banks give loans to any customer in foreign currency from the export development fund, the rate of interest will be fixed in line with LIBOR (London Inter-bank Offer Rate) plus 1 percent. Exporters will not have to pay overdue interests in case of site payments for irrevocable L/C. Site payment means importers will pay the bank on receipt of export documents. In the backdrop of falling exports, the government is going to provide different types of incentive to the exporters, said a Bangladesh Bank official. The government has already prepared a package. These steps have been taken in the banking sector as part of the measure. Investment is also experiencing a sluggish trend. The cut in service charges is part of a measure to boost investment. Earlier in September last year, the central bank cut service charges, commissions and fees. Earlier this year, the BB has asked Bangladesh Association of Banks and Association of Bankers Bangladesh to review the charges, fees and commissions. FBCCI sent a proposal to the BB four months ago to cut banks' charges, fees and commissions.

November 19, 2009

21. BB helps cool money market

Unlike the previous Eid festivals, the inter-bank call money rate is not bustling this year mainly because of Bangladesh Bank's injection of fresh fund into the market. A huge liquidity currently holding by almost all the banks has also played a key role in stabilising volatility in the money market, operators said. Eid-ul-Azha is one of the two peak times for a rise in demand for money in Bangladesh. The call money rate was hovering between 3.50 percent and 8.50 percent yesterday. But, according to market operators, most of the deals were settled at 4-4.50 percent. BB sells money to the banks by repurchase agreement, commonly known as repo, to help the market remain stable. The present repo rate is 4.5 percent. Statistics show that the central bank injected fresh fund amounting to over Tk 900 crore through repo auction at a rate of 4.5 percent on Monday. Another Tk 975 crore was given to primary dealers at the same rate under a special liquidity support. A primary dealer is a bank that can trade directly with the central bank. Such dealers can participate actively in the auctions. "All banks have excess liquidity. So the demand is relatively low this year," a treasury official at Shahjalal Islami Bank said. According to BB officials, excess liquidity in the banking system stood at Tk 37,000 crore at the end of September, which was Tk 35,000 crore in June. "Expansion in demand was addressed by BB's proactive role. Banks were also ready to take the withdrawal pressure during Eid," said Helal Ahmed Chowdhury, managing director of Pubali Bank. However the Shahjalal Bank official said the market might witness a hike in rate today.

November 25, 2009

Match our answer with yours: Knowledge Update: 127

SL No.	Commodity Name	Unit Name in International Market
01	Gold	Ounce
02	Oil	Barrel

For Readers:

✚ **What are the reasons to keep Foreign Exchange Reserves?**

We can be reached at: ifichrd@aionline.net

“Knowledge Update” is now also available at IFIC Bank Website: www.ificbankbd.com

22. Bangladesh Bank Circular during November, 2009

<u>Circular Number</u>	<u>Date</u>	<u>Subject</u>
DBI-2 Circular No. 02	02/11/2009	Compliance of Continuity Plan (BCP) & Disaster Recovery Plan (DRP) by Banks and FIs
BRPD Circular Letter No. 05	05/11/2009	Opening "SME/Agriculture Branch"
EEF Circular No. 30	10/11/2009	Equity and Entrepreneurship Fund (EEF)
ACSPD Circular No. 07	11/11/2009	Disbursement of Agricultural Credit & Special Micro-credit in favour of the Handicapped People.
BRPD Circular No. 16	17/11/2009	Rationalization of Charges/ Fees/ Commission collected for the Services by the Banks

Bangladesh Bank Website

23. Information on Economy

	Amount	Previous month's Position
	Million US\$	Million US\$
1. Foreign Trade:		
a. Exports (2008-09)	15565.2	15565.2
b. Exports (August-2009)	1367.8	1440.4
c. Imports (2008-09)	22507.1	22507.1
d. Imports (August -2009)	1582.1	1726.4
2. Workers' Remittance (August-2009)	935.15	885.38
3. Inflation: point to point (August-2009)	4.69	3.46

Export= f O B Value, Import = C & F Value

Monthly Economic Trends: October: 2009

24. Banking Sector and Economic Information

	Amount (TK in Cr.)	Amount (TK in Cr.)
	August-2009	July-2009
1. Bank Deposit (excluding inter bank)	282800.5	277088.7
2. Bank Credit (excluding inter bank)	281662.1	279006.7
3. Money Supply		
a) Currency Outside Banks	37258.5	37068.2
b) Demand Deposit	28614.1	28166.6
c) Deposit with BB other than DMBs	113.1	124.8
d) Narrow Money (a+b+c)	65985.7	65359.6
e) Time Deposit	237620.8	232735.8
f) Broad money (d+e)	303606.5	298095.4
4. Excess Reserve (Liquidity)	12386.6	13511.4
5. Weighted average rate of Deposits of Schedule Banks(Quarterly)	7.01	7.01
6. Weighted average rate of Advances of Schedule Banks(Quarterly)	11.87	11.87
7. Ratio of DMBs Credit to Deposits (%)	99.60	100.69
8. DMBs Total Assets/Liabilities	725562.6	706160.3
9. F.E. Reserve (million \$US)	9155.7	7741.5
10. Cash Base of the Economy	67471.6	67447.0

- **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: October: 2009

25. Academic Activity in November: 2009

- (I) Workshop on “Corporate Governance & Social Responsibility (CG&SR) and Strategy”: IFIC Bank conducted a day long Workshop on “Corporate Governance & Social Responsibility (CG & SR) and Strategy” on November 19, 2009 at its Academy. Dr. I.G. Chowdhury, Vice-Chancellor, State University of Bangladesh, Dhanmondi, Dhaka was the main speaker in the workshop. Detailed of Corporate Governance & Social Responsibility (CG&SR) and Strategy was discussed and the course of actions to be taken by the bank were discussed in the workshop. Mr. Mosharraf Hossain, Managing Director of our Bank was present on the inaugural session. A total number of 36 Executives of our bank attended the workshop. It may be mentioned here that this was the 38th program of IFIC Bank Academy in the year 2009.

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REVISITING BASICS

SME: Definition differs across the world

Small and medium enterprises (also SMEs, small and medium businesses, SMBs, and variations thereof) are companies whose headcount or turnover falls below certain limits. The abbreviation SME occurs commonly in the European Union and in international organizations, such as the World Bank, the United Nations and the WTO. The term small and medium-sized businesses or SMBs is predominantly used in the USA.

EU Member States traditionally had their own definition of what constitutes an SME, for example the traditional definition in Germany had a limit of 250 employees, while, for example, in Belgium it could have been 100. But now the EU has started to standardize the concept. Its current definition categorizes companies with fewer than 50 employees as "small", and those with fewer than 250 as "medium". By contrast, in the United States, when small business is defined by the number of employees, it often refers to those with fewer than 100 employees, while medium-sized business often refers to those with fewer than 500 employees. Both US and EU generally use the same threshold of fewer than 10 employees for small offices.

In most economies, smaller enterprises are much greater in number. In the EU, SMEs comprise approximately 99% of all firms and employ between them about 65 million people. In many sectors, SMEs are also responsible for driving innovation and competition. Globally SMEs account for 99% of business numbers and 40% to 50% of GDP.

In India, the Micro and Small Enterprises (MSEs) sector plays a pivotal role in the overall industrial economy of the country. It is estimated that in terms of value, the sector accounts for about 39% of the manufacturing output and around 33% of the total export of the country. Further, in recent years the MSE sector has consistently registered higher growth rate compared to the overall industrial sector. The major advantage of the sector is its employment potential at low capital cost. As per available statistics, this sector employs an estimated 31 million persons spread over 12.8 million enterprises and the labour intensity in the MSE sector is estimated to be almost 4 times higher than the large enterprises.^[2]

In South Africa the term SMME, for Small, Medium and Micro Enterprises, is used. Elsewhere in Africa, MSME is used, for Micro, Small and Medium Enterprises. Size thresholds vary from country to country. The lack of a universal size definition makes business studies and market research more difficult.

