



**IFIC BANK LIMITED**  
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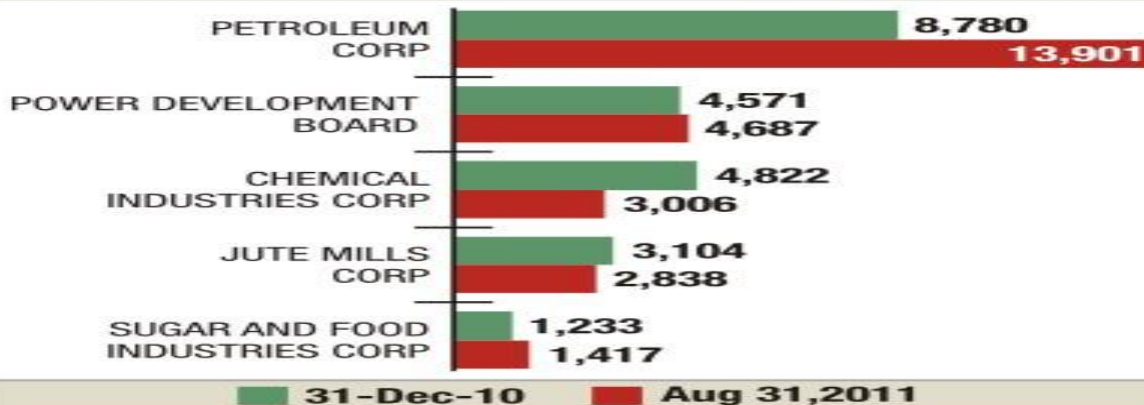
## BB launches debit transaction services

Bangladesh Bank is now offering debit transaction facility under its electronic fund transfer network to provide people an easy, faster and hassle-free service, especially for giving tax, utility bills and remittance transfer. Debit transaction facility is a new addition to Bangladesh Bank’s EFT system that was introduced from February this year under Bangladesh Electronic Fund Transfer Network. BB also introduced automated clearinghouse under BEFTN last year to settle cheque quickly. ‘Debit transaction facility is now on operation. This paperless service will not only ease payment of tax and various bills but also reduce transaction cost for both organisations and their clients. It is faster and less expensive, for example, if a bank charges Tk 100 for providing a service, it will come down to only Tk 5 under this new transaction system. Large public utility service providers such as WASA, Titas and Power Development Board can easily collect their bills from their hundreds of thousands of consumers under debit transaction service.

New Age: 01.10.2011

## Heavy borrowing leaves state banks in cash crunch

**STATE BANKS' LOANS TO FIVE ENTERPRISES**  
**IN CRORES OF TAKA**



Bangladesh Petroleum Corporation's borrowing from four state banks increased by 58 percent in the first eight months of the year, which has pushed the lenders into a capital crunch. Many loans were also given out to the private sector due to pressure from directors with political backgrounds, fuelling the liquidity crisis in the state lenders. In its report to the government, IMF said appointment of directors at all banks should be made on similar criteria, where Bangladesh Bank will have the sole supervisory role. It emphasised that directors should be appointed to the state banks in line with a guideline of the central bank, not the government. As of August, the state banks' outstanding loans to the state enterprises increased by 13 percent or Tk 3,203 crore to Tk 28,276 crore. It was Tk 25,075 crore on December 31, 2010. Bangladesh Petroleum Corporation (BPC) borrowed a total of Tk 13,901 crore from Sonali, Janata, Agrani and Rupali banks until August. The amount was Tk 8,780 crore on December 31, 2010. It borrowed Tk 8,486 crore from Agrani alone. BPC's borrowing increased by Tk 5,121 crore in the first eight months of the year. Total loans approved by the state banks increased by Tk 12,000 crore in eight months, with the public sector taking up Tk 3,203 crore, according to BB statistics. The remaining amount went to the private sector. In the past, the public banks used to lend money to the call money market. But now, they are borrowing regularly. On September 27, the four state

banks borrowed around Tk 2,486 crore from the call money market: Agrani alone took Tk 1,184 crore and Janata Tk 647 crore. From September 6-19, the four banks borrowed an average of Tk 3,365 crore every day from the call money market. IMF said there is a need for further elaboration of plans to strengthen their financial position and internal governance.

Daily Star: 02.10.2011

### **US Congress addresses Chinese currency manipulation**

After years of trying, Congress is taking another stab at retaliating against what many see as Chinese manipulation of its currency to make its exports to the United States cheaper and US goods more expensive in China. The Senate is expected to take up legislation that would impose higher US duties on Chinese products to offset the perceived advantage that critics say China gets by undervaluing its currency. It's a political given here that China's economic policy has damaged American manufacturers and taken away American jobs. Beijing denies that its exchange rate is responsible for the huge trade deficit that the United States has with China, and it's not clear that US lawmakers have the political will to follow through. The Senate bill has bipartisan support and is expected to clear a procedural hurdle. But intense lobbying against it by American-based multinational corporations and their trade associations could spell trouble for the legislation. Under US pressure, China did take steps last year that allowed for some flexibility in the exchange rate. But the yuan has risen only a few percentage points since then, and economists say it is still undervalued against the dollar by as much as 40 per cent. Schumer and others say that's a major reason that some 2 million US jobs have been lost to Chinese competitors in the past decade and that the US trade deficit with China last year hit a record \$273 billion, accounting for 43 per cent of the entire US trade gap. The legislation would require Treasury to determine only that another country's currency is misaligned, then give its government 90 days to make corrections before countervailing duties are imposed. The bill makes it easier for specific industries to petition the Commerce Department for redress under claims that the misaligned currency of China or another country amounts to an export subsidy. That more narrowly focused provision passed the House last September on a 348-79 vote.

New Age: 02.10.2011

### **BAB cautions banks against violation of its 'set' deposit rate**

The Bangladesh Association of Banks (BAB) has cautioned its members of suspending their inter-bank transactions for offering deposit rate beyond 12 per cent to any of their clients. As the sponsors' representative body of the country's private commercial banks (PCBs), the BAB issued a letter on September 26 to all its members to this effect. The BAB will send the names of those banks which will 'defy' the deposit rate 'ceiling' to the central bank for taking necessary actions. The BAB's latest move came following allegations that a few commercial banks had offered the rate of interest on deposit at more than 12 per cent in different cases. In June last, two professional bodies -- BAB and ABB -- decided to follow a uniform policy on deposit rate. The associations have asked the private banks to cap deposit rate at 12 per cent -- a move aimed at curbing a growing practice then among some banks to mobilise fresh deposits in a bid to ease their liquidity pressure. However, some knowledgeable circles have questioned the authority of both BAB and ABB to set directly or indirectly the deposit and lending rates. This is the prerogative of the central bank only and there are critical issues for consideration about capping of both deposit and lending rates even by the central bank under a market-oriented, deregulated interest rate regime, they noted. The inflation rate, the policy interest rate by the central bank, demand-and-supply factors etc., are also relevant points for consideration in matters of fixation of deposit rate, such quarters observed. Meanwhile, bank interest rates, both lending and deposit, remained almost stable in the month of September, following the uniform policy on deposit rate, introduced by BAB and ABB earlier. At least two commercial banks increased their lending rates in September last while an equal number of banks raised their deposit rates aiming to slash their cost of funds. Deposit rate remained unchanged at a maximum of 12.78 per cent on fixed deposits in August last while the interest rate on savings accounts range between 1.00 per cent and 12 per cent, according to the central bank statistics.

Fin. Exp: 02.10.2011

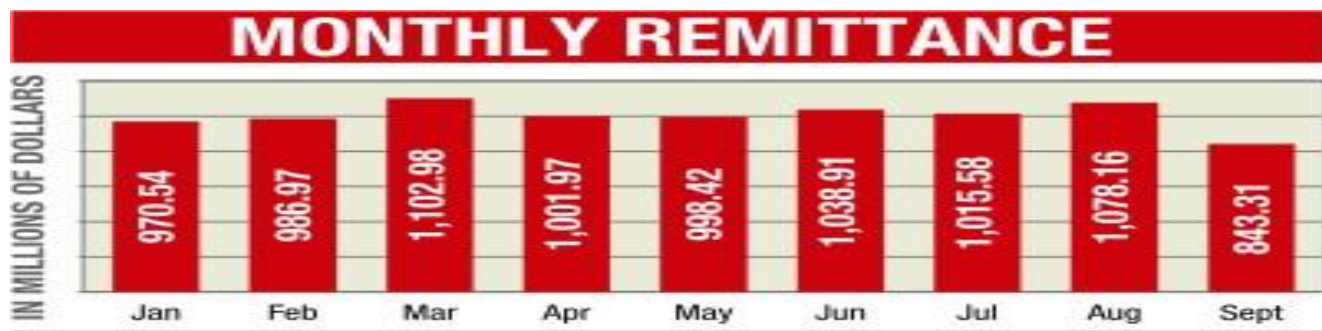
### **Simultaneous directorship in Ins cos, banks, FIs banned**

Directors of any insurance company will not be able to hold the similar posts at other insurers or financial institutions (FIs) at a time. Directors of insurance companies have been opposing the provision since the

government enacted the Insurance Act. The insurance regulator issued a circular in this connection asking all insurance companies to strictly comply with the provision of Insurance Act of 2010. The Insurance Development and Regulatory Authority (IDRA) has asked all insurers to submit names of directors, if any, who have been holding directorship simultaneously in more than one insurance company and also in financial institutions. IDRA issued the circular in line with the Insurance Act of 2010 (75) which barred an individual from becoming the director of a bank, financial institution or an insurance company at a time. A banking company will be defined in accordance with the Bank Company Act of 1991, while a financial institution will be defined in accordance with the Financial Institution Act of 1993, the circular said. According to the Bank Company Act, 1991 (BCA, 1991), an individual is not allowed to become a director of more than one banking company or more than one financial institution or more than one insurance company at a time. The similar provision is also there in the Financial Institution Act, 1993 (FIA, 1993). The parliament enacted the Insurance Act, 2010 disqualifying an individual director of an insurance company from becoming director of a banking company or financial institution at a time.

Fin. Exp: 03.10.2011

### Remittance hits six-month low



Inward remittance fell below \$1 billion in September -- for the first time in six months. The central bank said the fall is seasonal and was mainly driven by a post-Eid slowdown. In September, the remittance inflow came down to \$843 million, whereas Bangladesh recorded more than \$1 billion in remittance a month since March. Compared to August, the remittance inflow fell 21 percent in September, but the amount increased only 0.71 percent compared to the same month last year. Bangladesh Bank Governor Atiur Rahman said the fall in remittance inflow is due to a seasonal factor. Last year also, remittance inflow was \$964 million in August, but it dropped to \$837 million in September. In the first quarter of the current fiscal year, the remittance growth was a bit slow at only 10.49 percent. The amount in the July-September period was \$2.94 billion, up from \$2.66 billion during the same period last year. Remittance growth started to decline due to a significant decrease in the net outflow of migrant workers over the past one and a half years. The country's foreign exchange reserve is also under pressure due to the slow remittance growth coupled with high pressure of fuel import bill. Energy ministry officials said a price hike on the international market and the increased number of quick rental power plants caused a jump in the fuel import bill. The government will have to import a total of 70 lakh tonnes of fuel in the current fiscal year at a cost of \$6.2 billion, according to a government estimate. Bangladesh used to import 32-35 lakh tonnes of fuel a couple of years ago when there was no pressure of the power plants.

Daily Star: 04.10.2011

### BB to help waive interest on loans to troubled stock investors

Bangladesh Bank will take steps to waive the interest rate of margin loans of the affected stockmarket investors, said the president of the Federation of Bangladesh Chamber of Commerce and Industry (FBCCI). The private sector earlier stepped in to rescue the ailing stockmarket with the market stabilisation fund that also aims to give a new lease of life to the retail investors who incurred losses. Initially, Tk 500 crore will be given to the fund by all private banks, insurance companies, non-bank financial institutions, merchant banks, stockbrokers, listed companies and interested non-resident Bangladeshis. Portfolios against the margin loans will be transferred to the fund on a voluntary basis by either the investors or the lender, or both.

Daily Star: 05.10.2011

## **IFC gives \$50m to three Bangladeshi banks**

IFC, a member of the World Bank Group, has approved \$50 million in trade finance to BRAC Bank, Eastern Bank, and Southeast Bank under the global trade finance programme (GTFP), which promotes trade among emerging markets. Trade is a driving force and an engine for growth in many developing countries. IFC's global trade finance programme will help Bangladesh enhance its engagement with the global trade network.

Daily Star: 05.10.2011

## **BB responds 'positively' to stabilisation fund proposal**

The Bangladesh Bank has responded positively to the proposal to float a market stabilisation fund (MSF), sources said. The proposal was mooted last week in an effort to boost liquidity in the capital market and bail out the retail investors who have been hit hard by the recent stock market collapse. The country's apex trade promotion body, owners of listed companies, merchant banks, the two stock exchanges and a platform of retail investors jointly floated the idea in an effort to inject a new life into the trouble-torn market.

Fin. Exp: 05.10.2011

## **Bank credits to large industries on decline**

Banks' and financial institutions' credit to the big industries decreased 0.92 per cent in the April-June period of this year compared to the previous quarter of January-March, according to the latest data of the central bank. And the industrial term loans disbursement posted only 1.47 per cent growth in the April-June period. The energy crisis, high lending rate, the government's borrowings from banks and lack of business confidence were the reasons for the decline in the industrial loans. Bangladesh Bank data shows that the total amount of term loans of the big industries was Tk 5316.43 in April-June period which was 5267.47 crore in the previous quarter. The amount of industrial term loan disbursement stood Tk 7675.49 crore in April-June period of this year. On the contrary, in the January-March period term loans disbursement was Tk 7564.01 crore. Meanwhile, disbursement of working capital loans was Tk 18067.41 crore in the April-June period which was Tk 17619.86 in the previous quarter, a rise by 2.54 per cent. According to the BB data, loans for the medium industries increased 8.76 per cent and small industries loans increased 2.80 per cent. BB data shows that imports of capital machinery were worth Tk 2,894 crore in 2010-11 fiscal years while the total import posted 41.79 per cent growth. As on October 3, 2011, the country's total foreign exchange reserves came down to \$9.94 billion from around \$11.32 billion in March. According to the central bank data, the government's borrowings from banks stood at Tk 7,893 crore till 15th September, 2011.

New Age: 05.10.2011

## **BB warns banks against rat race for collecting remittance**

Bangladesh Bank warned the authorised dealer banks that it would cancel the licence of any bank found involved in a rat race for collecting remittance from abroad by offering high rates of dollar. The BB warning came from a meeting of the central bank with chief executive officers and managing directors of all banks at the BB headquarters on the ongoing dollar crisis. The price of dollar shoots up because of unhealthy competition between banks to bring in remittance by offering high rates of dollar. Some of the banks are in a rat race for collecting remittance. If a bank offers Tk 75 for a dollar, others offer Tk 76 to bring in the remittance. This sort of practice must be stopped; otherwise the BB would cancel the licences of the errant banks. The inter-bank buying rate of dollar soared to Tk 75.41 on from Tk 74.90 on September 18 while the selling rate increased to Tk 75.45 from Tk 75.05 because of a supply dearth of dollar. BB officials also asked the banks to expedite repatriation of export proceeds in the wake of the country's depleting foreign exchange reserve.

New Age: 05.10.2011

## **Bank of England launches fresh stimulus**

The Bank of England will spend 75 billion pounds more of newly-created money to shield Britain's economy from the eurozone debt crisis and keep a faltering recovery going, opting for an early, dramatic move to maximise the impact. Decision by the BoE to expand its asset purchase programme to a total of 275 billion pounds highlights the precarious state of Britain's economy as global growth slows, government spending cuts and tax hikes bite, and consumers face high inflation and slow wage rises. The global economic recovery had slowed, and that the euro debt crisis had created severe strains on financial markets. These tensions in the

world economy threaten the UK recovery. While inflation was still expected to rise above 5 per cent over the next months, the recent deterioration of the outlook had made it more likely inflation would undershoot the 2 per cent target over the medium term. The bold move puts the BoE ahead of other central banks in responding to a darkening global economic outlook and renewed market turmoil. All eyes will now be on the European Central Bank later this session to see if it primes markets for pre-Christmas interest rate cuts. The UK central bank kept interest rates on hold at a record-low 0.5 per cent, while the ECB has raised them twice this year to 1.5 per cent.

New Age: 06.10.2011

### **Forex reserve marks fall**

Bangladesh's foreign exchange reserve marked a fall, slipping below \$ 10 billion-mark due to rising imports, reports UNB. The forex reserve registered a fall of \$ 974.56 million from \$10863.40 million registered on October 04 last year. It was, however, \$ 9883.59 million on September 29, according to statistics released by the Bangladesh Bank (BB). The data on Taka-dollar exchange rate showed that Bangladesh Taka (BDT) depreciated further as it was Tk 75.4300 for one US dollar on October 04 against Tk 75.2267 for the same unit of the greenback on September 29. According to the statistics, revenue collection by the National Board of Revenue (NBR) during the July-August period was encouraging, posting a 15.64 per cent growth. Remittance from the Bangladeshi wage earners at abroad was recorded at US\$ 2960.69 million during July-September, representing a growth of 9.33 per cent over \$ 2708.10 million during the corresponding period of the last fiscal. The statistics available from the central bank on 5<sup>th</sup> October showed that the country's remittance, however, started showing a negative trend in September, registering a 1.63 per cent negative growth to fetch US\$ 843.32 million, compared to US\$ 857.31 million in September last year. The current account balance is still under pressure as it was \$ 253 million in July against \$274 million in July last year.

Fin. Exp: 06.10.2011

### **Moody's cuts credit ratings of 12 British banks**

Moody's downgraded its credit ratings for a dozen British lenders, including state-rescued Royal Bank of Scotland and Lloyds TSB, due to the removal and curtailment of government financial support. Moody's said it chose to downgrade five large banks and seven small ones as government action had 'significantly reduced the predictability of support over the medium to long-term. The downgrades did not concern major lenders HSBC, Barclays or Standard Chartered. But it added that it believed Britain's government was now more likely to allow small lenders to fail if necessary. The announcement comes as the European Union seeks swift recapitalisation of the region's banks to avert the eurozone debt crisis spreading across borders, and a day after the Bank of England injected £75 billion (86 billion euros, \$115 billion) of new money into Britain's stalled economy. Moody's had warned in May that it could downgrade British banks. Its decision to follow up that warning could now result in banks facing higher rates of interest when looking to borrow money on markets, further hindering their attempts to return to better health.

New Age: 07.10.2011

### **China property market remains gloomy during 'Golden Week'**

Apartment's sales in Beijing dropped 22.8 per cent from a year ago during the holiday from October 1 to 7, which is called a "Golden Week", according to statistics released by the Beijing Real Estate Association. The total number of residential apartments sold in Beijing in the period was 1,039, including 908 newly built units and 131 second-hand units, according to the statistics. The figure also represented a 62-per cent decline from the same period in September. September and October are traditionally seen as "boom months" for the city's real estate market. This year's poor fall sales may signal the arrival of a turning point in the city's overheated property market. From January to August, the average price of a residential apartment in Beijing was 13,874 yuan (2,172 US dollars) per square meter, a 6.6-per cent decrease compared to the average price of 14,847 yuan per square metre in 2010. The government has launched a series of policies to rein in skyrocketing housing prices, including establishing purchase limits in large cities, reducing liquidity, requiring higher down payments for home purchases, introducing property taxes in several cities and building low-income housing projects.

Fin. Exp: 09.10.2011

## **Top bankers meet today to set benchmark for forex quotes**

Top bankers sit on 9<sup>th</sup> October to review the country's foreign exchange market situation after the central bank warned of intervention if the dealers fail to maintain a benchmark for dealing with overseas exchange houses. Some banks are quoting high rates to the overseas exchange houses in a rat race to attract more remittance and these rates often exceeded the local inter-bank foreign exchange market by a wide margin. The Bangladesh Foreign Exchange Dealers' Association (BAFEDA), a grouping of 45 banks which trade forex in the local market, is hosting the meet to discuss the latest situation. The BAFEDA has earlier asked all its member banks that while dealing with these exchange houses they should keep the quotes at least Tk 0.20 lower than the inter-bank buying and selling average unit rate. The Bangladeshi currency has depreciated against the US dollar by around one Taka in the last four weeks amid heightened concern of the country's balance of payment situation.

Fin. Exp: 10.10.2011

## **Dealers set dollar price at Tk 76**

Bangladesh Foreign Exchange Dealers Association (BAFEDA) on 10th October set the US dollar exchange rate at a maximum of Tk 76 at customer level to avoid volatility in the market. No bank will be allowed to offer more for the remittances than the BC (bills for collections) selling rate of dollar or Tk 76. Recently, the price of the dollar has been on the rise, riding on the growing demand to meet import bills, particularly for power equipment and fuel oils. Demand for the greenback by Hajj pilgrims has further aggravated the situation. A dollar was sold as high as at Tk 76.40 at customer level on 9th October. The rate was nearly two percent more than that of a month ago. The dollar was selling at Tk 79 on 10th October at different exchange houses and in the kerb market. The inter-bank rate also rose to Tk 75.30, up from Tk 74 just a month ago. The price of the US dollar is more than Tk 2 in the informal (kerb) market than the formal market.

Daily Star: 11.10.2011

## **BB not to force banks to raise stock market exposure**

The Bangladesh Bank would not force banks to increase their capital market exposure to raise liquidity supply to the ailing stock market. The SEC officials requested the BB to ask the banks, who had investment in the capital market less than the allowable limit, to increase their investments in the market. BB officials, however, said that the BB would extend its help within the rules and regulations and would not force any bank to increase their capital market exposure. The central bank also directed the banks to separate the money they made from the share market and not to distribute the amount to investors as dividends. The SEC officials also requested the central bank to allow the banks to waive interest on loans they had provided to their capital market subsidiaries which gave the amount to investors as margin loans.

New Age: 12.10.2011

## **Banks asked to include in CSR initiative humanitarian fund**

Bangladesh Bank governor asked the commercial banks to create a special fund through coordination to strengthen their initiatives in discharging their corporate social responsibilities. The commercial banks should coordinate among them to create the special fund under CSR to promote humanitarian and social development. The central bank governor was addressing a review meeting on CSR initiatives taken and implemented by Association of Banks, Bangladesh (ABB)—a forum of private commercial banks—at the BB conference room. Atiur suggested the commercial banks could jointly create such special fund for skill development of the country's huge labour force which can work abroad in greater numbers to earn remittances for the country. The review showed that CSR activities of the banks widened in 2010 as 46 banks out of 47 directly spent Tk 233 crore during the year. In 2009, some 24 banks had spent Tk 55 crore under their CSR programmes. Out of the total CSR expenditures so far, the banks spent Tk 46.04 crore for humanitarian and disaster relief, Tk 40.08 crore for education, Tk 68.91 crore for health, Tk 26.52 for sports, Tk 32.89 crore for art and culture, Tk 5.98 crore for environment and Tk 12.56 crore for other purposes in 2010.

New Age: 12.10.2011

## **Banks urged to disburse 10pc of loan portfolio to women entrepreneurs**

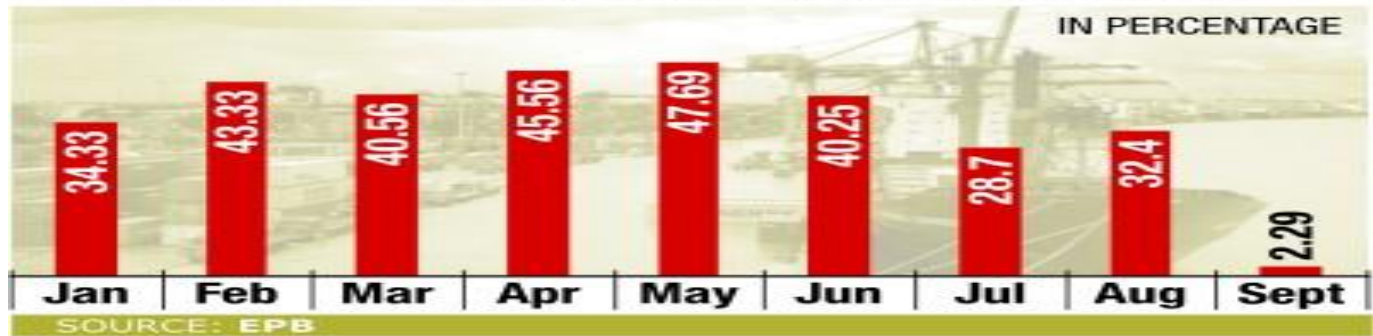
Women entrepreneurs have called upon banks to channel 10 per cent of their total loan portfolio to women-led projects as per the central bank directive. They have also underscored need for simplifying the lending system

and make the loan available without collateral. The president of Bangladesh Federation of Women Entrepreneurs, said many banks do not follow the rule, although the Bangladesh Bank has asked all banks to disburse 10 per cent of their total loan for women entrepreneurs.

Fin. Exp: 13.10.2011

### Exports slowest in nine months

## MONTH-WISE EXPORT GROWTH



Exports grew 2.29 percent in September -- the lowest in nine months this year -- due to a financial crisis in Europe and lean season in business. Earnings in the month were \$1.44 billion, according to the latest data from the Export Promotion Bureau (EPB), released on 13th October. Bangladesh clocked a staggering 40.25 percent growth in June this year, but the country's overseas sales have started to slow down since then. The September figure is also 22.63 percent shy of the government's target of \$1.87 billion for the month. Exporters said generally the months of July, August and September are considered as a lean season as the brands in the western countries spend busy times for developing designs and styles during the period. Moreover, the country's main export destination, the EU, is now going through a debt crisis. As a result, the demand for apparel, Bangladesh's main export items, declined to some extent, the exporters said. The export growth was recorded at 32.40 percent in August compared with the same month last fiscal year, the data showed. Export growth in the first quarter (July-September) of the current fiscal year was recorded at 22.56 percent, compared to the same period a year ago. During the July-September period Bangladesh earned \$6.17 billion from the exports against the periodical exports target of \$6.27 billion. Export growth of some major products such as knitwear, woven garments, jute and jute goods, home textile, footwear and frozen foods slowed down during the period. In the July-September period, Bangladesh exported knitwear worth \$2.58 billion and woven worth \$2.23 billion, with an 18.26 percent and 24.82 percent rise respectively compared to the same months a year earlier.

Daily Star: 14.10.2011

### BB monitoring 'unhealthy' competition among banks

The central bank has strengthened its monitoring, aiming to identify 'unhealthy' competition among the banks over quotation of foreign currency exchange rates to the overseas exchange houses. The central bank has taken the move against the backdrop of unusually high-rate quotations by some commercial banks to the overseas exchange houses to attract more inward remittances. Such rates often exceed the inter-bank foreign exchange market rates. The country's foreign exchange reserve stood at \$10.20 billion on 13<sup>th</sup> October, following adjustments of valuation gains on account of different currencies, gold and also the increased amount of deposits by the commercial banks with the central bank. A technical committee of the Bangladesh Foreign Exchange Dealers' Association (BAFEDA) is now working to set up a fresh benchmark -- a framework to act as the reference points based on market factors -- for quoting foreign currency exchange rates to the overseas exchange houses. On October 5, the central bank asked the bankers to quote foreign currency exchange rates to the overseas exchange houses, after applying due diligence and considering the situation in the international forex market.

Fin. Exp: 14.10.2011

### Banks seeking to hook savers

Private banks have geared up efforts to woo savers by offering sweeteners including higher interest rates on deposit schemes as the banking sector is pinched for cash. Donald Rossette, who heads the marketing at the

bank, said its monthly deposit product has been redesigned to attract depositors. Double benefit scheme has also been refurbished whose time of maturity has been shortened to six years instead of seven years.

Fin. Exp: 15.10.2011

### **Garment export orders on the wane as West gripped by recession fear**

Local knitwear and woven garment manufacturers have been receiving fewer export orders for the last couple of months as the buyers in the Eurozone and the United States are cutting down demand amid the economic crisis prevailing there. The economic crisis of the main importing countries of Bangladesh's readymade garments had contributed to a slower export growth of the items in the July-September quarter. The buyers were also offering a lower than current prices for the garment products. According to the Export Promotion Bureau, the country earned \$2,579.52 million in the first quarter of the current fiscal year from knitwear garment exports, posting an 18.26 per cent export growth rate, declining from 31.91 per cent growth in the same period of FY2010-11. The export earning from woven garments in the quarter was \$2,234.56 million, marking a 24.82 per cent growth, down from 30 per cent registered in the same quarter of the last fiscal year. According to EPB statistics, knitwear export fetched \$2,181.28 million in the first quarter of FY2010-11 and woven garments \$1,790.24 million.

New Age: 16.10.2011

### **Inflation soars to 11.97pc in September**

The rate of inflation has remained stubbornly high after the latest official statistics put the point-to-point inflation at 11.97 percent in September. The rate has maintained its upward trend as the inflation was 11.29 percent in August, according to Bangladesh Bureau of Statistics. In September, the food inflation also went up to 13.75 percent, which was 12.70 percent in August. At 8.77 percent, the non-food inflation was however a bit static in September, which was 8.76 percent the previous month, the latest official stats show. The overall inflation rate has continued upward trend in the last few months due mainly to food price increases.

Daily Star: 17.10.2011

### **EU to mull three-pronged plan for banks**

European Union finance ministers will consider a three-pronged plan to restore investor confidence in the bloc's banks as part of wider efforts to stabilise euro zone finances, EU sources familiar with the situation said. People familiar with the options EU finance ministers will consider, say a three-pronged approach is emerging: a basic minimum core capital requirement for banks in the EU that is substantially higher than the 5 percent "pass mark" in the July stress test of 90 banks; an additional, temporary buffer on top of the new minimum requirement for those banks that have exposure to troubled euro sovereign debt. This does not necessarily mean banks would have to take full market writedowns to hit profits straight away; ensuring that banks have adequate "term" funding, even if it means state-backed guarantees. The benchmark capital level would not be based on an adverse scenario, but rather each bank's core Tier 1 capital position at the end of June, with losses for troubled sovereign bonds applied. That could leave banks needing far less than many estimates suggested last week. Based on a 9 percent minimum core capital requirement after a Greek restructuring and sovereign debt stress -- rather than a full adverse scenario -- banks' capital deficit would be more than 100 billion euros (\$139 billion), lower than the 220-300 billion expected by the market. The three-pronged approach would help tailor the response to individual banks, because the sovereign debt "buffer" would be zero for some and not all lenders would need funding guarantees.

Daily Star: 18.10.2011

### **British inflation hits 3-year high**

Inflation in Britain hit a three-year high in September driven by soaring gas and electricity bills, data showed, adding to a severe squeeze on Britons' living standards as wages fail to keep up with rising prices. The jump highlights the risk to the Bank of England's recent move to revive the faltering economic recovery with a fresh dose of quantitative easing, which could add to inflation already way above the Bank's two per cent target. The central bank expects inflation to drop sharply next year when one-offs, like this year's value-added tax rise fall out of the equation and the weak economy dampens wage and price increases. Consumer prices rose 0.6 per cent last month, taking the annual inflation rate to 5.2 per cent, the highest since September 2008, the Office for National Statistics said. CPI has never been above 5.2 per cent since the introduction of the measure

in January 1997. Analysts had expected the annual rate to jump to 4.9 per cent from 4.5 per cent a month earlier. The retail price inflation gauge, which includes more housing costs and is the benchmark for many wage deals, rose 5.6 per cent year-on-year, its highest level since June 1991. Gilt futures pared gains briefly on the data, and economists said that high numbers were unlikely to affect the Bank's commitment to pump billions of pounds of newly-printed money into the economy over the next four months to forestall longer-term deflationary risks.

New Age: 18.10.2011

### **BB to be lenient on margin loan rescheduling**

The Bangladesh Bank announced that it would be lenient on banks on rescheduling of their margin loans in the wake of the ongoing crisis in the capital market. The central bank in a statement said that a meeting between Bangladesh Bank and Securities and Exchange Commission on October 10 discussed the possible measures to stabilise the capital market. It said the commercial banks would be able to reschedule the margin loans by following the Bangladesh Bank rules on rescheduling of loans. In such case [of rescheduling of margin loans], if there is a necessity of relaxing the conditions of down payments, the central bank would consider positively any application of the banks. The central bank said that there was no bar on waiving interest of loans of the banks and their share market subsidiaries. In such a case, the banks can waive interest on their own consideration based on banker-client relationship. The BB said that the banks could also invest in the capital market up to the limit mentioned in the Banking Companies Act.

New Age: 19.10.2011

### **Imports grow by 22pc in 2 months of current fiscal**

The country's overall imports grew by nearly 22 per cent in the first two months of the current fiscal year (FY), thanks to a jump by over 130 per cent increase in import of fuel oils. Letters of credit (LCs) against imports worth US\$5.480 billion were settled during July-August period of FY'12 compared with \$4.507 billion of the corresponding period of last fiscal, according to the central bank statistics. Fuel oils import increased by 130.49 per cent to \$815.50 million during the period against \$353.82 million of the corresponding period of the previous fiscal. Currently, around 20 oil-based power plants are operating across the country. The import of food grains stood at \$277.94 million during the period under review against \$233.44 million of the corresponding period of the previous fiscal while other consumer goods rose to \$372.81 million from \$326.66 million. Import of capital machinery ---industrial equipment used for production --- rose by 44.23 per cent to \$404.72 million during the period against \$280.61 million of the corresponding period of FY'11. Import of intermediate goods like coal, hard coke, clinker and scrap vessels increased by 92.05 per cent to \$449.04 million during the period from \$233.82 million of the corresponding period of the previous fiscal, the BB data showed. Industrial raw material import increased by 5.51 per cent to \$1.932 billion during the period under review from \$1.831 billion of the corresponding period of the pervious fiscal. During the period, machinery for miscellaneous industries import witnessed a 26.81 per cent growth to \$507.51 million compared with \$400.21 million in the same period of the previous fiscal.

Fin. Exp: 19.10.2011

### **Banks' exposure to stocks much lower than limit**

The country's banking system has much lower than the legally permissible involvement in the stockmarket. But compared to international practices, the banks are already over-exposed. The banks' investment in the share market stood at 3 percent or Tk 16,542 crore of their liabilities as of September 2011, although rules allow them to invest up to 10 percent of their liabilities. As per the law, the banks can invest Tk 54,901 crore in stocks as their liabilities stand at Tk 5, 49,011 crore. This means they still can put in another Tk 38,359 crore in the bleeding market, which suffers from a serious lack of liquidity. As per the existing law, banks can invest up to 10 percent of their liabilities in the share market. The international practice, however, shows banks cannot invest more than 25 percent of their capital, not the liabilities. If the capital is taken into account, Bangladesh's banks have already over-invested in the stockmarket, according to international standards. Bankers said the share market is risky, and for the sake of the safety of the depositors' money, it is better to allow investment of up to 25 percent of the capital. The government has taken initiative to amend the banking companies act, and the draft law also proposes investment of up to 25 percent of the bank's capital. According

to the central bank statistics, of the Tk 16,542 crore invested the banks' own portfolio is Tk 10,097 crore and they invested Tk 5,172 crore through subsidiaries and gave another Tk 1,272 crore as loans to individuals. The amount of total investment in the share market by four state-owned commercial banks stands at Tk 3,642 crore or 3.04 percent of their liabilities. Agrani Bank has invested 4.52 percent of its liabilities, Janata 2.72 percent, Rupali 4.44 percent and Sonali 2.15 percent. The investment by the private commercial banks is Tk 10,677 crore or 3.46 percent and by six Islamic banks is Tk 1,352 crore or 1.75 percent of their liabilities.

Daily Star: 20.10.2011

## **Brand Bangladesh**

Trade between Bangladesh and Germany is increasing at a faster pace in recent years. Germany, the biggest economy in Europe, is the single largest export destination for Bangladeshi products in the European Union. For the continuation of such a high trade growth, a high-powered business delegation is going to Germany today for holding meetings and seminars in efforts to bring more German investors and buyers to Bangladesh. In Germany, 80 percent enterprises fall in small and medium enterprises category. So, Bangladesh has an opportunity to tap the potential of SME development through joint-venture businesses. Bangladesh mainly exported garments and imported industrial machinery.

Daily Star: 21.10.2011

## **Regulators close 4 more US banks**

Regulators closed four banks in the United States on 21.10.2011, including one in Colorado with over \$1 billion in assets, bringing the total number of closures this year to 84. The largest of the failed banks, the Community Banks of Colorado, had \$1.38 billion in assets and \$1.33 billion in total deposits as of June 30. It is the largest bank to fail since August 19, 2011. Bank Midwest, NA, Kansas City, Mo, agreed to assume all the deposits of Greenwood-based Community Banks of Colorado and to purchase essentially all of the assets. Its 40 branches will reopen on 22.10.2011 as branches of Bank Midwest. The Federal Reserve Board, which appointed the FDIC as the receiver of the Colorado-based bank, said it had been 'critically undercapitalised' since July 29.

New Age: 22.10.2011

## **ADB names major challenges for BD's economic growth this fiscal**

The Asian Development Bank (ADB) has said rising inflation, inadequate power generation; lower than expected domestic revenue and foreign aid, global economic slowdown and political instability are major challenges for Bangladesh's economic growth this fiscal. ADB's report has also said the estimated budget deficit at five per cent of gross domestic product (GDP) could cross the limit this fiscal due to higher subsidy allocations. Greater attention is needed for making investment in renewable and clean energy, finalising the coal policy, importing power and liquefied natural gas, attracting private investment, and improving capacity and governance in the power and energy sectors. ADB has suggested for continuous support by the government to expand irrigation facilities for bringing new areas under cultivation, to raise cropping intensity through the spread of hybrid crop cultivation, and to create an incentive regime to enhance the commercial viability of agriculture for sustaining high agriculture growth. The government adopted an expansionary stance for the FY2012 budget to help attain a 7.0 per cent growth rate, while aiming to contain inflation within 7.5 per cent. To balance higher economic growth with macroeconomic stability, close coordination between monetary and fiscal policies will be necessary to control credit expansion, contain inflation and ease balance of payments pressures, while a steady flow of credit to the private sector has to be ensured. To maintain strong sector performance, gas and electricity should be made available, port services, improved, and costs of doing business, reduced, the Bank suggested.

Fin. Exp: 22.10.2011

## **Big banks under pressure in Europe crisis**

Big banks found themselves under pressure in Europe's debt crisis, with finance chiefs pushing them to raise billions of euros in capital and accept huge losses on Greek bonds they hold. The continent's biggest financial institutions were at the centre of talks as leaders entered marathon negotiations in Brussels, at the end of which they have promised to present a comprehensive plan to take Europe out of its crippling debt crisis. 'Between now and Wednesday we have to find a solution, a structural solution, an ambitious solution and a definitive

solution,' French president Nicolas Sarkozy said as he arrived in Brussels. 'There's no other choice.' In addition to new financing for Greece, leaders want to make the banking sector fit to sustain worsening market turmoil and turn their bailout fund into a strong safety net that will stop big economies like Italy and Spain from falling into the same debt trap that has already snapped Greece, Ireland and Portugal. But before the final deadline, they have to overcome many obstacles.

New Age: 23.10.2011

### **Banks to sponsor Market Stabilisation Fund**

Bangladesh Association of Banks (BAB), a platform of bank owners, has decided to be a sponsor of 'Market Stabilisation Fund' in an effort to bring back normalcy to the stockmarket. The size of the open-ended mutual fund is Tk 5,000 crore. Bangladesh Insurance Association is also a sponsor. The sponsors will consider the net losses of the investors to transfer the portfolios to the fund. They will collect information about portfolios from Central Depository of Bangladesh and the beneficiary owner's (BO) accounts of the investors.

Daily Star: 23.10.2011

### **Banks launch Tk 5,000cr fund**



Owners of commercial banks decided to launch a Tk 5,000 crore fund in an effort to give financial support to the stockmarket that facing a severe liquidity crisis. As a sponsor, the banks will initially pump Tk 1,000 crore into the market through the fund -- Stock Market Stabilisation Fund. It will be a closed-end fund in nature having 10 years in maturity period. The pre-IPO (initial public offering) placement will be for Tk 2,750 crore, while the rest Tk 1,250 crore will be raised from public through IPO. Although the banks are allowed to invest up to 10 percent of their liabilities, most banks' current exposure to the stockmarket is 3 percent on an average.

Daily Star: 24.10.2011

### **Turkey safeguard duty affects Bangladesh RMG export**

Export of Bangladeshi readymade garments declined by 15.35 per cent in the first quarter of the current fiscal year compared to the same period of the last fiscal after Turkey imposed 'safeguard duties' on imports of textiles and RMG products in July. According to the latest export data released by Export Promotion Bureau, knitwear and woven garments exports to Turkey declined to \$99.92 million in July-September of the current fiscal year from \$118.03 million in the same period of fiscal 2010-11. Export of RMG products had grown fast from the last fiscal year because of high demand of low-priced Bangladeshi products in the Turkish market. But latest duties of 17 per cent imposed by Turkey caused a decline in RMG exports to the country in July-September. Bangladeshi products would fail to compete with locally produced Turkish goods in its market due to imposition of the safeguard duty while Bangladesh beat Turkey recently in apparel exports to the US market snatching the second position. Bangladeshi manufacturers feared that earnings from apparel export might decline to \$200 million this fiscal year from \$650 million in the last fiscal year due to the imposition of 17 per cent duty by Turkey which may even reach 24 per cent calculating the weight charge. Turkey has increased duties by 20 per cent on import of fabrics from all countries, by 17 per cent from zero, and by 36 from 9 per cent for import of RMG products from the least-developed countries. The new safeguard duty that aims at protecting Turkish textile manufacturers has been effective from July 21. As a result, Bangladesh and China—

the major supplier of RMG products to Turkey—have been the worst affected by the new tax regime in that country.

New Age: 25.10.2011

### **Banks warn of 'limits' to Greek debt deal**

A major bank lobby group on 24.10.2011 cautioned the European Union there were 'limits' to the losses they will accept as part of a deal to make Greece's crippling debt more manageable. An earlier EU plan in July only called for a 21 per cent cut in Greek debt held by private creditors, who were to exchange maturing Greek government bonds with longer-term instruments. Greek banks have already voiced concern at the idea of a 50-plus per cent write-down, but the IIF's comments will raise fears of a broader revolt among international lenders. The EU had earlier said that it thought a deal with the banks was close. The EU has asked banks to agree a 60 per cent write-down, but that banks are so far sticking to their offer of a 40 per cent cut. It will probably end up somewhere in the middle. A negotiator for a major French bank agreed that July's 21 per cent cut turned out to be hugely insufficient, but said 'nothing has yet been decided' on a new number.

New Age: 25.10.2011

### **WB warns govt against hefty bank borrowing**

The World Bank has warned that the government's excessive borrowing from the banking sector and using banks to stabilise the stockmarket will make the country's financial sector weak and ultimately dampen growth. The WB said the significant rise in export and import trade has increased the demand for trade financing including letter of credit facility, adding to liquidity pressures. Also the increase in interest rates and the problems in the textile sector arising from liberalised rules of origin could add to the non-performing loan portfolio of banks. This will ultimately reduce loanable funds of the banks, the WB said. It said all these factors can hinder the banking system in its role of allocating resources to private activities with the best possible returns. Explaining the macroeconomic pressures in the banking system, the WB report said the government's increasing reliance on domestic financing is raising concerns on crowding out domestic financing of the deficit, most of which came from banks. The multi-lateral lender said, this has intensified the liquidity pressures that some of the banks are facing. The creation of the fund also increases contingent liabilities for the government, the report added. The update said weak corporate governance in parts of the banking sector, especially state-owned banks, leads to sub-optimal loan decisions. Finally, there are vulnerabilities posed by ad-hoc policy decisions such as changes in interest rate caps, contribution to a stock stabilisation fund, and financing of large loss-making state enterprises. About approval for setting up new banks, the WB update said, the central bank is planning to invite applications to establish new banks and insurance companies even though the country is facing the problem of "overbanking." It also commented on the budget for the current fiscal year and macroeconomic situation. The WB said the current budget had several measures aimed at protecting local industries by raising customs, supplementary and regulatory duties. Nominal protection increased significantly from 23.7 percent in fiscal 2011 to 26.5 percent in fiscal 2012.

Daily Star: 26.10.2011

### **Banks wary as year closing nears**

December could be the cruellest month for banks. As the year closing approaches, banks are edgy. And there are reasons to be -- the stockmarket for one. It finally seems that the stockmarket contagion has spread to the financial sector. When the stockmarket boomed on an unprecedented scale, greed infected the banks too. They started investing heavily in the market and broke all rules of not crossing their permitted exposure level to stocks. The Bangladesh Bank had mentioned that banks cannot invest more than 10 percent of their total deposit. But that rule was grossly violated. Some banks invested even up to 35 percent. It is yet to be fully discovered what their total exposure to the market was. Subsequently, when last year's December book closing came, private banks proudly touted their fat profits -- Tk 6,162 crore in 2010 against Tk 3,524 crore in 2009 -- mainly because of stock business. But now that the market is on a tailspin, the banks face the horror of loss. At the current market value, their stockholding is now worth Tk 17,000 crore. In a boom market that amount was astronomical and a large part of the current holding was bought at a higher price. So when December arrives, they have to audit for the whole spectrum of loss and make provision. When this is done, the banks, highly valued for their good price earnings ratio (PER), a common measure to judge whether a share is worth buying

or not, will not look as lucrative as they were. So the worst fear will come true -- the stockmarket contagion will spread to the financial sector. The banks became vulnerable to the stockmarket in three ways. First, they had their own investment. Secondly, they had loaned to their subsidiaries and finally, through margin loans given to small investors. Their vulnerability increased even more as they were "advised" not to go for trigger sale of their clients' stocks (A mechanism through which a bank forcibly sells shares of its clients to recover loans if stock prices collapse. This is done to prevent loss of the banks). So these banks were stuck with shares with huge losses. The second fear is the state of the textile sector that has entered a sticky glitch following a topsy-turvy cotton market. First the spinners had to buy costly cotton and then suddenly the market was glutted with cheap imported yarn. This has left the huge investment in the sector, a big portion of which is bank loans, in a bad shape. Spinners are now defaulting with banks. One estimate says Tk 40,000 crore was invested in spinning. So the banks' classified loans will increase and their provisioning too. The third chill is the fact that the banks are not in a position to refinance borrowers because of an acute liquidity crisis. A lot of borrowers took out loans and used them not fully for right purposes. Now when they need to repay, many of them find their financial positions unviable. In any other time, they would have sought refinancing facility, but given the current situation, their options are nil. So the banks will find their slates filled with classified loans. As it is now, there is little hope of immediate improvement in the banks' liquidity because of the excessive credit flow in the past. Coupled with this deposits have slowed down, and high inflation is one of the reasons. So what the banks showed as their half yearly financial results in June are likely not to hold true in December. The June results were not audited and so were not subject to financial rigour. And now when the rigour will be applied, it will be worthwhile to see the result.

Daily Star: 28.10.2011

### **ADB pledges \$4.5b to Bangladesh**

The Asian Development Bank will provide about \$4.5 billion to Bangladesh between 2011 and 2015 to help the country face development challenges in areas such as energy, transport, education and agriculture. The CPS details ADB's strategic development approach in Bangladesh, which is aligned to the government's Sixth Five-Year Plan priorities. It aims to contribute to more inclusive and greener growth, said the lender in a statement. ADB will support the government's objective of fostering regionally balanced development by expanding opportunities and increasing access. ADB's support will be focused on energy, transport, urban development, education, agriculture and natural resources and finance.

Daily Star: 28.10.2011

### **Govt's bank borrowing up 36 times so far this fiscal**

The government's borrowing from the banking system increased by more than 36 times in the first 115 days of this fiscal year (FY), 2011-12, following a markedly declining inflow of overseas funds and substantially lowers volume of net sales of savings certificates. Its net borrowing from the banking system shot up to Tk 111.99 billion until October 23 as against Tk 3.07 billion in the corresponding period of the FY 11, according to the central bank statistics. The government has borrowed Tk 43.61 billion from all the scheduled banks through issuing treasury bills (T-bills) and bonds during the period, and Tk 68.37 billion from the Bangladesh Bank (BB) to finance the budget deficit for the ongoing fiscal. Receipts of foreign assistance, including grants and loans, dropped by nearly 22 per cent to US\$246.72 million in July-September period of the FY 12 compared to \$316 million in the corresponding period of the previous fiscal.

Fin. Exp: 28.10.2011

### **Banks have low penetration rate**

Experts suggested formulation of an appropriate policy by the Bangladesh Bank (BB) to expand formal financial services nationwide as the penetration of banking services is only 8.0 per cent at the national level. A recent study report of Institute of Microfinance (InM) supported by UKAid titled 'Access to Financial Services (ATFS) in Bangladesh' shows that 54.12 per cent of the country's households have access to credit (formal, quasi-formal and/or informal) where the contribution of formal credit is only 7.99 per cent. An important finding of this study is that access to credit has been contributing to poverty alleviation. About 77 per cent of the households have access to some kind of financial services (savings, credit and/or insurance services in formal, quasi-formal and informal markets). Access to quasi-formal (microcredit and cooperative) credit is 36.63 per cent and informal credit access 21.78 per cent. About 45.88 per cent households have no access to

credit.

Fin. Exp: 29.10.2011

### **Banks' deposit growth witnesses rising trend**

The growth of overall deposit with the country's banking system witnessed a rising trend in recent months mainly because of higher inflow of remittances, decreasing net sales of savings certificates and sluggish stock market. Bank deposit increased by about 14 per cent to Tk 4238.88 billion on October 06, 2011 against Tk 4140.53 billion on June 30 this year when the annual rate of deposit growth stood at 11.22 per cent, according to the central bank statistics. Credit growth, particularly in private sector, rose by 8.80 per cent to Tk 3444.49 billion in the period under review from Tk 3362.23 billion on June 30 last when the annual rate of growth was 6.20 per cent. At least, 16 banks, out of a total of 47, have exceeded their CDR limit for credit disbursements on October 06 last, the BB data showed. Bangladesh received \$2.96 billion as remittances during July-September period of the current fiscal year (FY), registering an 11.35 per cent growth over the corresponding period of the previous fiscal, the BB data showed. The net sales of the National Savings Directorate (NSD) certificates fell drastically -- by more than 69 per cent -- to Tk 3.37 billion in July-August period of the FY 12 against Tk 10.98 billion in the same period of the FY 11. The country's stock market lost substantially, in terms of market capitalisation of all the listed issues, leading to a sharp drop in its index, in recent months.

Fin. Exp: 30.10.2011

### **Leather industry sees reduced export**

Tanners, just a few days ahead of the Eid-ul-Azha, the peak season for collecting rawhide, have expressed the apprehension that the country's leather export might fall in the coming days because of the ongoing economic crisis in Europe and USA. Many tanners and leather exporters have already received cancellation of shipment orders for leather and leather goods amid a price slump over the past one and a half months after the gradual export growth posted by the country's leather sector for the past few years. The economic crisis in the USA that has given rise to movements like 'Occupy Wall Street' and the debt crisis that has gripped the Eurozone have generated a negative trend in demand for and price of leather. Many buyers of the USA and the European Union have cancelled orders in the past one and a half months after the manufacturers of leather and leather goods there started cutting down their production volume as the squeezing falling purchasing capacity of consumers generated a downward trend in demand for leather goods. The price of leather had declined from \$2.1 per square foot to \$1.9 per sft over the past two months. The poor supply order received from abroad has prompted the leather industry to focus more on the domestic market, which has been growing tremendously. According to Export Promotion Bureau data, the country earned \$353.25 million in fiscal year 2010-11 from export of leather and leather goods, with raw leather accounting for \$297.83 million of the sum and leather goods \$55 million.

New Age: 31.10.2011

### **Call money rate picks up ahead of Eid**

The inter-bank call money rate started to rise in last few days, reaching up to 19 per cent on 31.10.2011, as banks are scrambling to accumulate cash to meet the rush of withdrawals by clients before Eid-ul-Azha. Bangladesh Bank officials said that the call money rate, the interest rate the banks and non-bank financial institutions charge on other banks and NBFIs on short-term lending, hovered between 10 and 19 per cent. The rate increased to 11.56 per cent on 30.10.2011, the first work-day of the week, from around 9.05 per cent on October 25. The rate of withdrawal of cash from banks by clients has gone up in last two days as Eid-ul-Azha will be celebrated on 07.11.2011. On 31.10.2011, the banks charged up to 15 per cent interest on short-term lending while NBFIs charged 19 per cent. The banks had also increased demand for loans from the central bank through Repo in the last few days. The commercial banks transacted around Tk 5,399 crore in inter-bank money market on 30.10.2011. Besides, banks submitted demands for taking around Tk 32,258 crore from the central bank through Repo on that day. The central bank, however, provided Tk 302.80 crore through Repo and another Tk 385 crore from a special Repo on the day. The call money rate before the Eid-ul-Fitr had increased to around 25 per cent as the rate of withdrawal of cash went high before the Eid. The rate earlier increased to a record 190 per cent in December last year when the money market became volatile. Bangladesh Bank later set the call money rate at 15 per cent.

New Age: 31.10.2011

## Bangladesh bank Circulars during October, 2011

Date	Circular Number	Subject
02/10/11	DFIM Circular Letter No. 15	Specimen signature of Md. Anwarul Islam, Deputy General Manager
03/10/11	FEPD Circular No. 18	Jurisdiction of Bangladesh Bank, Rajshahi Office
17/10/11	FEPD Circular Letter No. 15	Regarding notification of Ministry of Finance dated 27/09/2011
19/10/11	FEIVD Circular Letter No. 01	Publication of phone no. & e-mail address of "Complaint Cell" of the scheduled banks in their respective web-site and display of the same in the visible place of every bank branch
20/10/11	DOS Circular Letter No. 18	Scheduled banks under Municipality area of Pakundia to remain closed on the occasion of by-election of Municipality
23/10/11	DOS Circular Letter No. 19	Scheduled banks under City Corporation area of Narayangonj to remain closed on the occasion of City Corporation election
24/10/11	DFIM Circular No. 12	Relating to the newly licensed Financial Institutions under the Financial Institutions Act. 1993
25/10/11	DFIM Circular Letter No. 17	Financial Institutions under City Corporation area of Narayangonj to remain closed on the occasion of City Corporation election
26/10/11	DFIM Circular No. 13	Formation of audit committee of the Board of Directors of Financial Institutions
26/10/11	DFIM Circular Letter No. 18	Responsibility and accountability of the Board of Directors and Chief Executives / Managing Directors of the Financial Institutions
26/10/11	DMD Circular No. 06	Online transaction of T.bill & T.bond through MI module
30/10/11	DOS Circular Letter No. 20	Extending the banking services for the garments industry sector on the eve of forthcoming Eid-ul-Azah
31/10/11	BRPD Circular Letter No. 12	Duty draw back against direct exported goods through commercial banks

Source: BB website

## Information on Economy

	Amount	Previous year's/ month's Position
<b>1. Foreign Trade:</b>	Million US\$	Million US\$
<b>a. Exports (2010-11)</b>	<b>22924.40</b>	<b>16204.70</b>
b. Exports (August-2011)	2376.80	2339.50
<b>c. Imports (2010-11)</b>	<b>33657.40</b>	<b>23738.40</b>
d. Imports (August-2011)	N/A	2937.80
<b>2. Workers' Remittance (August -2011)</b>	1101.79	1015.58
<b>3. Inflation: point to point (August-2011)</b>	11.29	10.96

Export= FOB Value, Import = CFR Value  
Economic Trends: September 2011

## Banking Sector and Economic Information:

	Amount (TK in Cr.)	
	June - 2011	May - 2011
<b>1. Bank Deposit</b> (excluding inter bank)	410470.70	398487.90
<b>2. Bank Credit</b> (excluding inter bank)	422475.70	415410.00
<b>3. Money Supply</b>		
a. Currency Outside Banks	54795.10	53958.60
b. Demand Deposit	48106.20	45508.90
c. Deposit with BB other than DMBs	199.80	181.30
<b>d. Narrow Money (a+b+c)</b>	<b>103101.10</b>	<b>99648.80</b>
e. Time Deposit	337418.90	329627.00
<b>02. Broad money (d+e)</b>	<b>440520.00</b>	<b>429275.80</b>
<b>4. Excess Reserve (Liquidity)</b>	<b>15599.90</b>	<b>8885.70</b>
5. Weighted average rate of Deposits of Schedule Banks(Quarterly)	7.27	7.24
6. Weighted average rate of Advances of Schedule Banks(Quarterly)	12.42	12.17
<b>7. Ratio of DMBs Credit to Deposits (%)</b>	102.92	104.25
<b>8. DMBs Total Assets/Liabilities</b>	1087850.30	1077405.90
<b>9. F.E. Reserve (million \$US )</b>	<b>10911.60</b>	<b>10431.20</b>
<b>10. Cash Base of the Economy</b>	101082.70	92310.70

- **Narrow Money (M1)** = Currency outside Banks+ Demand Deposits +Deposit with Bangladesh Bank
- **Broad Money (M2)** = M1 + Time Deposit
- **DMBs** = Deposit Money Banks
- **Cash Base of the Economy** = Currency in Circulation+ Balances with Bangladesh Bank
- Monthly Economic Trends: September 2011
- (p)= Provisional

## **Academic Activities October - 2011:**

- I. A day long workshop on "**BACPS & BEFTN- Operation and Trouble Shooting**" was inaugurated by The Senior Vice President and Head of IT of the Bank Mr. Gopal Chandra Guha Roy on October 02, 2011 at IFIC Bank IT Knowledge Centre, BDBL Bhaban, 8 Rajuk Avenue (8<sup>th</sup> Floor), Dhaka-1000. A total number of 34 Officers from different Branches of the bank attended the workshop. It may be mentioned here that, it was the 32<sup>nd</sup> programme of IFIC Bank Academy in the year 2011.
- II. IFIC Bank Ltd. conducted a Half-day Workshop on "**EXP Form Matching through Web-based Online System**" which was inaugurated by The Senior Executive Vice President & Head of CRM, Mr. Wakar Hasan on October 22, 2011 at IFIC Bank IT Knowledge Centre at BDBL Bhaban (8<sup>th</sup> Floor), 8 Rajuk Avenue, Dhaka-1000. Mr. Muhammad Anisur Rahman, Deputy Director, Bangladesh Bank, Head Office was the main speaker in the session. A total number of 33 Executives & Officers working at different branches of the bank alongwith 06 AD branch's Relationship Managers attended the workshop. It was the 33<sup>rd</sup> programme of IFIC Bank Academy in the year 2011.

**Readers please:** What was the point to point inflation for the month September 2011 in our country?

Match our answer with yours: Knowledge Update: 153

**Answer:** According to the Global Competitiveness Report 2011-12 of World Economic Forum, Bangladesh holds 108<sup>th</sup> position among the 142 countries.

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### **Team Members**

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# Revisiting Basics

## The unfolding eurozone crisis

The euro, the dream of many a politician in the years following World War II, was established in Maastricht by the European Union (EU) in 1992. To join the currency, member states had to qualify by meeting the terms of the treaty in terms of budget deficits, inflation, interest rates and other monetary requirements. Of EU members at the time, the UK, Sweden and Denmark declined to join the currency. Since then, there have been many twists and turns for the countries that use the single currency.

**1999:** On 1 January, the currency officially comes into existence.

**2001:** Greece joins the euro.

**2002:** On 1 January, notes and coins are introduced.

**2008:** Malta and Cyprus join the euro, following Slovenia the previous year. In December, EU leaders agree on a 200bn-euro stimulus plan to help boost European growth following the global financial crisis.

**2009:** Slovakia joins the euro. Estonia, Denmark, Latvia and Lithuania join the Exchange Rate Mechanism to bring their currencies and monetary policy into line with the euro in preparation for joining. In April, the EU orders France, Spain, the Irish Republic and Greece to reduce their budget deficits - the difference between their spending and tax receipts. In October, amid much anger towards the previous government over corruption and spending, George Papandreou's Socialists win an emphatic snap general election victory in Greece. In November, concerns about some EU member states' debts start to grow following the Dubai sovereign debt crisis. In December, Greece admits that its debts have reached 300bn euros -the highest in modern history. Greece is burdened with debt amounting to 113% of GDP - nearly double the eurozone limit of 60%. Ratings agencies start to downgrade Greek bank and government debt.

**2010:** In January, an EU report condemns "severe irregularities" in Greek accounting procedures. Greece's budget deficit in 2009 is revised upwards to 12.7%, from 3.7%, and more than four times the maximum allowed by EU rules. The European Central Bank dismisses speculation that Greece will have to leave the EU. In February, Greece unveils a series of austerity measures aimed at curbing the deficit. Concern starts to build about all the heavily indebted countries in Europe - Portugal, Ireland, Greece and Spain. On 11 February, the EU promises to act over Greek debts and tells Greece to make further spending cuts. The austerity plans spark strikes and riots in the streets. In March, Mr Papandreou continues to insist that no bailout is needed. The euro continues to fall against the dollar and the pound. The eurozone and IMF agree a safety net of 22bn euros to help Greece - but no loans. In April, following worsening financial markets and more protests, eurozone countries agree to provide up to 30bn euros in emergency loans. Greek borrowing costs reach yet further record highs. The EU announces that the Greek deficit is even worse than thought after reviewing its accounts - 13.6% of GDP, not 12.7%. Finally, on 2 May, the eurozone members and the IMF agree a 110bn-euro bailout package to rescue Greece.

**2011:** On 1 January, Estonia joins the euro, taking the number of countries with the single currency to 17. In February, eurozone finance ministers set up a permanent bailout fund, called the European Stability Mechanism, worth about 500bn euros. In April, Portugal admits it cannot deal with its finances itself and asks the EU for help. In May, the eurozone and the IMF approve a 78bn-euro bailout for Portugal. In June, eurozone ministers say Greece must impose new austerity measures before it gets the next tranche of its loan, without which the country will probably default on its enormous debts. Talk abounds that Greece will be forced to become the first country to leave the eurozone. In July, the

Greek parliament votes in favour of a fresh round of drastic austerity measures, the EU approves the latest tranche of the Greek loan, worth 12bn euros. A second bailout for Greece is agreed. The eurozone agrees a comprehensive 109bn-euro (\$155bn; £96.3bn) package designed to resolve the Greek crisis and prevent contagion among other European economies. In August, European Commission President warns that the sovereign debt crisis is spreading beyond the periphery of the eurozone. The yields on government bonds from Spain and Italy rise sharply - and Germany's falls to record lows - as investors demand huge returns to borrow. On 7 August, the European Central Bank says it will buy Italian and Spanish government bonds to try to bring down their borrowing costs, as concern grows that the debt crisis may spread to the larger economies of Italy and Spain. The G7 group of countries also says it is "determined to react in a co-ordinated manner," in an attempt to reassure investors in the wake of massive falls on global stock markets. During September, Spain passes a constitutional amendment to add in a "golden rule," keeping future budget deficits to a strict limit. Italy passes a 50bn-euro austerity budget to balance the budget by 2013 after weeks of haggling in parliament.

After marathon talks in Brussels, the leaders say some private banks holding Greek debt have accepted a loss of 50%. Banks must also raise more capital to protect them against losses resulting from any future government defaults.