

Some points to ponder - by Reaz Islam

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Stockmarket experts yesterday offered a raft of recommendations to help the country's bourses ride out the current crisis and acquire sound health.

They were speaking at a roundtable organised by The Daily Star at its office in the capital.

Reaz Islam, chief executive officer of LR Global Bangladesh, stressed the importance of policy coordination between the finance ministry Bangladesh Bank, Securities and Exchange Commission and National Board of Revenue.

Pointing out market flaws like the scope for whitening black money, he said the government should introduce capital gains tax on short-term trading.

The SEC alone should not be blamed for the present state of the market, which is possibly passing through its toughest time in living memory, Reaz continued.

"The SEC should be given enough budget and resources so that they can hire more qualified people."

He observed that people are rushing to the bourses without understanding how the market works. They must be stopped or advised properly.

About book building, which is blamed by many for the recent debacle, he said it is a good process. "If the system is not there, many companies will not be interested to go public. We must let the process work automatically."

The market should run on its own without being subject to repeated interference from the regulator and the government, he added.

"The country's banking system must be protected, and the central bank should not do anything that ultimately affects the market."

Fakhor Uddin Ali Ahmed, president of Chittagong Stock Exchange, said the supply side should be ensured first.

To protect the bourses from similar volatility in future, serious consideration should be given to setting up a market apart from the existing ones.

On book building, he said the system should be revised. Instead of allowing many companies at a time, the regulator should move slowly.

"To check window dressing in financial accounts, there should be a financial reporting council."

The CSE boss also said the SEC should not look after the micro issues in the market.

Mirza Azizul Islam, former finance adviser to caretaker government, put the accent on autonomy of regulators such as Bangladesh Bank and the SEC, of which the latter has considerable autonomy.

He said heads of the regulators must be willing to take decisions without consulting anybody and must be ready to quit in the event of unacceptable interference.

The former SEC chairman also called for strict adherence to the rules in allowing SEC officials to invest in stocks.

He said the regulator should be cautious in giving permission for IPO flotation. "No matter who does what, the ultimate responsibility lies with the SEC."

For a stable market, he noted, much more coordination, cooperation and collaboration are needed between the SEC, merchant banks and Bangladesh Bank.

Ahsan H Mansur, executive director of Policy Research Institute of Bangladesh, said the market should be allowed to go in a fundamental way, and the price earnings ratio could be set at 15 instead of 25 now.

He termed the government's probe initiative a political necessity, but said the SEC and the central bank should undertake a serious micro scrutiny of the recent volatility.

“Policy coordination between BB and SEC is a must,” he added.

The former IMF economist also said he supports book building as it is a proven method across the world.

Lawyer Ajmalul Hossain QC said stakeholders in the market should work together, and formulate a coordinated policy that covers every aspect of the business. "Investors protection is also important."

Sharif Bhuiyan of law firm Dr Kamal Hossain and Associates said the basic legal issues should be addressed immediately for the sake of a healthy stockmarket.