



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

BB asks banks to allow discount on import bills

Bangladesh Bank (BB) has asked all commercial banks to allow discount on accepted bills against letters of credit (LCs) for import aimed at facilitating foreign trade. The central bank has issued a directive in this connection recently and asked all scheduled banks to allow discount on such bills with discretion. "This is to clarify that authorised dealers (ADs), generally known as authorised foreign exchange dealers' banks, are free to allow discount or purchase accepted usance or deferred bills against import from abroad on banker customer relationship applying due diligence, the BB said in its directive issued on September 27 last. According to the guidelines, purchases by the ADs of usance bills covering imports into Bangladesh result in the payment by them in foreign currency or a payment in the local currency to a non-resident account, whereas, they do not receive payment for the bills from the importer pending maturity and thus the transactions result in the extension of credit facilities to the importer in Bangladesh. The BB has taken the latest move after allowing Offshore Banking Units (OBUs) to allow discount on such bills in line with bankers' and importers' demands. Under the provisions, the OBUs may allow discount on bills accepted by ADs in Bangladesh against import under LCs opened on deferred or usance basis applying due diligence. On September 5 last, the BB issued a circular in this connection asking chief executives of all 47 scheduled banks to follow the new directive regarding discounting of accepted bills at OBUs. On December 17, 1985 the BB issued guidelines on establishment of OBUs in Bangladesh. OBUs are treated as non-resident entities for exchange control purpose.

Fin. Exp: 03.10.2010

Eight banks raise interest rate on deposits

Eight commercial banks raised interest rates on deposits last month while interest rates on lending remained almost unchanged. The country's commercial banks now offer interest rates up to 10.03 per cent on fixed deposits, while the rates for savings accounts are 8.50 per cent, according to the central bank statistics. The interest rate of commercial banks increased slightly in June last despite the central bank's persuasion to lower the same, at least below 5.0 per cent. The weighted average lending and deposit rates in the banking sector rose to 5.27 per cent as on June 30 last from 5.20 per cent in March, 2010. The weighted average rates on lending stood at 11.23 per cent in June last while the interest rates on deposit were paid at 5.96 per cent by the banks. Currently, the banks provide loans to large and medium-scale industries at interest rates ranging between 11 per cent and 13 per cent and to small industries between 10 per cent and 18 per cent. Interest rates on housing loans range between 9.99 per cent and 13.00 per cent and on consumer credits between 11.50 per cent and 19.50 per cent. The banks' lending rates on working capital to large and medium scale industries vary between 10 per cent and 13 per cent and for small industries between 11.50 per cent and 16.75 per cent.

Fin. Exp: 03.10.2010

Six more agencies added to anti-money laundering act

Stock dealers, stock brokers included

Six more organisations including stock traders have been brought under the Anti-Money Laundering Act (AMLA) as reporting agencies. The agencies, which are newly included, are stock dealers and stock brokers, portfolios managers and merchant bankers, securities custodian, asset managers, non-profit organisations and non-government organisations. The central bank of Bangladesh issued a circular in this connection 04.10.2010 and asked chief executives and managing directors of the organisations including commercial banks and non-banking financial institutions (NBFIs) to maintain the instructions properly. Currently, commercial banks, non-banking financial institutions (NBFIs), insurance companies and money changers have to report to the central bank on any suspicious transaction. Under the existing AMLA, the reporting agencies will have to inform the Anti-money Laundering Department of the central bank instantly if they detect any suspicious transaction. The central bank will now be able to penalise the agencies anywhere between Tk 10,000 and Tk 0.5 million for failure to submit reports related to money laundering, according to the Act. Besides, financing terrorist activities, food adulteration, environment pollution, sexual exploitation, insider trading and market manipulation and organised crimes have been treated as offences under the AMLA.

Fin. Exp: 05.10.2010

MoF issues letter of guarantee for SCBs' loans to BJMC

The Ministry of Finance (MoF) has issued a guarantee in favor of Bangladesh Jute Mills Corporation (BJMC) for bank loans worth Tk 5.0 billion under the refinancing facility of Bangladesh Bank (BB). Four state-owned corporatised banks -- Sonali, Janata, Agrani and Rupali -- will lend the money to 16 jute mills under the BJMC, said the letter of guarantee (LG), issued by the MoF. The fund will be used by the corporation as working capital of the jute mills concerned. According to the LG, Sonali will lend Tk 1.09 billion, Janata Tk 2.64 billion, Agrani Tk 620 million and Rupali Tk 630 million. The BJMC has to repay the loan amount to four banks within the next 20 years from its export proceeds, the guarantee letter of MoF said. However, it is learnt the banks concerned that consider the BJMC as an 'errant' client are yet to act on the MoF letter. The BJMC owes about Tk 4.0 billion to four banks in unpaid loans. The guarantee of the government shall remain valid until June 30, 2030.

Fin. Exp: 07.10.2010

Excess liquidity in banks falls by 10pc in August

Excess liquidity in the country's banking sector fell nearly by 10 per cent in August last as investment demand in different sectors including capital market has been increased. The overall excess liquidity with the commercial banks came down to Tk 299.00 billion in August from Tk 331.27 billion in July, according to the central bank statistics. Annual Development Programme (ADP) spending grew by 76 per cent to Tk 23.76 billion during July-August period of the fiscal 2010-11 (FY11) compared to Tk 13.47 billion in the corresponding period a year ago. Under the new provisions, banks will be allowed to invest not more than 10 per cent of their total liabilities in the capital market. The excess liquidity of the state-owned banks stood at Tk 128.25 billion as on August 31 last while that of the private commercial banks was at Tk 137.08 billion. The excess liquidity of the foreign banks was Tk 33.67 billion at the same period. Total liquid assets of commercial banks stood at Tk 848.32 billion in August last against Tk 871.96 billion in June, 2010. Excess liquidity of the scheduled banks also dropped at Tk.299.00 billion in August, 2010, against Tk. 344.98 billion recorded in June this year, the BB's data showed. Currently, three treasury bills are being transacted through auctions to adjust the government borrowing from the banking system. The T-bills have 91-day, 182-day and 364-day maturity periods. On the other hand, four government bonds of 5-year, 10-year, 15-year and 20-year terms are being traded on the market.

Fin. Exp: 11.10.2010

NBR boasts of record rise in tax returns

19pc more growth than in last yr



The National Board of Revenue (NBR) has attained a record 19 per cent growth in individual tax returns compared to the corresponding period last year thanks to its motivational campaign and effective monitoring. Officials said the board has received 9,02,005 tax returns, including 2,26,763 time-petitions within the deadline of October 7. The board has received Tk 9.72 billion in 675,242 tax returns and 226,763 time-petitions. Last year, the revenue board received 7,57,964 tax returns within the deadline of November 12. The NBR projected a total of 1.0 million tax returns and Tk 12.50 billion income tax from individual taxpayers by the end of this year. In an analysis of individual tax returns, the revenue board has found that the number of returns almost doubled in the last five years. A total of 5,35,994 tax returns were submitted in 2006-07 that increased to 9,02,005 in the current year. The volume of income tax also rose by six times in the last five years from Tk 2.52 billion to 12.50 billion in 2006-2010 period. In the first quarter (July-September), income tax collection surpassed its target by Tk 2.86 billion achieving 25.13 per cent growth over the same period last year.

Fin. Exp: 12.10.2010

SCBs asked to downsize NPL

The central bank has asked four state-owned commercial banks (SCBs) to take effective measures for reduction of non-performing loans (NPL), particularly from the top 20 defaulters, to improve financial health of the banks. The central bank earlier signed the MoUs with the management of the SCBs aiming to improve their financial performance by providing policy support. The Sonali Bank Limited recovered only 0.7 per cent of default loans from their top 20 defaulters during January-June period of this calendar year while the Janata Bank Limited realised 13 per cent of such loans. During the same period, Agrani Bank Limited recovered only 8.50 per cent of the loans from its top 20 defaulters while the Rupali Bank Limited realised 16.60 per cent, according to the central bank statistics. The central bank has taken the move against the backdrop of rising trend of the classified loan portfolios of the banks in the recent months. The classified loans in the banking sector soared to Tk 233.79 billion as of June, 2010, up by Tk 8.96 billion or about 4.0 per cent over the previous fiscal year. Four SCBs topped the list of classified loans with Tk 121 billion or 20.50 per cent of the disbursed loans followed by Tk 65.11 billion or 3.69 per cent for private commercial banks. Classified loans for specialised banks were Tk 44.11 billion or 24.61 per cent with Tk 3.90 billion or 2.41 per cent in classified loans gone to foreign banks during the period.

Fin. Exp: 21.10.2010

Banks' deposit up by 20pc in six months

The amount of deposit in the banking sector marked a significant rise to Tk 3397.41 billion or 20.30 per cent as of June 30, 2010 compared to the corresponding figure six months back -- December, 2009, the latest data compiled by the Bangladesh Bank (BB) showed. According to the BB data, private commercial banks (PCBs) topped the list by collecting the highest amount of deposit of Tk 2038.23 billion or 60 per cent of total deposit during the period followed by four corporatised state-owned banks, specialized banks and foreign banks. The deposit collected by state-owned banks was Tk 938.01 billion or 27.60 per cent, Tk 174.76 billion or 16.40 per cent by specialized banks and Tk 246.39 billion or 13.10 per cent by foreign commercial banks as of June 30, 2010, the BB data elaborated. The latest data of BB said, the weighted average of PCBs bank deposit rate was 6.84 per cent as on March 2010. It was 5.11 per cent in the case of state-owned banks and 3.40 per cent interest rate was applicable in the case of foreign banks. The highest rate of 7.40 per cent weighted average interest was applicable in the case five specialized banks. However, the highest spread during the same period was 9.33 per cent for foreign banks followed by 5.48 per cent for PCBs, 3.69 per cent for state-owned banks and the lowest 2.26 per cent for specialized banks.

Fin. Exp: 22.10.2010

BB adds Tk 570m to refinancing fund for housing loan

Bangladesh Bank has added Tk 570 million more to its refinancing fund for housing loan to settle the claims of the eligible clients. The Tk 7.0 billion fund has almost been exhausted as the central bank has disbursed housing loans worth Tk 6.84 billion through the commercial banks and non-banking financial institutions (NBFIs). The additional allocation came against the backdrop of suspension of loan disbursement under the refinancing fund since May 1 this year by the central bank to curb inflationary pressures on the economy. Prior to the suspension, the central bank paid 30 per cent of required loans under the refinancing fund in the month of April while the rest 70 per cent was provided to the clients by the banks and financial institutions concerned. The fund was formed in July 18, 2007 with an initial allocation of Tk 3.0 billion to be disbursed over a period of three years to meet one of the basic needs of the people. On January 25 this year, the central bank imposed restriction on purchase or lease of fixed assets including land, saying that the commercial banks would have to take prior approval from the BB to buy or take lease such assets.

Fin. Exp: 22.10.2010

BB cuts interest rate for exporters

Bangladesh Bank has revised the rate of interest on loans taken by exporters from the Export Development Fund, according to a circular sent to all banks on 30.09.2010. If an exporter takes loans worth up to \$1.5 million, the rate of interest will be the six-month London Inter Bank Offer Rate (LIBOR) plus 1 percent. If the loan amount is more than \$1.5 million, the rate of interest will be the six-month LIBOR plus 2.5 percent. Earlier, the rate was LIBOR plus 2.5 percent for any loan amount. Retrospectively, the new rates will apply to all loans from January 1, 2010. An exporter can take a maximum of \$10 million loan from the fund.

Daily Star: 01.01.2010

Foreign loans on a roll

Private companies, mostly from the telecommunication, aviation and power sectors, borrowed about \$603 million in foreign loans during the last one year, marking a 41 percent rise compared to the previous year. Foreign investors, mainly different mobile phone and mobile logistics companies, first brought in foreign loans in the private sector during 2000-2001.

The amount of foreign loans and supplier's credit was comparatively low during the two years of the last caretaker government. The private sector received about \$2.8 billion of foreign loans and supplier's credit during the last ten years. Foreign loans offer the advantage of low interest rate -- less than five percent. According to the BB guidelines on foreign credit, the effective rate of interest should not exceed London

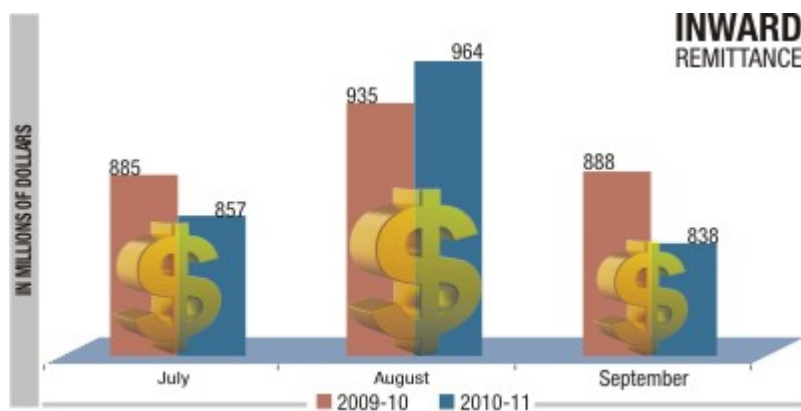
BY THE NUMBERS

Last one year's loans	: \$603 million
Previous year's loans	: \$425 million
Year-on-year growth	: 41 percent
Loan proposals	: 32
Last 10 years' total loans	: \$2.8 billion

Interbank Offered Rate (LIBOR) plus four percent. Effective interest is the sum of the stated annual rate of interest and the annualised fees such as commitment, syndication, front-end, and project appraisal fees. The other main conditions for foreign credit in the form of loans and supplier's credit are that the down payment, if any, in case of the supplier's credit should not exceed 10 percent of the credit amount, and the repayment period should not be less than seven years.

Daily Star: 07.10.2010

Remittances on downswing



For the first time in 10 years, remittances have followed a downward curve. In the first three months of the current fiscal year, remittances fell by about 2 percent compared to the same period of last year. The July-September remittance inflow was \$2.65 billion, down from \$2.70 billion during the same period of FY2009-10. Since 1990s, remittances have increased every year except FY2000-01, when the earning fell by about 4 percent due to the fallout of the September 11 terror attacks on the Twin Towers in the US. After that, remittances increased by 10-32 percent in the last 10 years. Last year, the earnings grew by 13 percent to hit about \$11 billion. Even remittances went up during the global recession over the past two years. According to Bangladesh Bank (BB) data, of the three months, only the August remittances increased slightly compared to the same month of last fiscal year. But the July and September remittances fell compared to the same two months of the previous fiscal year. After FY2007-08, manpower export has been falling every year. That year 9.81 lakh Bangladeshis went abroad for work, according to the BB data. The number went down to 6.50 lakh in FY2008-09, and further to 4.27 lakh in FY2009-10.

Daily star: 07.10.2010

Expatriate Welfare Bank Bill passed

Parliament has passed the Expatriate Welfare Bank Bill 2010 to clear the way for the bank to help migrants financially. The bank will also help the expatriates send remittances through a simple procedure using information technology, find jobs for the expatriates on return to their home country and encourage them in domestic investment.

Daily Star: 07.10.2010

Trio wins economics Nobel for job market analysis

Two Americans and a British-Cypriot economist won the 2010 Nobel economics prize on 11.10.2010 for developing a theory that helps explain why many people can remain unemployed despite a large number of job vacancies. Federal Reserve board nominee Peter Diamond was honoured along with Dale Mortensen and Christopher Pissarides with the 10 million Swedish kronor (\$1.5 million) prize for their analysis of the obstacles that prevent buyers and sellers from efficiently pairing up in markets. Diamond, a former mentor to current Federal Reserve chairman Ben Bernanke, analysed the foundations of so-called search markets, while Mortensen and Pissarides expanded the theory and applied it to the labour market. Since searching for jobs takes time and resources, it creates frictions in the job market, helping explain why there are both job vacancies and unemployment simultaneously, the academy said. Diamond, 70, is an economist at the Massachusetts Institute of Technology, and an authority on Social Security, pensions and taxation. President Barack Obama has nominated Diamond to become a member of the Federal Reserve. However, the Senate failed to approve his nomination before lawmakers left to campaign for the midterm congressional elections. Pissarides, a 62-year-old professor at the London School of Economics. Pissarides said that his work had already helped shape official thinking on both sides of the Atlantic. For example, he said that the New Deal for Young People, a British government initiative aimed at getting 18-24-year-olds back on the job market after long spells of unemployment, "is very much based on our work." Mortensen, 71, is an economics professor at Northwestern University in Evanston, Illinois. He is currently a visiting professor at the University of Aarhus in Denmark.

Daily Star: 12.10.2010

Banks asked to go by job criteria

The central bank has given all banks directives to go by educational criteria in recruiting members of their staff. In a circular on 11.10.2010, Bangladesh Bank (BB) said it found some banks not complying with the criteria with regard to traditional and GPA (grade point average) evaluation systems. Asking the banks to strictly follow the education ministry criteria on academic performances, BB pointed out that GPA-3 and above mean first division in the traditional system. GPA-2 and above are equivalent to second division and GPA-1 and above third division.

Daily Star: 12.10.2010

BB nudges banks to hike capital reserves

Twenty-one banks will have to minimise their capital shortfall by 1 percent or more of their risk-weighted assets by June next year in line with the new requirements set by the central bank. However, 26 banks have no capital shortfall, according to Bangladesh Bank (BB) data. On the basis of the June 2010 requirements, the central bank reviewed the banks' capital against risk-weighted assets, and found that 21 banks will have to maintain 9 percent capital reserves by June next year. The BB also found that the capital of seven banks is equivalent to 5.95-7.49 percent of their risk-weighted assets, while three banks -- one state-owned, one private and one specialised -- had negative capital. The capital reserves of 11 banks were equivalent to 8.02-8.94 percent of their risk-weighted assets. Of these banks, one is state-owned and the rest are private.

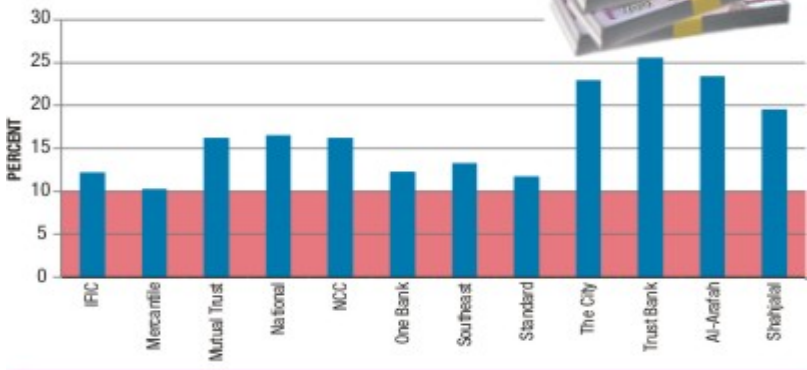
Daily Star: 13.10.2010

Banks get new deadline to cut stock investment

The shareholdings by 12 banks in the capital market till August 31 is above 10 percent, and the central bank has asked them to keep their holdings within 10 percent by November. The banks failed to meet the previous deadline in September. Although the overall holdings of the banks are within the limit, the shareholdings of the 12 private banks range from 10.25 percent to 23.44 percent of their liabilities. Till August 31, the banks' total holdings in the capital market were Tk 23,664 crore against their liabilities of Tk 3,77,487 crore, which is 6.27 percent of the total liabilities. The capital holdings of a bank cannot cross 10 percent of the bank's liabilities in line with the banking regulations.

Daily Star: 18.10.2010

12 BANKS THAT EXCEED LIMIT FOR HOLDINGS IN CAPITAL MARKET



Hedging rules shift into focus

Bangladesh Bank's (BB) strict regulations on hedging of commodities have deprived local businessmen and consumers of taking advantage in the volatile global commodity market. In the case of cotton, the price, which has increased to a historic high -- \$1.43 per pound -- in recent days, has affected the local apparel manufactures badly. In many cases exporters are not taking orders sensing the uncertainty on the global cotton market. Hedging that is about fixing future price, is very popular in today's business world. All the major commodities such as rice, oil, sugar, cotton and wheat are hedged on the global market. The buyers of these commodities minimise the risks of losses, as much as possible, by booking future deals. Though almost all the countries in the world have allowed hedging, Bangladesh is a bit different in this case. The regulator, BB, has allowed conditional hedging of commodities just one and a half years ago. Businessmen who want to hedge have to take prior approval for each case from the central bank. Cotton prices started rising in July on a post-recession rebound in demand. When floods in Pakistan and heavy rains in China wiped out parts of the major producers' harvests, futures pushed past the \$1 a pound level, as traders feared a worldwide shortage. The Chinese buying spree has recently caused for a further jump in the cotton price. It was traded at \$1.43 per pound on Tuesday. Cotton is a single case. There are lot more commodities, including edible oil, sugar, rice and wheat, that witness volatility on the local market and can be bought by hedging. Metal is also a popular item on the global hedge market. Standard Chartered Bank Bangladesh has recently agreed to hedge copper for EnergyPac, a local company. Hedging is a financial instrument that is grouped under the term derivatives. Options/futures (hedging) and swaps are among the most common.

Daily Star: 21.10.2010

Tk 92.62 crore allocated for spice loan

Bangladesh Bank has allocated Tk 92.62 crore for financing the farmers producing pulses, edible oil seeds and spices. The interest of the loan has been fixed at 2 per cent. BB governor said on 03.10.10 the loan amount would increase, if necessary. Addressing the managing directors of the state-owned banks at his office in the city, the governor advised the bankers to disburse the loan by the end of the current 2010-11 financial year. The loan would encourage farmers produce crops to reduce the dependency on import, which cost a huge foreign currency from the national exchequer.

New Age: 04.10.10

Merchant banking wings separation timeline extended

The Securities and Exchange Commission at a meeting on 03.10.10 decided that banks would be allowed to convert their merchant banking wings and brokerage houses into subsidiary companies till November 1, extending the timeline from October 1. Earlier, the Bangladesh Bank directed the commercial banks to separate their merchant banking wings from parent companies and convert these into subsidiaries. The merchant banks will not be allowed to give loans to their clients if they fail to separate their merchant banking divisions within November 1, 2010

New Age: 04.10.10

Foreclosures bungle could hit US banks

Already fragile US financial firms are facing a raft of law suits and potential fines after three major mortgage lenders admitted to mishandling thousands of home foreclosures. Major mortgage lenders Bank of America, JPMorgan Chase and GMAC have in recent days announced they were suspending tens of thousands of foreclosure processes across the country due to apparent improper handling of documents. In 2010, more than three million foreclosures were expected to take place in the United States, figures show. Documentation problems 'are in all probability' likely to exist in 80 per cent of them. The influx of hundreds of thousands of foreclosures led lending institutions to employ people who processed the paperwork as quickly as possible in order to put the property on the market in what has become known as 'robo-signing'

New Age: 04.10.10

Trade with Korea crosses \$1b in eight months

Trade between Bangladesh and Korea has crossed the \$1 billion mark in eight months of the current year thanks to the growth of both countries' exports to each other. Sources in the Korea Bangladesh Chamber of Commerce and Industry informed that January-August trade between two countries has amounted \$1,024 million. But bilateral trade is still heavily tilted in Korea's favour as it exported \$948 million worth industrial goods including steel products, intermediary raw materials, plastics moulds, machineries, synthetic fibres and many other goods. Korea's exports to Bangladesh increased by 37 per cent, in terms of value, in the current year's eight-month span over the same period in 2009. Korean exporters are getting some business lost by the Japanese due to stronger yen, due to which Japanese hot rolled coil, steel plates, machineries and other imports have become costlier. Bangladesh's export to Korea has grown by 30 per cent in the Jan-August period. The country's major exports to Korea are finished leather and readymade garments. The chamber officials told that shipments of readymade garments to Korea increased dramatically in recent months. Jan-Aug shipments of readymade garments amounted to around \$23 million, which is more than double of shipments in the same period of 2009

New Age: 05.10.10

JP Morgan sets sight on trade facilitation services in Bangladesh

JP Morgan, the US giant in investment banking and financial services, has set its sight on Bangladesh, strengthening its trade facilitation services in the country. The financial group is also exploring the potentials of investment banking and asset management services in Bangladesh market. After opening a representative office in Dhaka on 04.10.10, officials of JP Morgan from USA and India operations had a series of meetings with their existing and potentials clients in Bangladesh. Opening office in Dhaka is aimed at strengthening relations with their existing clients, knowing local market closely and growing their business here. At present JP Morgan serves 21 Bangladeshi banks through correspondence banking, providing guarantees to the letters of credit. Bangladesh annual foreign trade now amounts nearly \$40 billion and in recent years it grew by at least 15 per cent. Thus guaranteeing the import and export bills in favour of the local banks is business worth millions of dollars for the international banking service providers like JP Morgan.

New Age: 06.10.10

Housing financing increases but not for lower-income people

Availability of housing finance in Bangladesh is increasing but only for the high-income groups, World Bank suggesting policy reforms for ensuring access of the lower-income people to housing finance. Less than 10 per cent of the potential borrowers have access to housing finance, in its report titled 'Expanding Housing Finance to the Underserved in South Asia: Market Review and Forward Agenda'. 'Housing finance in Bangladesh is limited to the top income groups,' the World Bank said, adding that mortgage lenders have to rely on short-term funding and the legal, regulatory, and taxation frameworks did not allow primary and secondary housing finance markets to develop. Bangladesh's housing market is characterized by a surplus of upper-echelon housing stock, leaving an acute shortage of affordable housing for the great majority of middle and lower-income population groups. But potential housing finance market is huge as World Bank found only 23 per cent of housing in Bangladesh's urban areas and 2 per cent in rural areas were permanent housing. Such ratio is lowest, on average, in surveyed countries including India, Pakistan, Nepal, Sri Lanka and Afghanistan. The World Bank estimated shortage of about 5 million houses in Bangladesh in 2009. In urban areas, the annual estimated demand amounts to 300,000–500,000 houses. The multilateral lender estimated Bangladesh's annual housing finance turnover at Tk 14,200 crore, about 6 per cent of total credit to the private sector and less than 3 per cent of the GDP

New Age: 10.10.10

ECB unveils tougher collateral rules for bank loans

The European Central Bank unveiled new provisions on 09.10.10 regarding key refinancing operations that should tighten some conditions for banks seeking to borrow central bank funds. The changes follow other reforms already proposed for the global financial system that could determine how much credit is available to drive an uncertain economic recovery. Notable in the revised framework were 'clearer and more stringent provisions on the cash flow-generating assets backing ABSs(Asset-Backed securities), identifying swaps and synthetic securities as non-eligible cash flow-generating assets. That means more restrictions on the some kinds of collateral that the commercial banks can offer in exchange for ECB loans, in particular asset-backed securities, which were linked to the recent financial crisis. The ECB also decided to give member central banks more leeway to decide whether to accept collateral 'on the grounds of prudence or a default.' That means central banks can more easily refuse to accept as collateral any debt owed by institutions that could possibly face insolvency and so be unable to pay ultimately

New Age: 10.10.10

Textiles exports to Japan net \$149m in eight months

Shipment of apparels and textiles to Japan amounted worth \$149 million in eight months of the year, according to report of the country's apex forum of garments exporters. The growth of shipment in term of value is more than 82 per cent year-on-year. Out of the total export earnings, ready-to-wear clothing shared \$100 million and the rest was earned by fabrics, yarn, cotton waste, home textiles, bags and carpets export. 'Apparel and textiles shipment to Japan will amount at least \$250 million this year. Confidence of Japanese importers on Bangladeshi suppliers is strengthening in recent times as local exporters are making successful shipments to highly sensitive Japanese market. A BGMEA delegation would visit Japan in mid-January next year to attend a mega fashion fair there. Japan's market of imported apparels is worth \$28 billion annually. At present, China controls more than 80 per cent of the market share while Vietnam, Indonesia, Thailand and Myanmar are other significant players. 'For more than two decades China is ruling the Japanese market of imported apparels. But rising cost of production in China, strengthening of currency and rapid expansion in her domestic apparel market are the eroding competitive edge of Chinese exporters. Japanese importers are looking for cheaper sourcing destinations like Bangladesh. But the Japanese importers follow very sensitive parameters in terms of fabric quality, flawless stitching and use of chemicals in washing and dyeing of fabrics

New Age: 11.10.10

Bankers warn against speeding Basel III timetable

International bankers on 09.10.10 warned that forcing financial institutions to meet new capital requirements too quickly could hurt economies worldwide. They expressed concern that individual countries might require their banks to meet new capital and liquidity standards before the 2019 deadline agreed to last month by negotiators from 27 countries under what is known as the Basel III agreement. 'There is a real concern on the part of the industry about acceleration of the phasing-in process being required by national governments. The IIF is holding its annual meeting in Washington. The global economy is still fragile, Ackerman and other bankers at the event warned, and moving too quickly on capital standards could stifle the recoveries already under way. The new rules will force banks to hold top-quality capital equal to 7 per cent of their risk-bearing assets, more than triple than current standards, so they can better withstand economic downturns and financial shocks. Banks will have until 2015 to meet the minimum core Tier 1 capital requirement, which consists of shares and retained earnings worth at least 4.5 per cent of assets. An additional 2.5 per cent 'capital conservation buffer' will have to be in place by 2019

New Age: 11.10.10

IFIC Bank opens 88th SME/agri branch in Pabna

IFIC Bank on 11.10.10 opened its 88th SME/agri branch at Kashinathpur under Bera upazila in Pabna. Bank's executive committee chairman Mohammad Lutfar Rahman inaugurated the branch. Among others, it was attended by managing director Mosharraf Hossain; senior executive vice-president and secretary division head AKM Mozharul Hoque; senior executive vice-president and human resource division head Syed Zahidul Islam; executive vice-president and corporate banking and marketing division head Fariduddin Al-Mahmud; and executive vice-president and corporate communication and support service division head Md Abul Hossain

New Age: 12.10.10

Bangladesh now world's 2nd largest cotton market

Declining shipments of apparels had earlier kept the demand for cotton dull, but revival of export to the US and EU markets has pushed up cotton procurement by Bangladeshi spinners sharply in the past few months, according to a report by the US Department of Agriculture. The report shows that Bangladeshi spinners purchased 9,14,000 tonnes of cotton this year till September. In terms of volume, import increased by more than 12 per cent over the year. Bangladesh, whose production of cotton is minimal, has now replaced Turkey as the second biggest buyer of cotton in the world, the largest buyer being China. Bangladesh's apparel industry relies heavily on cotton-based yarns as knitwear and denims account for nearly three-fourths of the country's earnings from apparel export that amounted to \$12.5 billion last year

New Age: 14.10.10

September export posts 33.47pc rise

The country's exports in September this year maintained a sharp growth as it registered a 33.47 per cent rise to earn \$1,415.12 million, which is around \$55.37 million more than the target for the month. The export earnings for September 2009 were \$1,060.22 million, according to the Export Promotion Bureau. With healthy performance from the major export-earning knit and woven garment sectors, the overall export income for the first three months (July-September) of the current fiscal (2010-11) witnessed a 29.98 per cent rise compared to the corresponding period of the previous fiscal year. The overall export earnings for the current fiscal (July-September) stood at \$5,029.05 million, exceeding the strategic target of \$4,477.00 million. Export earnings for the July-September period of the previous fiscal totaled \$3,869.10 million. According to EPB statistics for September this year, knitwear export fetched \$2,181.28 million, registering a 31.91 per cent growth over the same month last year while export earnings for woven garments totaled \$1,790.24 million, marking a rise of 30 per cent. The export of home textiles totaled \$125.22 million while that of footwear amounted to \$76.98 million. The export of primary commodities fetched \$236.89

million, frozen foods including frozen fish, shrimps and others \$142.60 million, and agricultural products \$94.29 million. Tea export, however, faced a setback during the month as it accounted for only \$0.37 million, far behind the strategic target of \$1.45 million. The export trend for petroleum by-products and chemical products were also in the negative, accounting for just \$66.54 million and \$28.56 million respectively. On the other hand, the export trend for cotton and cotton products, and leather and leather products were on the rise. Leather export totaled \$64.39 million, leather products \$12.67 million while cotton and cotton products together earned \$29.04 million. The export of rejuvenated jute and jute-made goods totaled \$209.51 million with 33.95 per cent rise

New Age: 15.10.10

Banks asked not to impose service charge on interest

All the scheduled banks have been asked not to impose any service charge for providing its clients any type of loan. A Bangladesh Bank circular said that charging clients extra for giving loan is not legal as the stipulated rates of interest include all types of charges, applicable for the loan processing. The central bank issued the circular on 14.10.10 after it observed that some banks were taking service charges from its clients for lending especially for giving loans to export sector. The BB cautioned about the matter and asked them for taking immediate steps to stop such practice

New Age: 17.10.10

BB will ask private banks to consider green banking

The central bank will very soon ask private banks to consider supporting environmentally-friendly investments, the Bangladesh Bank governor said in a seminar in Dhaka on 19.10.10. Sustainable economic and social development could never be achieved without the integration of environmental concerns in the process. The central bank has worked out a green banking circular seeking from private banks their financial investment plans dedicated to energy-efficient and environmentally-friendly economic activities, In the circular. The banks will be requested to submit plans for green operation that might include reduction in use of paper and installation of LED light bulbs in offices.‘ The central bank wants to introduce a new concept in banking sector — green banking

New Age: 20.10.10

BB okays additional fund for adjusting house refinancing

Bangladesh Bank Housing Refinance Scheme, a house-financing scheme for the middle and low- income group, is getting an additional Tk 57 crore to adjust the excess credit amount already disbursed by the country’s home- loan providing banks and financial institutions. Bangladesh Bank at its board meeting 21.10.10 approved the proposal for sanctioning the extra amount of Tk 57 crore to meet the home-loan demand of April. The amount will be in addition to the total refinanced amount of Tk 700 crore under the BBHRS, which has already been exhausted in March this year. ‘This is an initiative of the central bank to resolve the crisis arose after the disbursement of home-loan of Tk 72 crore by the banks and financial institutions for the month of April. BBHRS has had a tremendous response from the middle and low-income group people as they want to have small-size affordable homes. Supporting the middle and low-income group people to own a home under the BBHRS at a low interest rate is facing uncertainty due to depletion of entire fund and lack of injection of fresh fund into the scheme. The central bank launched the refinancing scheme initially with Tk 300 crore for housing loan in fiscal 2007-08 due to increasing demand for home-loan. Later, the fund was increased to Tk 700 crore. The entire amount of Tk 700 crore exhausted in March this year as the financial and banking institutions took about Tk 45 crore to Tk 50 crore in a month to disburse loan to buyers of flats and houses who have monthly income of up to Tk 50,000. Under the refinancing scheme, borrowers are entitled to receive a loan up to Tk 20 lakh at a 9 per cent interest for a period of 20 years

New Age: 22.10.10

Export to US rising

After a short spell of stagnation due to global recession, Bangladesh's export of readymade garment products is surging again to the US market. According to the Commerce Wing report of Bangladesh Embassy in Washington DC, Bangladesh exported \$409 million worth of RMG products in August 2010, marking a 41.5 per cent growth from the same period of last year. The export in August 2009 was \$289 million. Compared to the Bangladesh's monthly August, 2010 growth of 41.5 per cent, exports from China grew by 28.81 per cent, Vietnam by 24.59 per cent, Indonesia by 23.84 per cent, India by 13.12 per cent and Cambodia by 27.38 per cent, as per data released by US International Trade Commission. Bangladesh is currently the 4th largest apparel exporting country to the US market, trailing behind only China, Vietnam and Indonesia.

New Age: 22.10.10

Export earning from primary goods rises in Q1

Export earning from primary products or non-manufacturing goods has increased in the first three months of the current fiscal year, according to the latest quarterly report of the Export Promotion Bureau. The EPB export performance report, covering July-September or the first quarter of the current fiscal year, shows that earning from the shipments of non-manufacturing goods has increased by 37 per cent over the corresponding period of the last fiscal year. In first three months of 2010-11, non-manufacturing exports amounted to \$237 million. Export earning from frozen foods, shrimps and fish, has increased by 35 per cent to \$143 million and that from primary agricultural products like vegetables, fruits, foliage, and spices by 40 per cent to \$94 million. Primary goods shared 4.7 per cent of the country's total export earnings that amounted to \$5.03 billion in the first quarter of the current fiscal year. The export of primary products suffered a setback in the last fiscal year (2009-10), showing a 0.90 per cent negative growth compared to the 2008-09 fiscal. Of the total export earnings of \$16,204.65 million in the last fiscal year, primary products accounted for \$687.53 million, 25.43 per cent short of the target, according to the statistics released recently by the Export Promotion Bureau. The export of manufactured products, however, marked a 4.34 per cent growth as it totalled \$15,517.12 million in the last fiscal year, but still fell 6.96 per cent behind the target. The overall export earnings in 2009-10 fiscal marked a growth of 4.11 per cent, but fell 7.93 per cent short of the target of \$17,600 million. Analysing the statistics on export of primary products, it was found that frozen fish, dry fish, fruits, vegetables, tobacco, flowers and foliage, dry food and fruit juice showed healthy performance compared to shrimps, tea and mustard oil.

New Age: 23.10.10

BB tightens credit flow to stock market

With a hundred per cent increase in the general provisioning on loans against shares, Bangladesh Bank effectively tightened credit flow to the stock market. The central bank in a circular 27.10.10 asked all the scheduled banks to increase the rate of provision on loans against shares to 2 per cent from current 1 per cent. The BB's decision came against the backdrop of the liquidity glut in the stock market, which has driven the share prices much higher than their fundamentals. Referring to the risk factor of investing in pricey stocks, the central bank circular said that it increased the provisioning on loans against shares and other advances by the stock market subsidiaries of banks. It said the new rate of provisioning will be applicable for unclassified loans and other advances. The increase means banks will require maintaining more money as provision on loan against shares, which will reduce the liquidity glut on the stock market. Earlier, the Securities and Exchange Commission tightened the margin loan to keep share prices at their reasonable level, but the steps did not yield expected result because of buying spree by the investors.

New Age: 28.10.10

Apparels find more space in Germany

The country's export shipment to Germany, the second largest buyer from Bangladesh, amounted more than \$700 million in the first quarter of the current fiscal year. Import procurement from Bangladesh of the world's fourth largest economy rebounded as German apparel importers are increasing their orders while many new buyers from that country are flocking to the market here. Bangladeshi apparel industry has got a new identity as a reliable supplier of the high value apparels, so sales in Germany should increase much in the near future. Germany is the number one market for made-in-Bangladesh knitwear that makes major portion of the country's apparel export earnings. Apparel exports to Germany in July-September 2010 amounted \$733 million, 29 percent more than the figure in the same period in 2009. Readymade garments constituted 92 per cent of Bangladesh's exports to Germany, Europe's largest economy. The next significant exports to Germany are home textiles, footwear and frozen shrimps. Exports of knitwear amounted \$463 million, up 34 per cent year-on-year while shipments of woven or cut-and-sew garments increased by around 20 per cent to \$216 million

New Age: 29.10.10

Bangladesh bank Circulars during October, 2010

Date	Circular Number	Subject
12/10/2010	ACD Circular Letter No. 02	Agricultural Credit at the rate of interest 2% on Pulse, Oil-seed, Spice and Maize.
27/10/2010	FEPD Circular No. 20	Enhancement of Export Development Fund (EDF)
27/10/2010	BRPD Circular No. 32	General provision on loans against shares etc
25/10/2010	BRPD Circular No. 31	Mapping of External Credit Assessment Institutions' (ECAIs) rating scales with Bangladesh Bank (BB) rating Grade
14/10/2010	BRPD Circular No. 30	Fixing Rate of Interest on Loans
11/10/2010	BRPD Circular Letter No. 09	Harmonisation between the traditional division/class system and the grading system
05/10/2010	BRPD Circular Letter No. 08	Value Added Tax (VAT) on services rendered by indenting firms
31/10/2010	DCMPS Circular No. 12	Issuing of MICR Instruments in Regional Clearing Houses

Source: BB Website.

Information on Economy

	Amount	Previous year's/ month's Position
1. Foreign Trade:	Million US\$	Million US\$
a. Exports (2009-10)	16204.60	16204.60
b. Exports (July-2010)	1817.80	1723.50
c. Imports (2009-10)	23738.00	23738.00
d. Imports (July -2010)	2168.20	2200.20
2. Workers' Remittance (June-2010)	892.15	903.05
3. Inflation: point to point (July-2010)	7.26	8.70

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

Banking Sector and Economic Information

	Amount (TK in Cr.)	
	July-2010 ^(P)	June-2010
1. Bank Deposit (excluding inter bank)	335894.90	336869.70
2. Bank Credit (excluding inter bank)	338092.00	334654.80
3. Money Supply		
01. Currency Outside Banks	47116.40	46157.10
02. Demand Deposit	38870.10	41261.80
03. Deposit with BB other than DMBs	169.90	209.40
04. Narrow Money (a+b+c)	86156.40	87988.30
05. Time Deposit	278226.70	275042.80
06. Broad money (d+e)	364383.10	363031.10
4. Excess Reserve (Liquidity)	10200.50	12143.10
5. Weighted average rate of Deposits of Schedule Banks(Quarterly)	5.96 ^(P)	5.96 ^(P)
6. Weighted average rate of Advances of Schedule Banks(Quarterly)	11.23 (P)	11.23 ^(P)
7. Ratio of DMBs Credit to Deposits (%)	100.65	99.34
8. DMBs Total Assets/Liabilities	872818.60	863330.40
9. F.E. Reserve (million \$US)	10749.20	10749.70
10. Cash Base of the Economy	80235.60	81350.00

- **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
- P= Provisional

Monthly Economic Trends: September, 2010

Performance of IFIC Bank as on December 31, 2009:

(Tk. in Crore)

Loans & Advances	Deposits	Profit	Total capital
3779.38	5001.79	207.00	492.87

Academic Activities in October: 2010:

- Foundation Course “**Probationary Officer Phase-I, Group-I (11th Batch)**”: IFIC Bank Ltd. conducted Three weeks long Foundation Course on “**Probationary Officer Phase-I, Group-I (11th Batch)**” on October 03-21, 2010. The course was inaugurated by Mr. Mosharraf Hossain, Managing Director, addressing the participant and inaugurates the Course, while Mr. Mohammad Abdullah, Deputy Managing Director also delivered his address towards the participants at IFIC Bank Academy premises. It may be mentioned that, this was the 32th program of IFIC Bank Academy in the year 2010. Officers working at different branches & Head Office have attended the program.

- II. Workshop on: “**Branch Anti-Money Laundering Compliance Officers (BAMLCOs)**” IFIC Bank Ltd. conducted One day Workshop on “Branch Anti-Money Laundering Compliance Officers” on October 26, 2010. The workshop was inaugurated by Mr. S.M. Abdul Hamid, Senior Executive vice President & Head of F&A at IFIC Bank Academy premises. It may be mentioned that, this was the 34th program of IFIC Bank Academy in the year 2010. Executives and Officers working at different branches have attended the program.
- III. Two Separate Workshops on: “**1) Asian Clearing Union and 2) Automated Clearing House**” IFIC Bank Ltd. conducted One day separate workshops on “1) Asian Clearing Union and 2) Automated Clearing House ” on October 30, 2010. The workshops were inaugurated by Mr. Fariduddin Al Mahmud, EVP & Head of Corporate Banking and Marketing Division at IFIC Bank Academy premises. It may be mentioned that this was the 35th & 36th program of IFIC Bank Academy in the year 2010. Officers working at different branches & Head Office attended the program.

Readers please: please elaborate **POPM**.

Match our answer with yours: Knowledge Update: 138

Answer: The gold Bangladesh Bank recently purchased is reserved in Bank of England.

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Team Members

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Mr. Jayanta Sutradhar, OG – I

Revisiting Basics

Marketing Communications *(Contd.)*

❖ ELECTRONIC MEDIA COMMUNICATIONS

Electronic Media Communications is usually referred to as TV and Radio Communications.

Television Communications: TV could be rated as the most effective media of all communications. Now that remote control is almost a standard in TV and there are several channels; a captive audience is very difficult to come by as they keep changing channels when commercials begin to appear. However, a well-executed TV commercial would often become part of a viewer's entertainment, Paying more and being the first commercial before a break, in a programme where a break is unannounced, is a prudent way to get value for money. Producing quality TV commercials must be considered as a matter of importance. From the point of view of the audience they must be worth watching and from the point of view of the company they should create trial or demand by delivering the products positioning.

Radio: Research states that the ear translates a message to the brain faster than the eye, confirming that audio is superior to the visual medium. Often it is an effective and a less expensive tool to communicate to the target market. There are some products, which are referred to as radio products;

❖ PRINT MEDIA COMMUNICATIONS

Before the advent of TV, print media dominated bulk of the Marketing Communications, `Amongst print media are two major categories, Newspapers, Magazines & Journals. Direct Mail, Handbills & Brochures are also important options depending on the target market.

Newspapers: Just as much as there are radio products there are newspaper types. Much of the house and property sales are in the newspapers than elsewhere.

Direct Mail: Printed matter about the product, service or idea sent by mail or post is referred to as Direct Mail. Many of the Courses and Seminars are communicated using this media extensively.

❖ PROMOTIONS

Promotions are of many different types but the objective is to promote the value proposition and through it create awareness and opportunity for trial and initiate sales.

Consumer Promotions: A manufacturer of Costume Jewellery may have a special Valentine's Day promotion for their products among married or unmarried couples, where those who buy over a certain amount would qualify for tickets for a dinner dance dinner, Airline tickets etc.

Trade Promotions: Trade Promotions generally focus the trade particularly in the marketing of FMCGs (Fast Moving Consumer foods).

Industry Promotions: The export Industry may get together and conduct a trade fair either in the country or overseas to promote sales of their products.

❖ OUTDOOR COMMUNICATIONS

Outdoor options are many and they could be very effective reminders. Billboards Or Hoardings, Posters, Banners and Pennants.

❖ **MERCHANDISING**

By point of purchase it is meant the point at which customers buy their goods or in simple terms, shops: groceries, pharmacies, supermarkets and the like.

Point of Purchase Material: Communications material that is put up at the point of purchase is referred to as Point of Purchase Material or POPM.

POPM are many. Here are a few:

- Show Cards
- Shelf Strips both vertical and horizontal
- Stickers
- Danglers
- Backing Paper
- Streamers
- Bunting
- Wobblers
- Dispensers
- Display Racks & Bins
- Tin plates
- Floor stands
- Dealer Boards
- Flag posts

All of the above can be put up inside or at the threshold of the shops.

❖ **PERSONAL SELLING**

This is the most effective method to communicate and ultimately sell the product to potential customers by employing professionally trained Salespersons. There isn't any alternative more effective than personal selling, Salesperson is a moron.

Salespersons- Salespersons can be of two types:

- Those employed in the distribution process – 'PLACE' or selling to the distribution pipeline, Trade (FMCG).
- Those employed to sell to ultimate customers/ consumers or end-users (B 2 B 2 C).

A salesman must have a strong personality – charisma and the X factor to persuade someone else to do something.

(To be continued.....)

Ref: Compiled from *Marketing Skills in Management* by Dr. Meenu Gupta, dr. Uplai Mahanama, Dr. Ranjan Madananayake.