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# Experts again warn of Hallmark fallout

STAFF REPORTER

**DHAKA, NOV 14:** The country's leading bank experts warned that financial contagion like Hallmark loan scandal might affect the entire financial sector unless urgent action is taken.

There is a greater need and urgency to ensure operational autonomy of the central bank, they suggested.

They were speaking at a seminar on 'State of Banking Sector and Macroeconomic Challenges' organised by the Economic Reporters Forum at the national press club with its President Khwaza Moinuddin in the chair.

Ex-Bangladesh Bank (BB) Governors Mohammed Farashuddin and Salehuddin Ahmed, FBCCI president AK Azad and Deputy Managing Director of BRAC Bank Mohammad Mamdudur Rashid attended the seminar.

BB Deputy Governor SK Sur Chowdhury made presentation on Bangladesh's Socio-economic Progress and Current Economic Situation while BB Chief Economist Dr Hassan Zaman spoke on reform initiatives in banking sector.

"Procrastination in taking action against financial contagion like Hallmark scandal might spread to the financial sector," said Salehuddin Ahmed.

"We need to come out of this inertia for the betterment of the financial sector as well as for the economy. Slow action will cast negative impact on the sector," he said.

Time has come to amend Bank Companies Act to develop the financial sector, he said criticising the slow procedure in amending the Act. "The draft law has been prepared three years ago, but unfortunately, it is yet to be finalised," he said.

He also said the central bank needs to look at non-performing loan that is



DHAKA: Ex-Bangladesh Bank Governor Salehuddin Ahmed speaking at a seminar on 'State of Banking Sector and Macroeconomic Challenges' organised by the Economic Reporters Forum at the National Press Club on Wednesday.

INDEPENDENT PHOTO

increasing day by day. "If any pre-emptive measures are not taken, we might see another Hallmark or Destiny scandal," he said.

On the central bank's autonomy, Ahmed said it is now important to earn effective autonomy for the central bank from the government to ensure good governance in the financial sector.

"Rules and regulations will not be effective if full autonomy is not given to the central bank. This is reality," he said.

Echoing Ahmed, Farashuddin also put importance on the operational autonomy of the central bank. "I would not say autonomy; I would say operational autonomy should be given to the central bank," he said.

Citing recent financial scams, he said "BB should be proactive instead of reactive."

On BB's supervision, he said the BB should be fast to take any measures against any financial irregularities. "BB needs to take action the same day when a report is prepared. But is it happening now? I believe it is not?" he said.

Farashuddin suggested that

the central bank should be cautious while supervising banks, giving permission for overseas investment and exports of software.

"It was difficult even during my tenure to bring home bank software export proceeds," said the former governor.

Raising question of capping the upper limit of interest rate of banks' lending he said it was an unexpected decision. "Can the central bank do it in an open market economy," he questioned.

The country's apex trade body president AK Azad said, because of Hallmark loan scandal, Sonali Bank owes Tk 1,000 crore to 29 banks, resulting in their failure to disburse loan to the private sector.

He also said Bangladesh Bank should ensure loan disbursement to the real corporate or people who run business professionally.

Citing a report published in the newspaper he said banks gave credit worth Tk 20,000 crore to the 100 clients. "My view is that BB needs to make sure that the loans are going to the proper clients," he said.

Deputy Governor of Bangladesh Bank S K Sur

Chowdhury said currently BB has been enjoying some kind of autonomy. "But there are some limitations to exercise power over the state-owned banks under the present law - Bank Order 1972 and Bank Company Act 1991," he said.

"We are negotiating to incorporate in the banking act which is expected to be passed by parliament soon," he added.

According to the Banking Companies Act; the BB has the full control over the private commercial banks and can act on its own when necessary. But in case of the state banks, the BB can only advise the government to take any action.

According to the law, the government will seriously consider the recommendations of the central bank.

Sur also said BB is going to introduce electronic dashboard to check financial irregularity. "Through which, abnormal transaction from any branch will be detected," he said. A viewer of an e-dashboard can quickly see progress and potential problems emerging in the day to day on long term operations.

