INSIGHT

living Bangladeshi dreams

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EDITORIAL

TOUGH ECONOMY, HARD COMPETITION, HAPPY FOOTBALL: all set to score.

The whispering of the sea of classified loans has changed to a roaring tempest. To tackle the menace, actions became less dominant than rhetoric. Taming of the delinquent business, bankers or bureaucrats is a big question. What should come first is another problem of mind-boggling complexity. The solution might be quite simple if judged without bias for any quarter, be it a part of economy, policy or personnel. However, quite difficult too to tackle the colossal look of delinquent loans when the unloved stranger has established its footprint as a branded wayfarer having travelled quite a long way unchecked, unchallenged and unwarned. Loan loss is not just something lost – it touches many things in a vicious way. The steamroller is unsympathetic enough to flatten current revenue, bank's capital and reserve as well as liquidity and financial vigour. Pacified never though, it wreaks havoc with bank's credibility at home and abroad. Though bankers have put their shoulder to the wheel, short term outlook gives little hopes of rapid changes. In fact, ordeal of ill effects has begun. Idle funds with no productive destination are taking a heavy toll on banks' revenue in an inert investment climate. The target for GDP growth this fiscal and beyond is in question. Nonetheless, the country's chase for the status of Mid Income Nation is on an increasing tempo.

Menacingly, global borders are littered with skirmishes, of late. Burning frontier of Ukraine under Russian invasion climbed the centre of global attention. Forced Russian annexure with Crimea, belched out smoke of geo-political tensions, ethnic strife, economic downturn and Russian estrangement from a group of rich friends. The incessant desire for the lost glory of the powerful USSR seems indomitable. At the gun point, democracy has been straitened by General Sisi in Egypt while in Thailand military has seized power in coup and vowed to bring peaceful solution to the unending spirals of discord. In contrast, cool India made some points – well-established democratic culture, well-timed holding of election and most importantly, vanquished Congress conceding defeat to the winner BJP. But there hides a thorn in Indian progress – the return of firebrand politics. Economic landscapes of the globe have yet to break away from stony sameness; signs of stability still a far cry! IMF forecasted GDP growth of 3.6 per cent in 2014, though up from 2.9 per cent this year, yet not back to the level of 2005. IMF sees global economic recovery too weak for comfort, aggravated by Ukraine crisis, low euro zone inflation and emerging market volatility – all good hurdles to economic growth. Despite transitions and tensions sounding anxious, the recent job surge in US bodes well for a steady recovery of the Yankees.

The story of Bangladeshi growth kept on weaving magic spell against all odds. Reeling from the shocks of dented business of 2013, the country succeeded to bend it to its way. Growth lustre of exports managed an amazing track beyond expectation out of bolted GSP and international setback from Rana Plaza tragedy. Country rating by both S&P's and Moody's resonates with the buzz of a vibrant economic power.

Thanks to good will of international partners despite our political insolence, many commitments, signings and planning came from China and others for bigger investment in Bangladesh. Doors are opening up for new opportunities based on new concept and innovation. Shortly, we have seen local-made Rice Bran Oil entering the international market, corporate bond, factoring as a good solution to short term funding need as well as dollar-denominated Banglalink bond enticing foreign investors worldwide. Prospects are also bubbling up inside our economy in leather, pharmaceutical, infrastructure & high-tech industries *(Business Outlook sketched at page 11)*. Proudly enough, we hold our head high at the world stage as we ship world cup jerseys for the maddening crowd in FIFA World Cup 2014 in Brazil.

Summer heat went berserk this year like a raging bull – traces are still audible at every corner. But celebration was on. *Pohela Baishakh* changed the colour of mind and the look of landscapes. *Amar Ekushey* took us deep to the inner soul of Bangladesh, so deeply loved and sacrificed for; the joy was indeed enshrined in the purity of mind. Unparalleled hospitality of Bengalees became a commendable feat as Bangladesh efficiently hosted T20 Cricket World Cup after the charisma of hosting WCC in 2011.

Turn your eyes to the streets, avenues and beyond; the love for beauty of Bangladesh will fill your heart. Under the canopy of the sky blue, the road-show of *Krishnachura* ignites a burning passion inexplicable in form. But you stand spell-bound and marvel at the awesome display of colours; you go and come and move around; your aspiring mind meets some insatiable thirst to shine. Truly, the pleasure of living is not in vain.

BRAZIL WORLD CUP 2014 is filled to the brim because the endearing game is home after a long pause, fans are spoiled in a pampered paradise and players are legends in disguise. Not surprisingly, crazy devotees in Bangladesh are shouting roaring cheers for Brazil, Argentina, Germany, Holland or who they die for. The world is carpeted with all wild dreams for football. We too offer our deep love for this most popular sports carnival on earth.

However, do not forget the holly fasting of Ramadan, which has just arrived on the chariot of the crescent moon. And also you are welcome to flip through the pages of INSIGHT if you are longing for some respite across the daily hardships of life.

FROM THE DESK OF CHAIRMAN

We have entered 2014 amid escalating political violence. The state of economy that has unfolded over the period 2013-14 is not very robust. But neither it is disappointing. In the face of political unrest for a prolonged period, a not-too-friendly global trade regime and decline in foreign aid, the economy has maintained a GDP growth above 6.0 per cent which is the rock bottom for a country with over 160 million people. If the GDP growth rate slips below this floor, the per capita income will suffer a severe blow, a prospect not probable on the basis of record of performance of the Bangladesh Economy.

Since the parliamentary election in January this year, the political violence has subsided. Yet troubled politics has been taking a toll on the economy - we have not come out of the political 'uncertainty' completely. One can hardly dismiss such an observation because of inertia visible in our business landscape. Both foreign and local banks are still in a fix with their excess liquidity. A good number of them have by now started investing in government securities to ensure respectable return. Entrepreneurs, old and new, are deeply frustrated by the overall business and investment climate.

Most listed banks saw an upward trend in net profit during January – March this year, as economic indicators improved a little on the back of a relatively stable political situation following the national polls. Last year was a tough year for banks as business was ravaged by restive politics. Ostensibly calm political ambience helped private sectors credit growth, imports, remittance and export improve in the first quarter.

Spring was in the air in February. There was a symphony which filled the heart of city dwellers as the rainbow colours of life suffuse the expanses of Bengali soul. Falgun, in larger measure, is heritage – the roots of our culture that we recall.

The country stepped into 62nd year since fateful day of February 21, 1952. We had the moment to remember those who came before us to defend the mother longue with their lives. Those who were martyred in 1952 paved the way for larger struggle for economic and political freedom that Bangali nations would aspire to and participate in the subsequent years.

Three major series of cricket tournaments – Asia Cup and World Cup T-20, men and women, held us captivated for the full month of March 2014. Even though, national cricket team's standing on the table has been rather anti-climatic; but none can fail to be cheery about our event management capabilities - we have vaulted a new height there. Our self esteem has been enhanced in terms of hospitality, security arrangements and smooth staging of the games.
At least, for the moment, country seems to have come out of the volatile situations of agitations, blockades, shutdowns. Business has just started picking up and rpm of economic cycle is accelerating at a reasonable pace. My heartfelt felicitations to all in Dhaka Bank, who are in a desperate bid to demonstrate their true potentials, business acumen and resilience. We are BACK IN BUSINESS.

Abdul Hai Sarker
Chairman

MESSAGE FROM THE MANAGING DIRECTOR

City skies were beautiful in this year's Falgun; and the warming sun rises from the depth of cosmic distance to inform us that the new leaves would sprout on the branches of the trees, that new buds would blossom into the flowers we have known since our cradle hood. Spring in its wake brought immense charm and temptation in the realm of nature while in contrast, investment climate of the country yet to return to a vibrant blossom.

Despite the calm in the political scene since last general election, the private sector has been hesitant in taking loans. Because it is not political stability that dictates growth, rather the poor state of infrastructure and non-availability of industrial gas connections have effectively put industrial expansion on hold. Turning the economy around is going to be an uphill task given the dismal growth portrayed in the country's major economic indicators. Private sector credit growth at the end of March 2014 was 11.46 per cent compared to the same period last year, while overall import growth was 54.47 per cent, remittance 3.8 per cent and export 4.79 per cent according to Bangladesh Bank data.

During the month of February, nationalistic pride and patriotism came to the forefronts in a celebration of language and heritage, something that required a sacrifice of blood and tears from the countless heroes this nation will forever be indebted to. Then Pahela Baishakh with its 'red and white' and lively morning processions, was with us again. Love for festivity and celebration is a notable trait among Bengalis and no other day is this trait generally more manifest than Pahela Baishakh. It is the first day of the Bengali New Year and is greeted with a vast array of colours which adorn city's street, clothes and faces of people. It is an event that bridges all gaps – religion, ethnicity and even class, so let Pahela Baishakh be the day to celebrate our unique, diverse culture in an ambience with people from all walks of life.

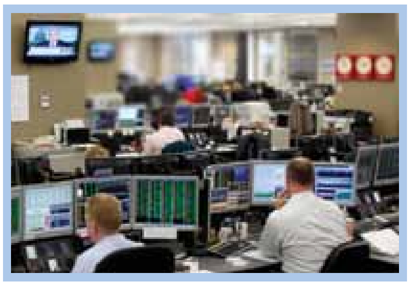
Niaz Habib
Managing Director

World economic updates

Asian economies made a stumbling start to the year

The export machines of China and Japan had a stumbling start to the year, weighing on their neighbours, badly timed with the west where demand is picking up. The region's two largest economies saw a rocky first quarter of 2014. Recent report released by HSBC says, the quarterly result of titans does not augur well with regional growth stuck in a narrow disappointing range. In China, economic data have gone from bad to worse, with trade, industrial production, manufacturing activities and investment losing momentum. The private purchasing manager's index (PMI), released by HSBC, was the lowest in eight months, prompting fresh calls for stimulus measures to boost growth. An economist from ANZ wrote an optimistic note that the continuous deterioration in Chinese growth point will be arrested by pro-growth measures, cyclical upturn of newly started projects and eased monetary policy. The slower Chinese growth ripples out to its neighbours, not least via exports: China not only gobbles up Asian made products but also raw materials that in turn assembles into finished good to be shipped elsewhere. Things have been marginally better elsewhere in north Asia. Japan, which introduced first consumption tax since 1997, has had a poor start to the year. Figures released of late demonstrated a year-on-year decline in the industrial production in February, while inflation has remained flat for three months at 1.3 per cent. Renewed action from the central bank is growing louder in a worsening condition expected in the coming month. South Korea and Taiwan, the two other export giants have seen choppy data. Tumbling after a weak PMI in February, Korean economy is seeming creaking back to life inching back to a positive growth zone. Strong Taiwanese exports failed to keep up stronger-than-expected momentum in the Q4 of 2013. The country is expanding but at the slower pace in seven months partly due to seasonal effects and to China's faltering growth. Thailand has been rocked by renewed political unrest, pulling back the growth engine further. Official growth forecast for the year have come down to below 3 per cent. Some other parts of Asia are shining bright. The Philippines continues to surge ahead while India and Indonesia have shown some improvement. Propping up their currencies, both attempted to bridge the gap in current account deficit. However, longer term challenges are yet to be addressed, Recent investors' euphoria in India is built on Modi's landslide victory through repeated commitment to economic reforms rather than economic experience.

US banks' start to the year is not so upbeat



US banks reported their worst start to a year in fixed-income trading since the financial crisis, raising speculation about whether Wall Street's profit engine can roar back to life. Between them Citigroup, JPMorgan Chase, Bank of America, Goldman Sachs and Morgan Stanley reported $15.1 billion in this week's earnings season. That is the weakest first quarter since 2008, when most banks incurred huge losses on bond portfolios. It is barely more than half the level they made in Federal Reserve-fuelled bumper first quarter of 2009 when the central bank's rescue support for the financial system drove up asset prices and the five recorded $25 billion of profits. Regulations introduced since then have curbed risk-taking. Besides, Basel III capital rules has made trading riskier products less profitable and Volcker rule bans banks from trading for their own accounts. Clients have also shown muted appetite to trade in uncertain markets. Fixed income in US, where banks trade derivatives, interest rates, bonds, commodities and currencies significantly account for more than 17 per cent of banks' revenues. But it has steadily been declining after surpassing 28 per cent in 2009.

Spain on a growth track in six years

Spain's economy grew at the fastest rate in six years in the first quarter of 2014, the country's central bank said in an estimate. After years of doldrums, the economy pulled out of a long, job-destroying downturn. The eurozone's fourth largest economy expanded by 0.4 per cent on a quarterly basis, the Bank of Spain said in a monthly report. It was the sharpest quarterly growth rate since the Q1 of 2008 when a decade-long property bubble imploded; tipping the nation into a double-dip recession that deprived the country of millions of jobs and turned it encumbered with debt. In the first quarter of 2014, the Spanish economy maintained a path of gradual recovery on the backdrop of normalization in the financial market and a gradual consolidation of the labour market. The Bank of Spain confirmed that Spain is set to grow by 1.2 per cent in 2014 and 1.7 per cent in 2015.

Global trade to gather pace

The World Trade Organization (WTO) has made a forecast for an uptick in global trade growth. According to report published recently, global commerce is set to growth by 4.7 per cent this year. This is more than double the rate of 2.1 per cent estimated in 2013. The WTO had earlier forecast that world trade would expand by 4.5 per cent in 2014. The latest update is symptomatic of the buoyant trend. The WTO further predicted that the trade growth would go up next year further to 5.3 per cent. WTO economists have noted that the projected growth rate would bring the trade growth back to its 20-year average. But even this surge will remain well below historical trends, in particular pre-crisis (i.e. before 2008) growth of 6.0 per cent through most of 1990s and 2000s. The forecast made by the apex body of global trade about the rise in world commerce this year is indicative of prospects, at best. However, prospects are hard to come by if underlying assumptions go out of sync.

Ukraine crisis backfires on Russian growth

Russia looks increasingly likely to sink into recession in 2014 as the fallout from its standoff with the West over Ukraine issue jolts the economy already troubled by structural problems. Data released in April showed that Russia is beginning to count the costs of knock-on effects of the worst East-West political traction since the cold war. The threat of economic sanctions from the EU and the US has already prompted a massive capital out-flow from Russia in the first three months of the year. Even before the crisis hit the roof, some internal ailments like slowing consumer spending, sagging investment and weakening demand for its energy exports have started to retard the growth of the economy. A revelation was made from the economy ministry that the Russian economy contracted around 0.5 percent in the first three months of the year, compared to fourth quarter of 2013. The developments all together hint to an outlook of economic recession this year, which is defined as two consecutive quarters of shrinking economic output. Capital Economics pointed out that the economy is not collapsing as some had feared. But with the crisis in Ukraine escalating, worse could be yet to come. A plummeting ruble was a clear setback after Moscow voted to allow Putin to send troops into Ukraine. A slump in Russian currency has every reason to fuel inflation. The biggest fear spooking investors is the prospects of sanctions likely to damage badly the Russian economy, to name a few, account freezing and siding with the West in economic cooperation.

China on stimulus pressure stemming from slowing growth

China's growth slowed sharply in the first quarter of 2014, raising pressure on Beijing to provide a fresh round of government stimulus to shore up faltering growth in the second largest economy of the world. In the three months to the end of March, China's GDP expanded 7.4 per cent from the same period a year

earlier, a slowdown from 7.7 per cent growth in the fourth quarter of 2013. Since the start of the year, most economic indicators have pointed to a pronounced slowdown in China, the fastest growing major economy for more than a decade and a powerful stabilizing force in the wake of global financial crisis. That contrasts with the picture in developed markets, where the US is expected to lead the strongest recovery in years and memories of the crisis is starting to fade. Judging from employment, income and consumer prices, the economy is still within a reasonable range while growth in fixed asset investment by far the most important drive of the Chinese economy, manifested its weakest performance since 2002. There are worrying signs of overbuilding and oversupply in the real estate market, with sales volumes and prices having already collapsed in many smaller cities. A wide spread property market crash would be devastating for Chinese investment, which accounts for an unprecedented high level of about half of GDP.

Europe sees Merger & Acquisition spree

Europe's merger and acquisition (M&A) market is rebounding after years in the doldrums, as improving market sentiment is prompting companies to spend piles of cash built up during the financial crisis. A flurry of new deals have been announced in the past month alone, including Numericable's purchase of Vivendi's SFR mobile phone unit in France, the merger of Swiss cement group Holcim and French rival Lafarge and the tie-up of Sopra and Steria to create a new French technology services giant. British companies have also been on the move, with mobile phone giant Vodafone launching a 7.2 billion-euro purchase of Spanish cable operator Ono and private equity firm CVC capital taking a controlling stake in Spanish olive oil producer Deoleo. And German private equity group Triton bought French engineering giant Alstom's boiler and heat transfer equipment unit for 730 million euros ($1 billion). Worldwide the value of deals announced in the first three months of the year jumped 26 per cent to $637 billion compared to 2013, the best start to the year since 2007, according to data compiled by Bloomberg. Two of the world's biggest investment banks – Goldman Sachs and Morgan Stanley, this week reported better-than-expected first-quarter results, buoyed by a rebound of profits in their M&A advisory arms. The western Europe is likely to be the most active mergers and acquisitions market around the world this year. The European debt crisis has paved the way for creating many opportunities of M&A, according to KPMG report.

Bangladesh dream for a mid income nation gives a thrilling chase

From 'a bottomless basket' to 'the most corrupt nation', all were tagged to its name. Continuously berated and belittled, it struggled hard to find a place with its huge multitudes to feed. The country had only itself to blame. Now the brave nation has changed its course to write a new fortune. It is now an economic underdog growing to get any one. Dreams have grown bigger and wider about Bangladesh to soon become a middle income nation.

The road to a shining frontier

Post-independence, the country was in tatters, as the nine months war wrecked havoc on economy, public life and infrastructure. Further, the famine coupled with political unrest in mid 70s crippled its bone. With the liberalization of business and banks in 1980s, many entrepreneurs entered new ventures. Steady industrialization followed and the most prospective RMG sector took root. The country began switching to a diversified economy from agro-based economy. The early 90s, RMG and manpower export expanded on the back of further liberalization. Several other industries came to the fray.

Riding the crest of phenomenal growth

Bangladesh economy has undergone rapid changes over the last decade. Exports climbed steeply on the wings of readymade garments (RMG) and human capital pushing the economic growth to a point of envy. Over the last 10 years, the economy grew within 5-6% range amid natural calamities and political confrontations. The shadows of financial tsunami wrecking the west since 2008 had minimal impact on the country's progress, notwithstanding recessionary phases in US and EU, prime markets for Bangladeshi products. Exports have been riding on the blossoming RMG sector which has ticked $23 billion during 2013. Remittance revenues through reduced to a slower pace, is encouragingly adding to exchange build of Bangladesh.

That made a difference

- An amazing four million people employed in RMG booms mostly women are the makers of almost 80% of the country's export. A famous adviser to business, Mckinsey has recently pinpointed an area of Bangladeshi potentials covering $40 billion export revenue within 2021. Bangladesh is still a cost competitive haven for the buyers worldwide while China and other competitors are losing bargains on increasing labour cost.
- Rising productivity of a magnificent population base of 160 million coupled with close proximity to China and India has drawn investors' attention from around the world. In ringing enthusiasm investors from powerful China has come up with a plan to set up economic zone, especially for Chinese companies.
- Moody's and S&P, the two renowned rating masters have rated Bangladesh (under sovereign rating) better than all neighbouring countries except India. This has helped capture center stage of international investments.
- Supply of power sector have widened manifold by virtue of private involvement. Quick rental power plants are constantly increasing supply to the national grid. However, a lot more to be done to reduce frequent outages, a major hindrance for economic activities.
- Power prospects eye a deep sea port in Sonadia in collaboration with Chinese investors. The execution of the projects within a 10-year span is expected to significantly reduce export lead time and earn steady flow of revenue for the government.

Standout triumphs

- Recent Human Development Index (HDI) prepared by UNDP has placed Bangladesh on a distinctive altitude with respect to life expectancy, education and income indices; in some areas the country has done exceptionally better than advanced neighbour India.
- Having met successfully Millennium Development Goals (MDG) set by the UN, Bangladesh is forging ahead for achieving the Sustainable Development Goals (SDG).
- The country has earned the name of a formidable competitor in global apparel market bagging an honour of second biggest exporter, after China.
- Goldman Sachs chose Bangladesh in the group of next eleven economies with continuous growth potentials. JP Morgan spotted Frontier Five where BD shines with phenomenal growth.

Closer by numbers

$ 1,026	Per capital income needed for 3 straight years
$1,190	Per capita income in FY2014
$1,054	Per capital income in FY2013

Per capita income thresholds defined by World Bank:

Low Income:	$1,025 or less
Lower Middle-income:	$1,026 to $4,035
Upper Middle-income:	$4,036 to $12,475
High Income:	$12,476 or more

Pitfalls hiding inside

- Chances of political instability still loom large on the context of Jan 5 elections boycotted by major political parties.
- Majority exports (83%) comprise RMG undertakings. A sudden structural shift may spell danger. The country has to stomach buyers' criticism and trade limitation under the shock waves resulting from Rana Plaza collapse and fire at Tazreen Fashion.
- Depletion of natural gas reserves, having not strong alternatives is another disaster in disguise. Dependence on natural gas needs to be cut down through new gas fields, coal and others.
- Regime change in India is a potential threat. The new party in power may reverse the direction of international relations with Bangladesh. The resultant benefits might fall into disfavour.
- Existing cultivable land is not adequate to feed burgeoning new generations. Either a check on population growth or green revolution or both merit attention. Dire vulnerability to climate change warrants that Bangladesh should lease cultivable land beyond its borders preferably in Africa and South East Asia.

Unbeaten soul of Bangladesh should rise

Many deadly forecast did not come true with Bangladesh. With the rise of every new sun, the most spirited nation forgets the nightmares they slept in. So daringly enough, they have voted for Bangladesh as the happiest nation of the world under various international studies on happiness. The worst sufferers of calamities have nothing to lose and look back. Here lies the might of Bangladeshi rising. The motion of growth now is no emotional upshot of an event but based on inclusive participation in progress, growing so strong that even the fierce critic of Bangladesh speaks of its passage with awe and wonder.

BANGLADESH ECONOMY: A snapshot

Major Economic Indicators

Per Capita Average Income

2012:	$ 840	
2013:	$ 1,044*	**+ 24%**

Foreign Exchange Reserve

April 17, 2013:	$ 14.58 billion	
April 17, 2014:	$ 20.22 billion	**+ 39%**

Exports

July–March 2012-13:	$ 19.70 billion	
July–March 2013-14:	$ 22.24 billion	**+ 13%**

Remittance

July–March 2012-13:	$ 11.12 billion	
July–March 2013-14:	$ 10.48 billion	**- 6%**

Broad Money (M2)

February 2013:	Tk 5,717 billion	
February 2014:	Tk 6,623 billion	**+ 16%**

Reserve Money

February 2013:	Tk 1,072 billion	
February 2014:	Tk 1,214 billion	**+ 13%**

Domestic Credit (outstandings)

February 2013:	Tk 5,476 billion	
February 2014:	Tk 6,088 billion	**+ 11%**

Private Sector Credit (outstandings)

February 2013:	Tk 4,336 billion	
February 2014:	Tk 4,802 billion	**+ 11%**

Consumer Price Index (CPI)**

March 2013 (12 months avg.):	6.23
Point-to-point basis:	7.71
March 2014 (12 months avg.):	7.54
Point-to-point basis:	7.48

Source: Bangladesh Bank
*= as per new base year 2005-06 = 100
**= as per new base year 2005-06 = 100

Business, Banking & Economy

A boost for Bangladesh in social progress index

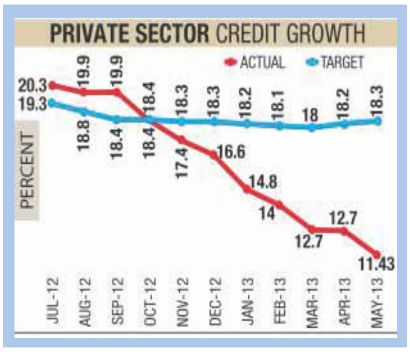
Bangladesh ranked 99th among the 132 countries on the social progress index (SPI), a measure of human wellbeing that goes beyond traditional economic measures such as GDP or per capita income according to a recent website report. Of the SAARC countries, Bangladesh ranked lower than Sri Lanka (85) while better than India (102), Nepal (101) and Pakistan (124) on the list of the SPI 2014 compiled by US-based non-profit group Social Progress Imperative. BRICS countries made a good progress on the list - only India lied on a gray zone notching up lower than 100th position. China was next lowest of the five, in the 90th position while Brazil ranked 46th among the BRICS nations. The low ranking of China and India showed that their rapid economic growth failed to bring about proportionate changes for better livings for their citizens. New Zealand tops the list followed by Switzerland, Iceland and Netherlands. African nation Chad ranks the lowest in index.

Garments resilient even one year after Rana Plaza tragedy

It is all resilience to describe our garments' fight-back. Beating doomsayers' forecast, exports rose by around 16 per cent to $23.86 billion year-on-year during April 2013 to March 2014. Thanks to the fighting spirit of Bangladeshi garments, Bangladesh is still a choice of international buyers even after one year on Rana Plaza Tragedy. Despite industrial disasters, shipments rose 16 per cent in the last one year. Double digit growth in apparel exports overcoming numerous hurdles is a commendable feat. Garment makers attributed the success to major retailers who have undertaken transformation initiatives in the industry. To ensure strict compliance on factory guidelines, BGMEA has shut production at 13 risky factory buildings on prescriptions from factory inspections of European and North American clothing retailers. A challenged emerged after Rana Plaza collapse. International brands and retailers started offering lower prices for Bangladeshi garments, which in turn increased the volume of orders, said a leading garments exporter.

Private sector credit sees a slight growth

The private sector credit recorded a slight growth in the month of March last following a significant rise in import payments during the month, bankers said. Trade financing took an upturn during the month of March largely to foot the bills against the import of essential commodities ahead of the holy Ramadan, a senior bank official said. The private sector credit grew by 11.46 per cent in March 2014 on a year-on-year basis from 10.73 per cent in February last. The uptrend in private sector credit growth may also continue during the month of April because of higher import payments. The overall imports of the country increased by 30.61 per cent to $3.44 billion in March last from 2.63 billion in the same period of the previous year, BB data showed. However, private sector credit growth did not rise substantially despite a hefty growth of imports as some corporate entities prefers financing from external sources instead of local banks to settle their import payments. A banker noted that credit demand is yet to be created as businessmen are still maintaining a wait-and-see policy to avoid uncertainties which still prevail in the minds of investors.



Leather exports may gross a massive $5 billion in a decade

It seems a distinct possibility that Bangladesh will earn at least $5 billion in exports from leather, leather goods and footwear in the next decade, analysts said recently. The prospective revenue bucket hinges mostly on addressing health, environment and compliance issues in the sector, experts remarked. With a favourable resource condition like cheap labour and raw materials, the country can grab more orders but the bottleneck is the lack of environment friendly tanneries to process leather. Bangladesh now exports leather, leather goods and footwear worth around $1 billion a year, which accounts for only 0.004 per cent of the global market worth $230 billion. At a roundtable, a number of discussants from leather industry stakeholders shared their views on progress and prospects of leather industry. According to a 'simulation exercise' conducted by department of development studies at DU, the country will be able to increase domestic manufacturing output by 9.2 per cent and agricultural output by 6.7 per cent if it can export an additional $5 billion in leather items.

Inflation edged up in March

Inflation creeps up 4 basis points to 7.48 per cent in March on the back of an increase in food price, particularly the staple rice. The stock of aman rice has gradually been falling and the boro rice is yet to be harvested. The lean period contributed to the hike in rice price. Food inflation, which has been on a decline in the last few months, started to go up from February by 12 basis points to 8.96 per cent last month, according to Bangladesh Bureau of Statistics data. Under the prevailing scenario, the task of containing inflation below 7 per cent will remain a challenge in the upcoming fiscal.

Remittance dips as overseas job demand wanes

A declining trend in the overseas jobs is taking a heavy toll on the country's remittance earnings, economists observed. Given the impact of waning impact, the overall inward remittance is feared to be significantly lower this fiscal year (FY) than that of the last FY. The remittance base already dented by 5.77 per cent negative growth in the first three quarters of ongoing fiscal has little chance to turn around in just a quarter remaining ahead. According to Bangladesh Bank statistics, Bangladesh expatriates remitted a total of US$ 10.48 billion during the July-March period of the FY 2013-14. The same was $11.12 billion during the corresponding period of FY 2012-13. The root cause of the fall is the lower outflow of migrant workers, a central bank expert remarked. The return of the a good flux workers home from different labour destination is another reason, confirmed the same source. The manpower export has been witnessing a slow trend since August 2012 following a suspension of visa issuance by the UAE to Bangladeshi aspirants. About 8.6 million Bangladeshis are now employed in 159 countries. But the distribution of workforce is heavily skewed towards only some 20 countries mostly centred at Middle East. Exploring markets in Europe, Russia and other regions where demand for foreign workers is gaining merits consideration, sources from the Ministry of Expatriates revealed.

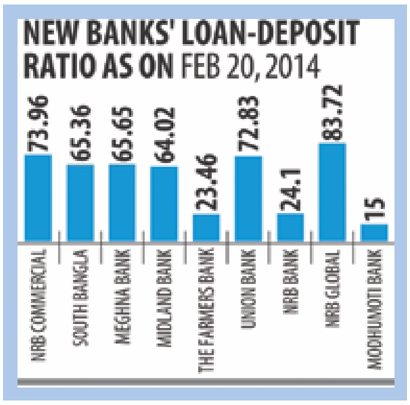
Classified loans roam untamed

The amount of classified loans in the country's banking system has gone up significantly in the first quarter of 2014. Analyst say, reasons attributable to this development are indiscriminate application of policy relaxation, lack of monitoring and supervision of rescheduled loans. The volume of default loans increased by 18.70 per cent to Tk 481.72 billion

in the January-March period of 2014 from Tk 405.83 billion in the preceding quarter of the last calendar year. During the first quarter, the share of classified loans rose to 10.45 per cent in the period under review from 8.93 per cent in the first quarter of 2014, according to the central bank statistics. Bangladesh Bank is going to ask the banks for taking effective measures to bring down the share of NPL at below 10 per cent by the end of second quarter. According to BB sources, the central bank will not continue the relaxation of loan rescheduling policy after June this year. As of December 31 last year, the banking sector's total classified loans came down to Tk 405.83 billion from Tk 567.20 billion on September 30 last year, following relaxation of the loan rescheduling policy.

New banks find it hard to woo new business

It is too early to predict new banks' headway in the race of banking business in Bangladesh. Yet, the morning is not so auspicious for new banks which have just stepped into the expedition. Data show, the nine banks are pitted against tough chase for market share amidst limited customer pool and sluggish economic activities. The average advance-deposit



(ADR) of the nine new banks as of February 20, 2014 was just 54 percent hovering much below the industry average of 70.35 per cent and far less than the Bangladesh Bank ceiling of 85 percent. A senior official from a new bank termed the competition as fierce rather than competitive. Potential customers are still cautious about fresh loans. However, not all the banks are tumbling. AD ratio of NRB Global Bank is on a better track of nearly 84 per cent while NRB Commercial Bank is maintaining a close race at 74 per cent. If we benchmark the density of banks against that of a neighbor say, India, the scenario is the scenario is not the same. The total number of banks operating in the country now stands at 56. On the other hand, India has 88 scheduled banks to feed the demand of 120 crore population, though half of it population is still out of banking service.

Farm credit disbursement rises 12pc in 9 months

Farm credit disbursement grew by more than 12 per cent in first 9 months of the current fiscal year (FY), 2013-14, which is thought to be an outcome of central bank's continuous emphasis on lending to farmers. All scheduled banks disbursed Tk 114 billion in the July-March period of FY14, compared to Tk 102 billion in the corresponding period of preceding fiscal, according to central bank statistics. Six state owned banks disbursed Tk 72 billion and the remaining Tk 42 billion was disbursed by the private commercial banks, both local and foreign. The banks have achieved more than 78 per cent of their annual agricultural loan disbursement target of Tk 146 billion for the FY14. The recovery of farm loans rose to around 207 billion in the first nine months FY14, from Tk 159 billion in the corresponding period of the previous fiscal, the BB data showed.

Banks to be penalized if they fail LC commitment

Delinquent banks will have to pay fines for having failed to make payments to foreign parties against letters of credit (LCs), sources from Bangladesh Bank disclosed recently. A top BB official said, the willful default by a few banks cast a bad light against the entire banking sector, a potential threat of Bangladesh's dream of coming out of the grey list of Financial Action Task Force (FATF), the global money laundering and terrorist financing watchdog. It is customary that a country under the grey list will have to count more cost on LC confirmation charges. The LC confirmation charge is imposed when an exporter's bank wants security in receiving payments under the LC. Accordingly, an importer's bank approaches international banks such as HSBC, Standard Chartered or Citibank NA to provide guarantee to the exporter's bank about the payment. All these banks impose a charge, which is LC or ad confirmation fee or risk fee for confirming the LCs. The LC confirmation charge depends on some factors, mainly the country risk and the reputation and strength of the issuing bank.

Bangladesh Bank emphasizes carbon footprint reduction

Bangladesh Bank Governor Dr. Atiur Rahman has called for greening of the mindset and a cultural shift to boost efforts to reduce carbon footprint. The BB remarked that the mindset of bankers should not be that environmental guidelines are damaging to growth of business and a hindrance. Speaking at the inaugural session of Green Finance Conference 2014 at Bangladesh Bank Training Academy in March 2014, Mr. Rahman said better collaboration and partnerships among leading businesses, investors and key public institutions could lead on new models and of inclusive green and sustainable growth. It was advised that green technology might be an effective way to improve resource efficiency and coordinate the different processes responsible for green growth. The speakers hinted to the necessity of appropriate financing mechanism by banks and financial intermediaries to foster the development of green tech. In order to bring further momentum to green financing, the central bank has already introduced a Tk 200 crore refinance line against banks loans for investment in 16 green products.

A heartening headway in developing nutrient-rich rice

Bangladeshi scientists have once again made a landmark development in the search for nutrient-rich rice. Bangladesh Rice Research Institute (BRRI) accomplished a rare feat by developing the BRRI Dhan 62, nutrient-rich rice that helps children fight stunting as well as deaths caused by diarrhea or pneumonia because this rice contains more zinc

than is available in its naturally existing variety. Added to the euphoria is another version of rice with still higher zinc content developed by BRRI scientist awaiting release soon. The success has earned the country its due place at the second global conference on bio-fortification held recently in Kigali, the Rwandan capital.

(Source: Print & E-version of leading dailies and Internet)

Corporate Business: sectors of possibilities






Emranul Huq
Deputy Managing Director
Business Banking

The World Bank calls it the Bangladesh Paradox. Bangladesh economy has steadily accelerated in recent years with steady growth over 6 per cent. In spite of country's troubled political environment and extreme poverty, the country scores particularly well on socio economic outlook: Citi, Goldman Sachs and JP Morgan have indentified Bangladesh as a key investment opportunity. Optimistically, with all the things Bangladesh might be doing wrong, one cannot deny that there are few things we are doing right. Bangladesh has already moved eight notches up in Global Competitiveness Index (GCI) in September 2013: is a clear indication to our improvement at least in one most important front. Needless to say, service sectors, including banking, transport and communications are contributing significantly in attaining global praise in competitiveness by maintaining a reasonable rate of growth at 6.47 per cent. Service sector now contributes more than 40 per cent to GDP.

In order to boost faster and sustainable growth in banking sector in particular and wider benefits to the economy as a whole, banking sector should come forward to diversify their business model and should concentrate its thrust on emerging sectors besides those are already established: Pharmaceuticals, Leather, Infrastructure Development, Syndication & Large Project Financing.

Garments & Textiles: All time highlighted sector for Bangladesh

Bangladesh as a Low-income Country (LIC) has made fascinating progress in manufacturing industries, especially in Textile and Ready-made garment (RMG) sectors. The present economy of the country is largely dependent on the performance of these two sectors. Textile and RMG industries are considered as the key driving forces of socio-economic development in Bangladesh.

According to Bangladesh Garments Manufacturers and Exporters Association (BGMEA), 5,600 factories are engaged in production of RMG goods in the country during the current fiscal. This sector in particular provides employment to 4,000,000 workers. RMG industry has flourished here because of cheap labour force, low-tech units and the low production cost for the use of natural gas as energy. In the FY 2011-12, RMG industry contributed 16.31 per cent of Gross Domestic Product (GDP), whereas the total export of RMG sector stood at $ 21,515.73 million which covers almost 80% of the country's total export of $ 27,018.26 million. About 2,000 Textile Industries are available at the moment manufacturing yarn, grey fabrics and dying and printing fabrics to make finished products. This can be comfortably forecasted that this sector is going to remain as the most contributing sector to the GDP till far future, given that the infrastructural support and other development regarding this sector continues.

Fact remains, the Textile and RMG industries are very much dependent on natural gas of the country which would be exhausted within a certain time. These industries cannot afford to generate power by using diesel, as the cost would surge sharply and they will face difficulties to compete in the stiff competitive international market. Besides, as a result of the recent catastrophe in this sector, several compliance issues are emerging into the spotlight. The factories established in Bangladesh have to comply with these within a reasonable time frame, otherwise the consequences may deteriorate to a greater level.

The Pharma Sector

Most businesses would say the just-concluded 2013 was a difficult year for them and few would dispute such an observation for a number of factors, confrontational politics concerning poll-time government being at the top of the list. However, the pharmaceutical sector was among a few exceptions. The sector according to a market study report prepared by the USA based Fast Market Research (FMR), maintained its growth momentum during the year, recording nearly 11 per cent growth in sales. The size of healthcare market in 2013 increased to about Tk 400 billion from that of Tk 349 billion in the previous year.

Besides, the sector reportedly received foreign as well as local investments worth over USD 1 billion in 2013. A dozen new drug manufacturers entered the market and 15 existing companies expanded their production facilities during the year. However, the double-digit growth was nothing unique in 2013. The sector witnessed similar growth rate during the last three consecutive calendar years.

The sector insiders feel that the annual sales turnover in the last year would have been more had there been no political unrest. But many tend to believe that the hike in prices of most drugs and medicines at retail level on the ground of increase in cost of procurement of raw materials from international market contributed, to a considerable extent, to the growth in sales.

Shinning Leather Sector

Rise in export of leather and leather goods to the tune of more than $ 1.0 billion in ten months of the current fiscal is a clear reflection of the potential the country's leather sector holds for the economy. The forecast often made about the prospects of Bangladesh's leather industry as only next to that of Ready-made garment (RMG) has so far remained largely shrouded in unfulfilled expectations. Still, experts and researchers tend to see Bangladesh's emergence as a major leather producer as almost inevitable – a matter of time – given the realities determining the future of the USD 230 billion global leather market.

Export Promotion Bureau (EPB) data depicts export of leather and leather goods during the July-April period of the current financial year reached USD 1.06 billion, a record rise in the performance of this sector. Export in the preceding year (July-June 2012-13) amounted to USD 981 million. With two months still left out of calculation for the current fiscal year, it is expected that the total export could increase by another USD 300-400 million. One heartening feature of the growth is that in all key segments- leather, leather goods and footwear – export registered increase 10 months of the current year, that too over exports of the entire fiscal in the previous years. This is indeed commendable.

Factory insiders attribute this growth to, among other factors, buoyant orders, competitive pricing, quality assurance and on-time shipment. Production of higher value added products, particularly footwear, has helped local manufacturers in targeting the up-scale segments of the market, earning more in unit prices. Besides, newer markets are also believed to have played an important role. It is also believed that the new markets while boosting this year's export will continue to hold out promising prospects for market expansion in future. Traditional buyers of Bangladesh leather and leather products include the European Union (EU) countries accounting for around 60 per cent of exports, while the remaining markets- Japan, the USA, India and Australia coupled with a number of new destinations – consume the rest 40 per cent. The new markets lately added to the list of export destinations are Vietnam, New Zealand, Austria, Bulgaria, Bahrain, Costa Rica, Indonesia, Ireland, Lebanon, Sri Lanka, Lithuania, Morocco, Mauritius and Turkey, according to the EPB data.

So far as a substantial expansion of Bangladesh's leather sector is concerned, the most commonly held view is that large-scale foreign investment can make it happen. As a low-cost source, Bangladesh has plethora of reasons to become a happy destinations for such investments. This has not happened as yet, and the obvious reasons one can identify are the infrastructural inadequacies, ranging from power and gas to ETP (effluent treatment plants). However, the soaring wages in the traditional leather and leather goods manufacturing countries like China – world's biggest footwear manufacturer – has of late pushed many investors to look for low-wage countries to install or relocate footwear plants. China reportedly produces around USD 90 billion of footwear and USD 39 billion of leather goods, which account for 65 per cent and 35 per cent of the global demand respectively. Reports say that the hike in Chinese wages has shot up to as high as 30-50 per cent in recent times. Industry insiders hold that grabbing a share of 5.0 to 6.0 per cent of Chinese production is potentially capable of bringing a sea of change in Bangladesh's leather sector. Besides, cheap labour, another crucial factor that the investors cannot lose sight of is the duty-free status that Bangladesh as a least developed country enjoys in exporting leather products to, among others, EU countries. Industry experts are reportedly confident that although the growth has not yet taken off at the desired level, the scenario will change for the better as the economies in Europe begin to show signs of recovery.

Infrastructural Development

Bangladesh is experiencing a huge shift in terms of infrastructural development during last decade and this can be forecasted safely that the growth in this sector will continue. Extensive planning regarding within-the-border communication is being done and accordingly implemented. All over the country construction of gigantic bridges, flyovers, overpasses are being undertaken while many more are in planning stage. In different large projects there are ample opportunities of having foreign investment besides the local funding. On the other hand Padma Bridge is being planned to be constructed from the country's own sources. Therefore, room for banking sector is there to contribute. Not only the direct construction works, rather the sectors involved as backward and forward linkages can be prospective sectors for investment. Annual Development Planning (ADP) has been a large chunk of the entire annual budget pie every year; no exception is expected in the coming days. Keeping in line with this proposition banking sector may extend the volume of investment in this sector, which a few banks are doing already.

Syndication & Large Project Financing

With the changing breeze in the business sector as well as the mode of investment, Syndication and Structured Financing has become one of the widely practiced modes of financing large projects. In order to diversify the associated risks as well as being in the restriction of single borrower exposure, banks and FIs are tending towards Syndication, Club Financing and Structured Financing, whatever term is used to define. The central bank is also taking interest, supervising and at the same time aiding such large project financing through Syndication and Structured Finance by arranging foreign investment.

Having been facilitated by the Bangladesh Bank's Investment Promotion & Financing Facility (IPFF) Cell, banks are now looking into various large project financing with combination of foreign investment and local funding. Dhaka Bank Limited has recently arranged a large project finance worth of around Tk. 2000.00 million for KDS Logistics Limited for their Inland Container Depot. This is logically projected that such private sector investment in these infrastructure developments will have a boom in the coming days that will definitely help the overall business sector.

Other Avenues

Many lucrative and cost-effective areas are there to invest in Bangladesh. Investment can be made in marketing high value-added items and in setting up high-tech industries like electronics, telecommunication, automobiles, chemicals, dairy products, professional service providers in the field of engineering, construction and so on. In addition, investment can be bolstered in low-tech profitable industries like assembling and manufacturing Air conditioners, Refrigerators, Television and Water Coolers. Bangladesh spends huge volumes of foreign currencies for import of high-tech and low-tech items annually. Big chunk of foreign exchange is even used every year for importing dairy products while this country is blessed with bounty of dairy sources.

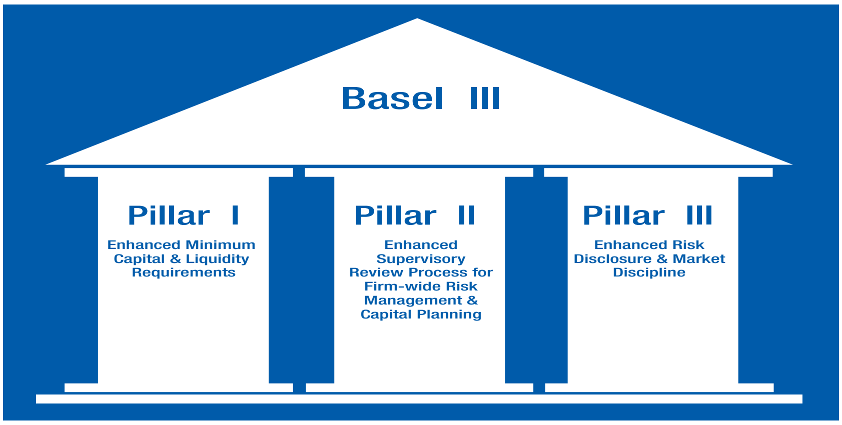
National planning and policy for diversification is the need of the hour. Joint and coordinated efforts by government, manufacturers, buyers, suppliers and other stakeholders are highly required to accomplish the process of 'diversification'. Banking and other financial institutions can play an important role in this direction.

Basel III: Stairway to Capital Adequacy, Liquidity and Stability

M. Sohel Shahriar Akhand
VP & In-charge
R&D Unit

The economic crisis has provided an opportunity for a fundamental restructuring of the approach to risk and regulation in the financial sector. The Basel Committee for Banking Supervision (BCBS) has collectively reached an agreement on reforms to "strengthen global capital and liquidity rules with the goal of promoting a more resilient banking sector," which is being referred to as "Basel III" and G20 endorsed the new Basel III capital and liquidity requirement at their November 2010 summit in Seoul. Under Basel III, each area of proposed changes has a separate consultation, debate, and implementation phase. As a result, compared with the implementation of the previous agreement (Basel II), this enhanced level of dynamism, complexity, and interdependency within the global regulatory landscape will add significant challenge to the implementation of Basel III.

It introduced new or enhanced rules including introduction of a new stricter definition of capital - designed to increase quality, consistency and transparency of the capital base by increasing capital requirements for counterparty credit risk arising from derivatives, repurchase agreements (repos) and securities financing activities. The Basel III contains measure that addresses reduction of the cyclical effects of Basel II as well as the reduction of systemic risks and introduction of Global Liquidity Standard. The two new liquidity ratios – the short term Liquidity Coverage Ratio (LCR) and the longer-term Net Stable Funding Ratio (NSFR) – speak of the need for banks to increase their high quality liquid assets and obtain more stable sources of funding while requiring them to adhere to sound principles of liquidity risk. Basel also imposes a new leverage ratio, a supplement to the risk-based Basel II framework.



Basel III Aims & Objectives

The main aim of Basel III is to improve financial stability. Views on the causes of the financial crisis are well and extensively documented. Before the crisis, there was a period of excess liquidity. As a result, liquidity risk had, for many banks and supervisors, become practically invisible. When liquidity became scarce (particularly as wholesale funding dried up) as the crisis developed, banks found that they had insufficient liquidity reserves to meet their obligations. Likewise, bank had insufficient good quality (i.e. loss absorbing) capital. Low inflation and low returns had led investors to seek ever more risks to generate returns. This led to increased leverage and riskier financial products. Banks had to turn to their central banks for liquidity support and some to their respective government for capital support in dealing with assets of uncertain value, for which there were no other buyers.

The Basel III proposals have 5 (five) main objectives:

1. Raise quality, quantity, consistency and transparency of the capital base to make sure that banks are in a better position to absorb losses;
2. Strengthen risk coverage of the capital framework by strengthening the capital requirement for counterparty credit risk exposures;
3. Introduce a leverage ratio as a supplementary measure to the Basel II risk-based capital;
4. Introduce series of measures to promote the build-up of capital buffers in good times that can be drawn upon in period of stress;
5. Set a Global Minimum Liquidity Standard for internationally active banks that included a 30-day liquidity coverage ratio requirement, underpinned by a longer-term structural liquidity ratio.

Basel III

Capital reform	Liquidity standards	Systemic risk and interconnectedness
Quality, consistency, and transparency of capital base	Short-term; Liquidity Coverage Ratio (LCR)	Capital incentives for using CCPs for OTC
Capturing of all risks	Long-term; Net Stable Funding Ratio (NSFR)	Higher capital for systemic derivatives
Controlling leverage		Higher capital for inter-financial exposures
Buffers		Contingent capital
		Capital surcharge for systemic banks

Factors Contributed to Global Financial Crisis & Basel II key enhancements

The BCBS identified several factors that contributed to the Global Financial Crisis. Banks were highly leveraged, held insufficient capital (specifically high-quality capital) and had inadequate liquidity buffers. The crisis was compounded by pro-cyclicality and the interconnectedness of systemically important 'too big to fail' financial institution. Furthermore, individual banks had inadequate risk management and corporate governance processes and regulatory supervision was not robust enough. It is worth noting that the Basel II does not go away. The Basel III just introduces enhancements to the Basel II framework. Key enhancements of the proposal are:

New Capital Enhancements seek to improve both quality and availability of capital -

- At the firm level, Basel III seeks to improve the quality of capital that bank hold and make the definitions of type of capital more comprehensive.
- The amount of required regulatory capital increased, particularly in the trading book where increased capital allocations will be enforced for securitized and OTC derivative products. Furthermore, counterparty risk must be taken into consideration.
- On the top of this a fixed conservation buffer has been introduced. Additional core tier 1 capital must be accrued in boom times in order to absorb losses of the core capital if the bank is under financial or economic pressure.

New Liquidity Ratios aim to address funding needs under stress

- It is now widely acknowledged that an increased level of capital alone is not enough to prevent another crisis. Another objective of Basel III is therefore to ensure that banks have sufficient liquidity to withstand the stressed liquidity scenarios. Two ratios have been introduced to tackle this: these ratios address both short-term liquidity coverage (30 days) and longer-term structural funding.
- Meeting these new liquidity requirements will call for a convergence of risk and finance system which will be a key challenge for banks.

Strengthening the banking industry

Two new ratios (The Leverage Ratio and the Countercyclical Ratio) have been introduced to better monitor systemic risks. In addition, measures aimed at Systematically Important Financial Institutions (SIFIs) are being devised.

Leverage Ratio

The committee is introducing a leverage ratio which simply measures the ratio of capital to total assets. The Leverage ratio addresses the build-up of excessive leverage in the financial system. Through pro-active management, the BCBS hopes to avoid the destabilizing effect of deleveraging at the time of stress. This ratio includes both on-and off-balance sheet items and securitizations. It also serves as "safety net", to guard against any inaccuracies or unforeseen problems with risk weightings.

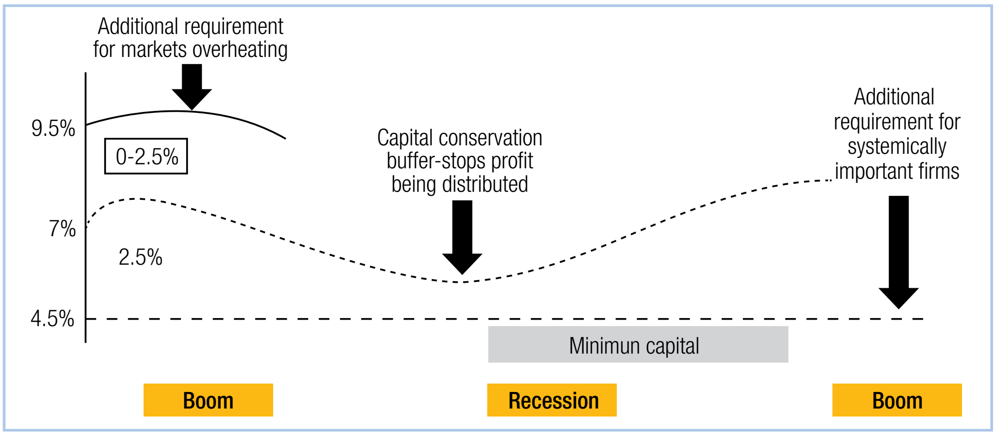
Countercyclical Ratio

The Countercyclical ratio addresses the problem of pro-cyclicality or 'credit bubbles'. With this measure, the BCBS aims to protect banking systems against the risks involved with excess credit growth, which has proven to be lethal in many jurisdictions. It is the first time the regulatory community is availing itself of a 'macro tool' that complements its traditional approach of measuring risk at institutions. Unlike the conservation buffer which is fixed, the countercyclical ratio evolves with a defined range.

Capital Enhancements

Basel III introduces significant changes to the amount of capital banks need to hold and the quality of capital. These changes affect the risk-weighting rules for credit and market risk, the definition of the capital, and the minimum level of capital adequacy ratio itself.

The regulation increases capital requirements for counterparty credit with the objective of expanding the coverage of the capital base. Significant changes are proposed to the composition of capital: Tier 1 capital is composed of common equity. Tier 1 ratio increase from 4 per cent to 6 per cent. Within the Tier 1 ratio, the minimum Core Tier 1 ratio increases from 2 per cent to 4.4 per cent to reflect the higher quality requirement. Tier 2 capital is harmonized and simplified, and Tier 3 capital is being abolished altogether. Including the additional conservation buffer and countercyclical buffers, regulatory capital requirements



for banks rise from a minimum level of 8 to 10.5 per cent depending on the size of countercyclical buffer (including the countercyclical buffer it could go up to 13 per cent). The leverage ratio is an alternative measure for the risk-weighting process and aims to guard against the build-up of excessive leverage in the banking system.

New Liquidity Regime

Basell III introduces new liquidity regulations which aim to ensure banks have sufficient liquidity over both short and longer term. The global financial crisis highlighted the problem that banks did not maintain sufficient levels of liquid asset. When the crisis struck, some banks were unable to meet their obligations and governments had to step in and provide liquidity support. One striking example of this was Northern Rock in the U.K. With a view to reducing the risk of this happening again, bank will now have to comply with two new ratios:

$$LCR \geq \frac{\text{Stock of liquid high quality assets}}{\text{Net cash outflow over 30 days}} \geq 100$$

$$NSFR = \frac{\text{Availabe stable funding}}{\text{Required stable funding}} \geq 100$$

The Liquidity Coverage Ratio (LCR)

LCR is designed to improve bank's resilience to short-term liquidity shortages by ensuring that they have sufficient liquid reserves to cover net cash outflows over a 30 (thirty) day period (i.e. withstand an acute stress scenario lasting one month). Cash and central bank eligible securities are considered liquid reserves for this purpose.

The Net Stable Funding Ratio (NFSR)

NFSR is designed as an incentive for banks to improve the longer-term structural funding of their balance sheet, off-balance sheet exposures and capital market activities.

QUALITATIVE IMPACTS
Impact on individual banks

Weaker banks crowded out

Under the adverse economic conditions, with regulatory scrutiny ever more intensive, the weaker banks will likely to find it more difficult to raise the required capital and, funding, leading to a reduction in different business model and, potentially, in competition.

Significant pressure on profitability and ROE

Increased capital requirements, increased cost of funding, and the need to reorganize and deal with regulatory reform will put pressure on margins and operating capacity. Investors' returns will likely to decrease at a time when firms need to encourage enhanced investment to rebuild and restore buffers.

Change in demand from short-term to long-term funding

The introduction of two liquidity ratios to address the short and long term nature of liquidity and funding will likely drive firms away from sourcing shorter-term funding arrangements and more towards longer term funding arrangements with the consequent impact on the pricing and margins that are achievable.

Impact on financial system

Reduced risk of a systemic banking crisis

The enhanced and liquidity buffers, together with the focus on enhanced risk management standards and capability, should lead to reduced risk of individual bank failures and reduced interconnectivity between institutions.

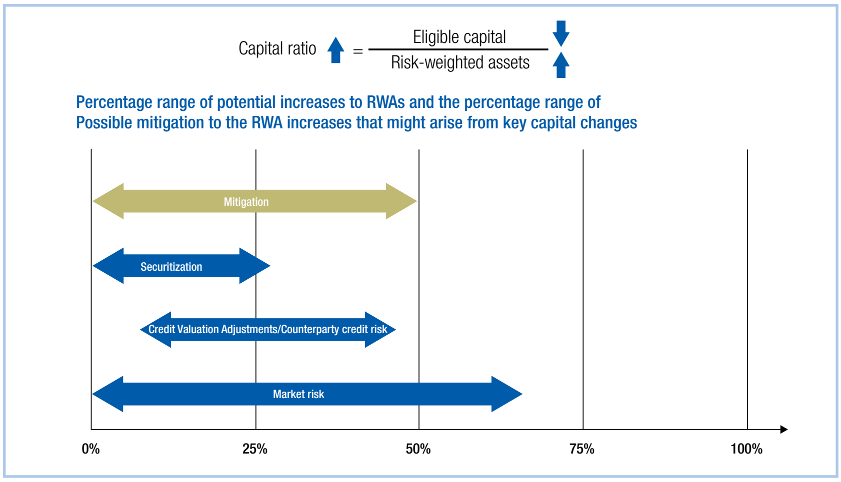
Reduced lending capacity

Although the extended implementation timeline is intended to mitigate the impact, significant increases to capital and liquidity requirements may lead to a reduction in the capacity for banking activity or, at the very least, a significant increase in the cost of provision of such lending.

Reduced investor appetite for and equity

Investors may be less attracted by the bank debt or equity issuance given that dividends are likely to be reduced to allow firms to rebuild capital bases. ROE and profitability of organizations will likely decrease significantly, and some of the proposals on non-equity instruments (if implemented) could start to make debt instrument loss-absorbing prior to liquidation for the first time. This will become evident through investor sentiment in the cost of new capital issuance and the interbank lending rate.

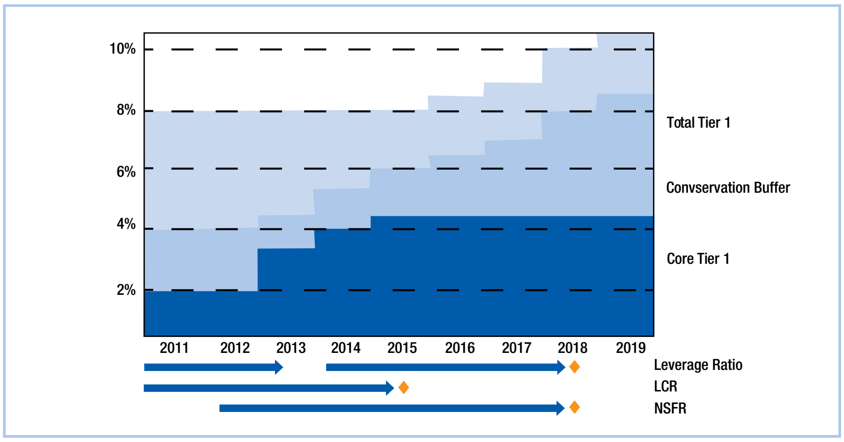
Inconsistent implementation of the Basel III proposals leading to international arbitrage



Time line for agreement of the Basel 2.5 and Basel III proposals

July 2009	December 2009	July 16, 2010	July 26, 2010	August 18, 2010	September 12, 2010	2011?
• Enhancements to the Basel II framework • Revisions to the market risk framework • Guidelines for computing capital for incremental risk in the trading book	• Strengthening the resilience of the banking sector (capital proposals) • International framework for liquidity risk measurement standards and monitoring (liquidity proposals)	• Counter-cyclica capital proposal	• Capital and liquidity agreements with amendments	• Proposal to ensure the loss absorbency of regulatory capital at the point of non-viability	• Endorsement of the July 26 agreement "Group of governors and heads of supervision announces higher global minimum capital standards"	• **Finalization?**

Source: KPMG analysis of BCBS, date



If different jurisdictions implement Basel III in different ways, issues we saw under Basel I and Basel II with respect to international regulatory arbitrage may continue to disrupt the overall stability of the financial system.

Quantitative Impacts

The enhanced capital ratios prescribed by BCBS relate to the ratio of a firm's eligible capital divided by a regulatory prescribed calculation of risk-weighted assets. As set out in the diagram beside, all three parts of this have changed putting more pressure on a firm's compliance with the ratio. The combination of tightening of requirements for asset under the new rules has caused an increase in the capital ratio requirement.

While much is firm-specific, estimates of the impact on the eligible capital forecast as much as 60 per cent reduction arising out from the changes to the deductions from capital for items such as minority interests, investments in financial institutions, deferred tax.

Managing potential increase to the RWA figure in the denominator is also crucial to mitigating the impact of Basel III on a firm's portfolios. It is very difficult to estimate for each firm, but the diagram beside shows the possible percentage range of increases to the RWA arising from three of the key capital changes in Basel III, together with some estimate of the percentage range of mitigation of the potential RWA increase that many believe might occur.

Time line for Basel III proposals

The Basel III has been ratified by G20 members. However, it is not clear if all of the G20 members will implement it in its entirety. It is also unlikely that all members will implement it at the same time. Other BCBS countries are supposed to implement the Basel II framework as per the BCBS timelines. The US has pledged to implement this framework, although it has not fully adopted the Basel II. We expect leading emerging markets to also adopt Basel III, as already announced by some Asian states including China. It is notable that some countries, such as the UK and Australia, started addressing these issues with local regulation in 2009 and 2010 (specifically liquidity and stress testing).

The Basel III framework introduces a paradigm shift in a capital and liquidity standards, which was constructed and agreed to a relatively record time. Many elements, however, remain unfinished, and even the final implementation date looks a long way off. However, market pressure is already driving considerable change at a range of organizations. Firms should ensure they are engaging with Basel III as soon as possible to position themselves competitively in the new post-crisis financial risk and regulatory landscape.

Meeting

19th Annual General Meeting

The 19th Annual General Meeting of Dhaka Bank Limited was held on 17th April, 2014 at Bashundhara Convention Center 2, Dhaka. Mr. Abdul Hai Sarker, Chairman of the Board of Directors presided over the meeting. 17% Cash and 5% Bonus Share have been declared as the dividend for the year 2013. Among others, Founder & Director Mr. Mirza Abbas Uddin Ahmed, Former Vice-Chairperson & Sponsor Shareholder Mrs. Afroza Abbas, Former Chairman & Director Mr. Reshadur Rahman, Directors Messrs. Altaf Hossain Sarker, Mohammed Hanif, Md. Amirullah, Abdullah Al Ahsan, Tahidul Hossain Chowdhury, Khondoker Jamil Uddin, Mirza Yasser Abbas, Amanullah Sarker, Independent Director Mr. Suez Islam & Mr. Syed Abu Naser Bukhtear Ahmed and Managing Director Mr. Niaz Habib were also present. Apart from them, Deputy Managing Directors Mr. Neaz Mohammad Khan, Mr. Emranul Huq, Mr. Khan Shahadat Hossain, Company Secretary Mr. Arham Masudul Huq and a good number of Shareholders were present on the occasion.

32nd Meeting of the Dhaka Bank Shariah Supervisory Committee

The 32nd Meeting of the Dhaka Bank Limited Shariah Supervisory Committee was held on February 27, 2014, Thursday in the Board Room of the Head Office of the Bank.

The meeting discussed and approved the Shariah based products for Stock Brockerage under Dhaka Bank Securities Ltd., Opinion of Shariah Supervisory Committee published in Annual Report 2013 and various issues on Islamic Banking & other Shariah related matters of the Bank. The meeting was presided over by Mr. M. Azizul Huq, Chairman of the Shariah Supervisory Committee. Among others Mawlana Mohammad Salahuddin, Member of the Committee & Khatib of National Mosque Baitul Mukarram, Hafez Mawlana Abdul Gaffar, Mr. Niaz Habib, Managing Director & Member ex-officio, Mr. Neaz Mohammad Khan, Deputy Managing Director, Risk Management, Mr. Md. Sirajul Hoque, EVP & Member Secretary to Shariah Supervisory Committee, Mr. Syed Abdul Quader, SVP & Manager of IBB Motijheel, Dhaka, Mr. Mohammad Ali, SVP & COO of Dhaka Bank Securities Ltd., Mr. K B M Ismail Chowdhury, SAVP & Manager of IBB Muradpur, Chittagong & Mr. Md. Kamaruzzaman, FVP & Muraquib also attended the meeting.

CSR

Donation to 'Lakho Konthe Sonar Bangla' Fund

Dhaka Bank Limited recently handed over a check to Honourable Prime Minister Sheikh Hasina at Gono Bhaban for 'Lakho Konthe Sonar Bangla' fund. Former Chairman & Sponsor Shareholder of the Bank Mr. A.T.M. Hayatuzzaman Khan and Former Chairman & Director Mr. Altaf Hossain Sarker formally handed over the cheque on behalf of Dhaka Bank.

Dhaka Bank donates Microbus to Bangladesh Olympic Association

Dhaka Bank donated a Microbus under Bank's Corporate Social Responsibility (CSR) programme to Bangladesh Olympic Association. Former Chairman & Sponsor Shareholder of the Bank Mr. A.T.M. Hayatuzzaman Khan formally handed over the key of the Microbus to Secretary General of Bangladesh Olympic Association Mr. Syed Shahed Reza at Bangladesh Olympic Association premises on March 11, 2014. Among others Mr. Altaf Hossain Sarker, Former Chairman & Director, Mr. Abdullah Al Ahsan, Director, Mr. A.K.M. Nurul Fazal Bulbul, President of Bangladesh Handball Federation, Mr. Niaz Habib, Managing Director of the Bank, Mr. Emranul Huq, Deputy Managing Director, Brigadier General (Retd.) Mr. Fakhruddin Haider, Director General of Bangladesh Olympic Association, Mr. Ashikur Rahman, Deputy Secretary General of Bangladesh Olympic Association and high officials of both organizations were also present on the occasion.

Bank's ATM Booth at the Dhaka International Trade Fair-2014

Recently Dhaka Bank Limited inaugurated an ATM Booth at the Dhaka International Trade Fair-2014 in a bid to facilitate cash transactions of the visitors of the fair. Mr. Emranul Huq, Deputy Managing Director of the Bank opened the ATM Booth. Other high officials of the Bank were also present on this occasion.

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Branch opening

Inauguration of 73rd Branch at Pabna

Dhaka Bank formally inaugurated its 73rd Branch at Pabna on April 3, 2014. Mr. Anjan Chowdhury, Managing Director of Square Toiletries Limited inaugurated the Branch as Chief Guest. Mr. Abdul Hai Sarker, Chairman & Founder Chairman of the Bank graced the occasion as Special Guest. Among others, Former Vice Chairperson & Sponsor Shareholder Mrs. Afroza Abbas, Former Chairman & Sponsor Shareholder Mr. A.T.M. Hayatuzzaman Khan, Former Chairman & Director Mr. Altaf Hossain Sarker, Director Mr. Mirza Yasser Abbas and Bank's Managing Director Mr. Niaz Habib were present. Deputy Managing Director Mr. Emranul Huq, Manager of Pabna Branch, Local Business Representatives and Industrialists along with other executives of Dhaka Bank were also present in the event.

72nd Branch inaugurated in Araihazar, Narayanganj

Widening its outreach across the country, Dhaka Bank formally inaugurated its 72nd Branch at Araihazar, Narayanganj on February 2, 2014 in a simple ceremony. Former Chairman and Sponsor Shareholder Mr. A.T.M. Hayatuzzaman Khan inaugurated the Branch as Chief Guest. Mr. Abdul Hai Sarker, Chairman of the Board of Directors graced the occasion as Special Guest while Mr. Nazrul Islam Babu, Honourable Member of Parliament was also present. Among others Mr. Abdullah Al-Ahsan, Director, Mr. Syed Abu Naser Bukhtear Ahmad, Independent Director and Mr. Khondker Fazle Rashid, former Managing Director, Mr. Emranul Huq, DMD, Business Banking, Mr. Khan Shahadat Hossain, DMD, Mr. Arham Masudul Huq, SEVP & Company Secretary along with a number of Branch Managers were also present in the event.

Alliance

MoU signed with Hajj Agencies Association Bangladesh

A Memorandum of Understanding (MoU) was signed between Dhaka Bank Limited (DBL) and Hajj Agencies Association of Bangladesh (HAAB) to facilitate channelling of Hajj and Umrah funds of the intending pilgrims to the Holy Kaaba Sharif. The MoU was signed at the Head Office of Dhaka Bank Limited on March 12, 2014. Under the MoU, all ballotee and non-ballotee Hajj and Umrah Pilgrims can deposit their Hajj & Umrah money to 74 Branches of the Bank all over the country without any charges. In addition to that, Hajj and Umrah Pilgrims may collect Dhaka Bank Traveler's Cheque and Hajj Visa Card services to withdraw money during the Hajj.

The MoU was signed by the Managing Director of Dhaka Bank Mr. Niaz Habib and the President of HAAB Mr. Md. Ibrahim Bahar on behalf of their respective organizations. Among others, Deputy Managing Directors of Dhaka Bank Mr. Neaz Mohammad Khan, Mr. Emranul Huq, Mr. Khan Shahadat Hossain along with other high officials from both the organizations were present in the event.

MoU signed with Labaid

Dhaka Bank Recently signed MoU with Labaid Group. Managing Director of Dhaka Bank Mr. Niaz Habib and Managing Director of Labaid Group Dr. A.M. Shamim signed the agreement on behalf of their respective organizations. Under this agreement, Dhaka Bank Cardholders (both Debit & Credit) and Employees will enjoy up to 25% discount on different medical services of Labaid in all of its outlets across the country. Moreover, Dhaka Bank also extended a Term Loan facility of BDT 249.12 mln to Labaid through Dhanmondi Branch for expansion of their business. Among others, Deputy Managing Director of Dhaka Bank Mr. Emranul Huq, EVP & Manager, Dhaka Bank Dhanmondi Branch Sk. Abdul Bakir, EVP & Head of Card Operations Mr. Shah Azizul Islam, Head of Card Business Mr. Mostafizur Rahaman along with other high officials of both the organizations were present in the event. Managing Director of Dhaka Bank expressed his keen interest and eagerness to be the proud financial partner of the Labaid family in coming days.

SME Promotion

Women Entrepreneurs' Conference & Product Display 2014

Bangladesh Bank (BB) held the biggest-ever gathering of women entrepreneurs in the city on March 13, 2014 to popularize banks' small and medium enterprise loan facility among special beneficiaries through establishing a platform with all stakeholders. Bangladesh Bank Governor Dr. Atiur Rahman inaugurated the fair at Ruposhi Bangla Hotel premises where both traditional and non-traditional products like boutique, bids, beauty items, leather items etc. produced by women entrepreneurs were displayed. Managing Director of Dhaka Bank Mr. Niaz Habib along with other high officials of SME Division of the Bank were also present in the event.

Training & Learning

A fifteen day-long Foundation Training-41st Batch was conducted by Dhaka Bank Training Institute. A total of 32 Officials from different Branches, Divisions, Units of Head Office & Dhaka Bank Securities took part in the programme. Mr. Niaz Habib, Managing Director of Dhaka Bank addressed the valedictory session as the Chief Guest and distributed Certificates and prize among the participants. Mr. Md. Abdul Motaleb Miah, FVP & Incharge, DBTI and some participants spoke on the occasion.

A four week-long Foundation Training-42nd Batch was conducted by Dhaka Bank Training Institute. A total of 29 Officials from different Branches, Divisions, Units of Head Office & Dhaka Bank Securities took part in the programme. Mr. Emranul Huq, Deputy Managing Director of Dhaka Bank addressed the valedictory session as the Chief Guest and distributed Certificates and prize among the participants. Mr. Md. Abdul Motaleb Miah, FVP & Incharge, DBTI spoke on the occasion.

Training & Learning

Training Workshop on “E-tendering” has been jointly conducted by Dhaka Bank Training Institute and Business Operations Division. 44 Officials from 40 Branches took part in the Workshop. Mr. Niaz Habib, Managing Director of the Bank inaugurated the programme. Sessions were conducted by Mr. Sk. Shariful Islam Engineer, Mr. Najmul Hasan, Assistant Programmer of Ministry of Planning, Bangladesh and Mr. Sharif Mohammad Mushfiqur Rahman, AVP, IT Division of Dhaka Bank limited. Mr. Md. Abdul Motaleb Miah, FVP & In-Charge, Dhaka Bank Training Institute was also present at the workshop as coordinator.

Training Achievement


1


2


3

The best three Participants in Foundation Training -41st Batch:

01. Mr. Md. Shartaz Shadlil Khan, Trainee Officer, Dhanmondi Branch, Dhaka (1st position)
02. Mr. Md. Jahangir Alam, Officer, DEPZ Branch (OBU) Savar, Dhaka (2nd position)
03. Ms. Antora Haseen Ullah, Trainee Officer, Banani Branch, Dhaka (3rd position)

Awards presented by Mr. Niaz Habib, Managing Director.


1


2


3

The best three Participants in Foundation Training-42nd Batch:

01. Mr. Mohammed Musfequl Hoque, Senior Officer, Fatikchari Branch, Chittagong (1st position)
02. Mr. Md. Shams Hakim, Officer, Communication & Branding Division, Head Office (2nd position)
03. Mr. Mohammad Ashraf Hossain Razib, Principal Officer, Dhaka Bank Securities Ltd, Dhanmondi, Dhaka (3rd position)

Awards presented by Mr. Emranul Huq, Deputy Managing Director-Business Banking.

Trade Finance Facilitation

Md. Ruhul Amin
Principal Officer, Financial Institutions
Global Trade Services

Along with all other fast changing aspects of the world, trade scenario of Bangladesh is also changing at a notable pace, thus causing the urgency of expansion of business purview in emerging as well as challenging global markets. Business players in Bangladesh are now desperate to emulate or surpass their standing in respective of market competition and other market variables as well.

Banks as crucial intermediary in the financial system are also in line with the same urgency of pacing with the change to facilitate their business players' trade finance in foreign exchange. Corporate focused private commercial banks are always keen to add value to their ongoing trade finance services for the clients.

Financial Institutions (FI) Unit
A vital team of a bank to integrate other banks or FIs in the trade finance need, represents the untapped trade finance need of the bank to correspondents/ FIs and on the other side, channelizes correspondents' exposure to such need for mutual benefits. In this connection, FI Unit acts spontaneously to avail maximum correspondent banking relationship with foreign banks/ financial institutions.

Correspondence Banking Relationship gets dominant consideration for both parties in this channelization process. Relationship with foreign top tier banks/ FIs or even global renowned donors like Asian Development Bank (ADB), International Finance Corporation (IFC), FMO (Netherland finance company), DEG or such trade finance players can have / avail significant trade finance facility to expedite large volume worldwide export-import transactions smoothly.

Corporate houses in Bangladesh have demand for availing financing for their imports or discounting their export bills. In recent years importers of large volume industrial raw materials and capital machineries are trying to minimize their cost of import financing.
Bangladesh Bank in this regard, vide their FE Circular No.02 dated February 06, 2012 permits maximum 6% per annum as import financing cost on short term basis. This change encouraged the importers to take short term foreign currency import financing instead of Loan against Trust Receipt (LTR) /Short Term Loan (STR) / Loan against Imported Merchandise (LIM) or so on from local banks.

Trade Financing from foreign banks or correspondents has emerged as the new frontier to address such ongoing demand for expediting more business operations of the business players in Bangladesh. Foreign correspondents or FIs finance in the forms of discounting of import bills or place foreign currency fund directly to Offshore Banking Unit of local banks in Bangladesh. They facilitate trade finance to local banks considering a number of financial key indicators and corporate good governance.

Trade Finance Facilitation deserves priority in consideration of Management of any bank in the current financial market system. Management of the bank can do the following for availing more such financing from foreign sources:

1. Identify trade finance business and trade finance need for the bank.
2. Form specialized team for trade business operation.
3. Prepare the policy & procedure to process trade finance business by the bank.
4. Highlight key financial figures and show growth potential of the bank.
5. Communicate foreign financing institutions and make them interested in line with banks' trade finance business trail.
6. Assure of informative session with foreign banks/FIs by Management participation.
7. Maintain & follow up for addressing compliance issue and keep in touch.

Management is normally expected to make foreign delegates visualize the whole bank and its visionary performance, making them have a feel that they are prioritized.

Let the bank take collaborative actions towards experience in trade financing facilitation in reflection of visionary drive.

Contemporary fraud-forgery in banks, fact analysis & remedial measures

Mahamudunnabi, ACA
Senior Assistant Vice President
Internal Control & Compliance Division

The term 'Fraud-Forgery' remains a shocking phenomenon in the Banking industry. A lot of money has been shifted from a few banks through fraudulent activities during the last 3 years and the malevolent trend is on unstoppable spree these days too. An evil circle and strong as well is found to be associated with siphoning off bank's money outside the country in different ways with the intervention of bank official. Consequently, almost an astonishing size of cash, visibly comparable to a part of national budget vanishes from the various public-private sector banks. To anybody's dismay, defrauding bank of such huge amount of money has been materialized through fake land documents, fake LCs, fake papers, fake drafts and also other devious means.

Here two eerie incidents in the banking sectors are drawn in light of prevailing key factors, existing loop-holes and defensive measures which may act as deterrent to such alarming incidents and malpractices in banks. The case study is based on true stories of financial scams but with fictitious name of banks to avoid slander on a company's good name.

Incident-1: Forgery in loan accounts for Tk. 100.00 crore in XYZ Bank Ltd.

Key happenings:

i. Opened a huge numbers of fake loan accounts;
ii. Fund transfer from various *GL accounts* i.e. sundry accounts, migration accounts, profit receivable accounts by debit/credit the GL accounts to the specific deposit accounts directly;
iii. Defalcate by sanctioning new limit in some *non-operative loan accounts* and fund transferred from such loan accounts to some savings & current accounts;
iv. Defalcate by allowing *excess over limit* beyond the limit approved by Head Office;

Loop-holes:

i. Sharing the *password* of one employee with the other on good faith;
ii. Edit transactions by sharing *super-password* of Branch Manager;
iii. Supervisory & control lapses of Manager/ Manager Operations in terms of process/ procedures followed in banking activities;
iv. Absence of due diligence;
v. Fund transfer from various *GL accounts;*

Incident 2: Forgery for Tk. 50.00 crore in ABC Bank Ltd.

Key happenings:

i. Obtained blank cheque(s) duly signed by the customer through misguiding them;
ii. Obtained official pad in blank in the company's name signed by the customer through misguiding them;
iii. Fund transfer from the loan accounts to other banks accounts;

Loop-holes

i. Finance someone other than customer of the bank from the *idle fund/ unused limit of loan accounts* by imposing higher interest rate beyond the prescribed rate and without any securities;
ii. Digress fund by transferring from some large loan accounts through *cash debit voucher* and without any instruction;

Defensive Measures to Guard against Irregularities:

i. Ensure that employees are not posted in the same branch for more than 3 years to avoid conspiracy;
ii. Ensure job satisfaction by increasing as well as practicing employee benefits specially financial issues i.e. attractive salary package, incentive bonus, increment along with other motivational issues i.e. promotion, award etc. to prevent/discourage employees from doing such fraudulent activities;
iii. Keep a close eyes to the various GL accounts and reconcile such accounts in regular interval;
iv. Bring the non-operative loan accounts and EOL accounts under close monitor centrally;
v. Take necessary measures not to share one password with others and build awareness among the employees in this regard;
vi. Authorize Account Opening Form through the Branch Manager in case of Non-AD or Small & Medium Branches and through Manager Operations in case of AD or large branches;
vii. Ensure the purpose of uses of cash debit vouchers required;
viii. Keep close monitor on the idle fund or unused limit of loan accounts;

Rice Bran Oil

About the product

The most balanced, healthy and versatile oil made of the bran of milled rice.

Source element

Bran - hard ouster layers of cereal grain like rice. An integral part of whole grains and often produced as by-product of milling in the production of refined grains.

Recognition Extensively used in Japan, Korea, China, Taiwan and Thailand as a 'Premium Edible Oil'. In Japan, Rice Bran Oil is more popularly known as a 'Heart Oil'. In Western countries, this has acquired the status of a 'Health Food'.

Utility Cholesterol free that reduces risk of heart diseases. It contains tocotrienol that resists cancer, oryzanol reduces fat.

History Rice Millers in the country supply a good portion of the national need of rice. In process of rice production, a side product called 'rice bran' remains unused or sold at a low cost. The millers, having thought of using the byproduct in human welfare effectively invented the process of producing oil from rice bran.

Bran oil brands Spondon Rice Bran Oil, White Gold Rice Bran Oil, Swarna Rice Bran Oil and KBC Rice Bran Oil. All brands together are capable of producing 0.15 million tons of oil annually.

Market Apart from getting popular in the domestic market, Bangladesh rice bran oil is now going to make foray into the global market. With a unique pay-off line 'free from bad cholesterol', the product has grown widely popular in the country and across Asia and the West.

Hurdles Rice bran, the raw material of the oil, is being exported randomly to neighboring countries. More levies on bran export can protect the local producers from higher cost of production.

Prospects The amount of import could be reduced significantly by increasing cultivation of oilseeds including mustard, soybean and paddy. If local companies can ensure the maximum use of bran, import expense on edible oil could easily be curtailed. Bankers too can reap the benefit being the financier of rice bran oil products.

Roti Machine

The invention

Some sort of mechanical device to prepare roti quickly and smoothly.

The inventor

Humayun Kabir, a young man from Magura district. Graduated from the city's Shaikh Burhanuddin College of Science and Technology.

History Back in 1985, Mr. Kabir, a student of Meherpur Zila School made his first attempt to produce roti mechanically instead of doing it manually. Years of experimentation through trial and error at last could see the ray of success in 2011 when the self-trained IT professional developed a device made of two wooden planks, a lever and a sheet of plastic.

How to use A ball of dough, the size of a ping pong ball, is placed between the wooden planks and the lever is pressed. Within two seconds a round-shaped roti, just like a full moon, is produced. Then it is baked in oven, ready for consumption.

Utility Roti ranks second after rice among main food items in Bangladesh. With diabetic people on rise, atta-made roti consumption has shot up. Life can be made easier than ever by this roti machine. Savings time is as valuable as anything.

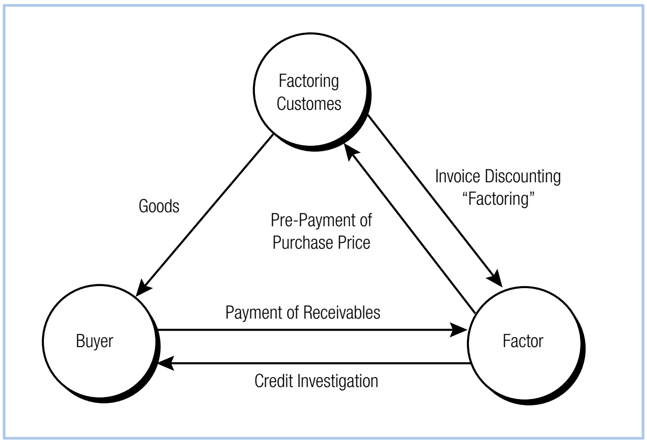
Market It belongs to a nascent industry now, not yet fully developed. The entrepreneur is disseminating product knowledge among the avid customers, showcasing the device, its use and utilities. Demand is growing as Probashi Bangladeshis are placing orders.

Hurdles A man of small means cannot meet the rising requirement of his roti maker. He needs patronage, which is not only useful for families and shops but also potential of employment generation if large-scale production is achieved.

Prospects In a low-cost manufacturing environment like Bangladesh, the invention can easily be translated into commercial gains. Its demand is as strong at domestic level as elsewhere in the world. Small ticket SME loans can well feed this innovative entrepreneur's need. Large corporate can buy the patent, employ the inventor for further invention and go for production on economies of scale.

Factoring concept gathering pace and popularity

DS-Concept Factoring (DSCF), a German trade financing company with offices all across the world, introduced the third party business idea - factoring in Bangladesh in 2008, witnessing the growing trend among the exporters getting deferred payment. By concept, factoring is a financial transaction in which a business job sells its account receivables or invoices to a third party (called factor). In advance factoring, the third party provides financing to the seller of the accounts in the form of cash. Factoring is not a loan. It is the purchase of financial asset. The idea of factoring has broadened up to the periphery of trade facilitation. When importers from the US, Europe or other countries ask for deferred payment to exporters out of Bangladesh, the company, DSCF can buy the deferred L/Cs and change it to sight L/Cs to the exporters' relief. As sight L/C terms, payment is made immediately to the beneficiary/seller/exporter upon presentation of the correct documents in the required time frame. This is where export factoring comes in. Factoring provides a full service package and the client hands over the collection of its payments to the factor company. The export factoring product is designed to help businesses export their goods and services with the comfort of a trusted financial partner. The concept is gaining popularity in Bangladesh as a means of financing as compared to traditional modes of funding through the banks. Here access to fund is cheaper as well as quicker, and does not require any security and collateral whatsoever.



DS-Concept, in the run-up to factoring, make creditworthiness checks over the financial standing of importers through Euler Hermes, one of the largest back-up insurance companies in the world. When the result is positive, the company opens LC on behalf of the importer only with an advance payment of 20-25 per cent and comes up with funds and buy receivables of deferred payments. In today's business world, factoring is gathering pace as the US and Europe, the two biggest world consumers, are troubled by financial downturns that have compelled the buyers to ask for more and more deferred payment, for up to 180 days. Given the realities, a lot of Bangladeshi exporters and buying houses, especially small and medium companies, are now contracting DSCF following a surge in deferred payments. Besides readymade garments exporters, the German trade financing company is also working with bicycles, jute and shrimps. Interest aspect of the business is faster services and no collateral. However, larger or more experienced exporting businesses seem averse to factoring need. A third party factor company is not a worthy choice to them in their relationship they have developed with their foreign customers.

NEW JOINING

Mr. Khandaker Anwar Ehtesham,
SAVP & Head, Communications & Branding, Head Office
Date of Joining:
Jan 13, 2014

NEW ROLE

Mr. A.K.M. Ahsan Kabir
VP & Head, Internal Control & Compliance Division, Head Office
Effective Date
Feb 1, 2014

Mr. Rashed Imam
FVP & Manager, EPZ Branch, Dhaka
Effective Date
Feb 1, 2014

Mr. Mohammad Badrul Alam Shariar
FVP & Manager In-charge, Andarkilla Branch, Chittagong
Effective Date
Feb 23, 2014

Mr. Mohammed Asiful Hoque Chowdhury
FVP & Manager, CDA Avenue Branch, Chittagong
Effective Date
Feb 1, 2014

Mr. Mohammad Siddiqur Rahman
SAVP & Manager, Bhulta Branch, Narayanganj
Effective Date
Feb 1, 2014

Mr. Md. Akter Hossain Sorker
SAVP & Manager, Sonaimuri Branch, Noakhali
Effective Date
Feb 1, 2014

Mr. Mohammad Riad Hassan
SAVP & Manager, Keraniganj Branch, Dhaka
Effective Date
Feb 1, 2014

Mr. Sonjoy Talukder
AVP & Manager, Patiya Banch, Patiya Branch, Chittagong
Effective Date
Feb 1, 2014

Mr. Deepankar Saha
AVP & Manager In-charge, Fatikchari Branch, Chittagong
Effective Date
Feb 16, 2014

NEW BORN

Nivrita Saha
Parents: Mrs. Srabonti Rani Das, Officer (Cash) Dinajpur Branch, Dinajpur & Mr. Manos Kumar Saha
Date of Birth: Oct 09, 2013

Kh. Adeeb Safwan
Parents: Mr. Khandaker Shah Mohammad Andaleeb, Officer, DEPZ Branch, Dhaka & Mrs. Sabikun Naher
Date of Birth: Dec 26, 2013

Syeda Feroza Ferdousi (Raisa)
Parents: Mr. Syed Obaidul Kabir, Officer (Cash), Local Office & Mrs. Razia Sultana Officer (Cash), Bangshal Branch
Date of Birth: Dec 22, 2013

Mohammed Wasif Alam
Parents: Mr. Mohammed Shahid Alam & Mrs. Ohida Begum, Officer, Hathazari Branch, Chittagong
Date of Birth: January 30, 2014

Nusayba Islam
Parents: Mr. Md. Shariful Islam, Officer, Finance & Accounts, Head Office & Mrs. Nabila Asadi
Date of Birth: April 5, 2014

FIRST DAY AT SCHOOL

Mohammad Fazle Adel (Dihan)
Play Group
Mohammadpur Preparatory Boys School
Parents: Mr. Mohammad Helal Uddin Senior Principal Officer, Board Secretariat, Head Office & Mrs. Delwoara Begum
First Day at School: Jan 15, 2014

Afifa Hossain Laurel
Play Group
Bandar Sisu Nikatan, Narayanganj
Parents: Mr. Md. Imran Hossain Ratan, AVP & Manager-operations, Pagla Bazar Branch, Narayanganj & Mrs. Furay Jannat Reku
First Day at School: Jan 11, 2014

ACADEMIC ACHIEVEMENT

Nafisul Huq
Academic Result: CGPA 3.81 in BSS (Hons), Public Administration Department, University of Dhaka.
Scholarship: Recipient of Bank of Tokyo Mitsubishi UFJ Foundation Scolarship for the session 2012-2013
Parents: Mr. Arham Masudul Huq, SEVP & Company Secretary & Late Shabnam Huq

Muhammad Hasinur Rahman
Exam: SSC 2013
School: West End High School
Result: GPA-5
Parents: Mr. Mohammad Siddiqur Rahman, SAVP & Manager, Bhulta Branch, Narayanganj & Mrs. Amina Khatun

Ahmed Muntasir
Achievement: Successully Qualified in Competitive Admission Test for Class V 2013
Name of School: Comilla Zilla School, Comilla
Parents: Mr. Md. Akhter Hossain Sarker, SAVP & Manager, Sonaimuri Branch & Mrs. Ferdows Akhter Liza

Our Remittance Partners Worldwide

EXCHANGE HOUSE	COUNTRY
Al-Ahalia Money Exchange Bureau	UAE
AL-Ansari Exchange Company LLC	UAE
GCC Exchange	UAE
Habib Exchange Company LLC	UAE
Lari Exchange Company	UAE
Lulu International Exchange LLC	UAE
Omda Exchange	UAE
UAE Exchange Center LLC	UAE
Wall Street Exchange Center LLC	UAE
BRAC Saajan Exchange Limited	UK
Route of Asia Money Transfer	UK
UAE Exchange	UK
Rupali Exchange Inc.	USA
Al-Mulla International Exchange	KUWAIT
Oman International Exchange LLC	OMAN
Instant Cash Worldwide	GLOBAL
National Exchange Company SRL	GLOBAL
Placid NK Corporation	GLOBAL
Trans fast Exchange	GLOBAL
Western Union	GLOBAL
Xpress Money Transfer	GLOBAL

Paper Rhyme

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