

CAPITAL MARKET IN BANGLADESH- TRENDS AND PRACTICES



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BANGLADESH: PROFILE

Bangladesh



Geographical Location :

20°34' & 26°38' North Latitude

88°01' & 92°41' East Longitude

Area(Sq.km) : 147570

Standard Time : GMT+6 Hours

Population (Mn) : 152.6

Population Density/Sq.Km.,2006
(Estimated): 953

Inflation(2006-07): 7.22%

GDP(2006-07): 6.51

Per capita national
Income (in Tk.)

35904



Capital market in Bangladesh

- ❑ Bangladesh capital market is one of the smallest in Asia but the third largest in the south Asia region.
- ❑ It has two full-fledged automated stock exchanges namely **Dhaka Stock Exchange (DSE)** and **Chittagong Stock Exchange (CSE)** and an over-the counter exchange operated by CSE.
- ❑ It also consists of a dedicated regulator, the **Securities and Exchange Commission (SEC)**, since, it implements rules and regulations, monitors their implications to operate and develop the capital market.
- ❑ It consists of **Central Depository Bangladesh Limited (CDBL)**, the only Central Depository in Bangladesh that provides facilities for the settlement of transactions of dematerialized securities in CSE and DSE.



History of Stock Exchange

- ❑ Dhaka Stock Exchange was set up on 28th April, 1954 that started formal trading on early 1956.
- ❑ Post-independence government did not promote a capital market during the first five years, and it was activated again in 1976 with 9 issues on board. In 1995, a second bourse, the Chittagong Stock Exchange, was set up with sophisticated logistic support and modern management.



VISION

- ❑ **Regulating the market structure through proper rules and strict compliance by members.**
- ❑ **Expansion of CSE trading network to cover 504 thanas.**
- ❑ **Introduce Book Building system in Bangladesh capital market.**
- ❑ **Introducing derivative market**
- ❑ **Continuous promotion of stock investment throughout the country.**
- ❑ **Create opportunity to cross border trading with SAFE countries.**
- ❑ **Introduce Global Depository Receipts (GDR)**



Mission

To create an efficient and transparent Market facilitating entrepreneurs to raise capital, so that it accelerates industrial growth for overall benefit of the economy of the country.



Objectives

- ❑ Develop a strong platform for entrepreneurs for raising capital;
- ❑ Provide an investment opportunity for small and large investors;
- ❑ Develop a transparent market ensuring investor's interest;
- ❑ Provide a fully automated trading system with most modern amenities to ensure: quick, easy, accurate transactions and easily accessible to all;



contd .. Objectives

- ❑ Attract non-resident Bangladeshis to invest in Bangladesh stock market;
- ❑ Attract foreign institutional investors to invest in Bangladesh;
- ❑ Collect, preserve, disseminate data and information on stock exchange;



Management of Stock Exchanges

- ❑ DSE & CSE comprises of 25 members of whom 12 are elected through direct election from the 235 and 134 shareholders respectively. Another 12 members representing distinguished personalities from different key economic and social arena of the country. The CEO of the Exchange is also a Director of the Board.



Categorization of listed company

Category: A,B,G,N & Z

<u>Category</u>	<u>DSE</u>	<u>CSE</u>
A	155	130
B	18	13
G	1	1
N	13	14
Z	98	72
Debenture (A category)	8	2
Treasury Bonds:	75	-
<hr/>		
Grand total:	368	232



Criteria of the share Category

- ❑ **“A”** Category Companies: Companies which are regular in holding the Annual General Meetings (AGM) and have declared dividend at the rate of 10 percent or more in a calendar year. (Mutual fund, debentures and bonds are being traded in this category).
- ❑ **“B”** Category Companies: Companies which are regular in holding the AGM but have failed to declare dividend at least at the rate of 10 percent in a calendar year.
- ❑ **“G”** Category Companies: Greenfield companies.
- ❑ **“N”** Category Companies: All newly listed companies except Greenfield companies will be placed in this category and their settlement system would be like B-Category companies.
- ❑ **“Z”** Category Companies: Companies which have failed to hold the AGM or failed to declare any dividend or which are not in operation continuously for more than six months or whose accumulated loss after adjustment of revenue reserve, if any is negative and exceeded its paid up capital.



Trading System

- ❑ Fully automated screen-based.
- ❑ Nation-wide online trading network.
- ❑ Present coverage :
 - Chittagong, Dhaka, Sylhet, Rajshahi, Khulna, Barisal, Tangail and Coxsbazar**
- ❑ Continuous expansion.



Settlement System

- ❑ A,B,G and N: T+1 (Pay in day)
T+3 (Pay out day)
- ❑ Z Category: T+3 (Pay in day)
T+7 (Pay out day)
- ❑ Spot: T+0 (Pay in day)
T+1 (Pay out day)
- ❑ Foreign trade T+5 (Settlement between buyer
and seller)
T+6 (Member submit the
documents along
with custodian bank certificate to
the clearing house within 10.00
am)



Function: Securities & Exchange Commission (SEC)

- ❑ Registering and regulating the business of stock exchanges, stock-brokers, merchant bankers and managers of issues, trustee of trust deeds, underwriters, portfolio managers and other intermediaries in the securities market.
- ❑ Promoting investors' education and providing training for intermediaries of the securities market .
- ❑ Prohibiting fraudulent and unfair trade practices relating to securities trading in any securities market



Functions: Dhaka Stock Exchange Ltd. (DSE) & Chittagong Stock Exchange Ltd. (CSE)

- ❑ Listing of securities and ensuring compliance by the issuers.
- ❑ Trading provisions for listed securities through efficient trading platform (Online screen based trading system).
- ❑ Over the counter market (OTC) & Internet based trade facilities provide by CSE.
- ❑ Real time online market Surveillance of trading and regular monitoring and compliance inspection of trading operations.
- ❑ Clearing and Settlement of executed trades.
- ❑ Management of the Members.



Functions : Central Depository Bangladesh Ltd. (CDBL)

- ❑ Operate and maintain the Central Depository System (CDS) of Electronic Book Entry.
- ❑ Recording and maintaining securities accounts and registering transfer of securities.
- ❑ Changing the ownership without any physical movement or endorsement of certificates .
- ❑ Execution of transfer instruments, as well as various other investor services including providing a platform for the secondary market trading of Treasury Bills and Government Bonds issued by the Bangladesh Bank.
- ❑ Supervision of Depository Participant activities.



Market performance of DSE & CSE, 2007

Particulars	DSE	CSE
Member	235	134
Listed Securities	368	232
Issued Capital (Bl. Tk.)	248.86	96
Market Capital (Bl Tk)	804.21	724.14
Price Index	3099.25(Base100)	8514.32(Base 1000)
Total Turnover (mn TK)	2102.80	530.10
Market cap. to GDP	17.20%	14%



Products in the Market

As on 30th March, 2008

CSE:

Listed Securities	:232
Equity (Share) :	216
Mutual Funds :	14
Debentures:	2

DSE:

Listed Securities:	368
Equity (Share) :	270
Mutual Funds :	14
Debentures:	8
Treasury Bonds:	75
Corporate Bonds:	1

**Proposed Product:
Derivatives**



TAX RATE ON DIVIDEND

Dividend recipient shareholder class	Deductible tax rate(%) (at source)
Dividend recipient, if company (resident or non-resident)	15
Dividend recipient for non-residents (individual)	25
Dividend recipient for resident (individual)	10



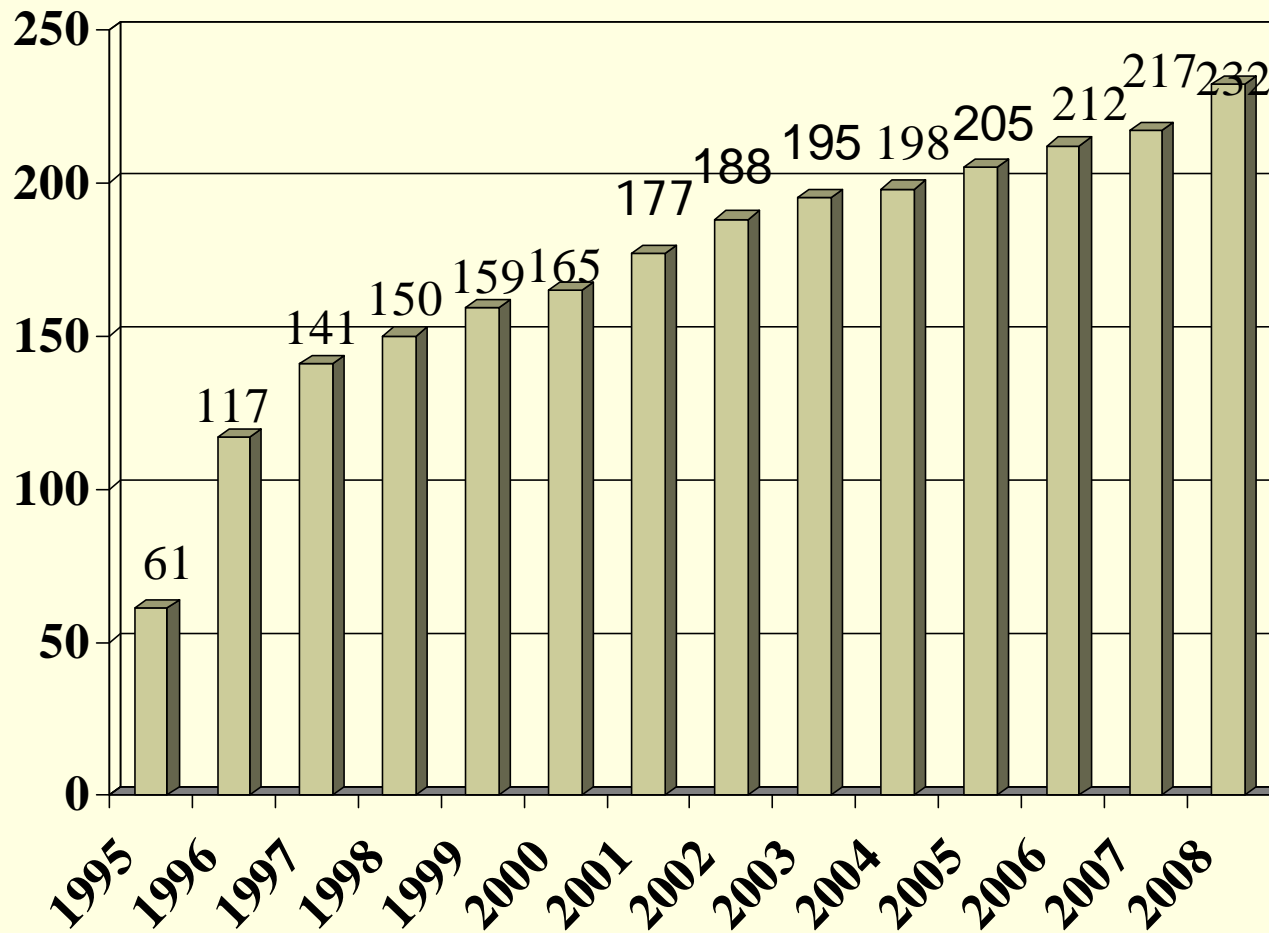
Sector wise PE and EPS 30.12.2007

Sector	PE ratio (DSE)	PE ratio (CSE)	DSE EPS	CSE EPS
Bank	24.57	24.44	34.84	34.73
Investment	20.32	12.83	18.38	18.38
Engineering	28.57	23.85	21.35	17.75
Food & Allied	22.38	22.64	36.75	37.11
Fuel & Power	35.92	35.50	29.04	29.06
Textile	11.32	11.30	14.96	14.77
Pharma & Chemicals	21.20	20.39	74.05	70.27
Paper & Printing	8.16	9.44	15.65	15.65
Services	7.41	8.32	18.74	17.59
Miscellaneous	12.60	12.99	45.57	45.51
Insurance	17.33	16.62	31.45	35.76
Stock Exchange	23.10	22.76	34.17	34.04



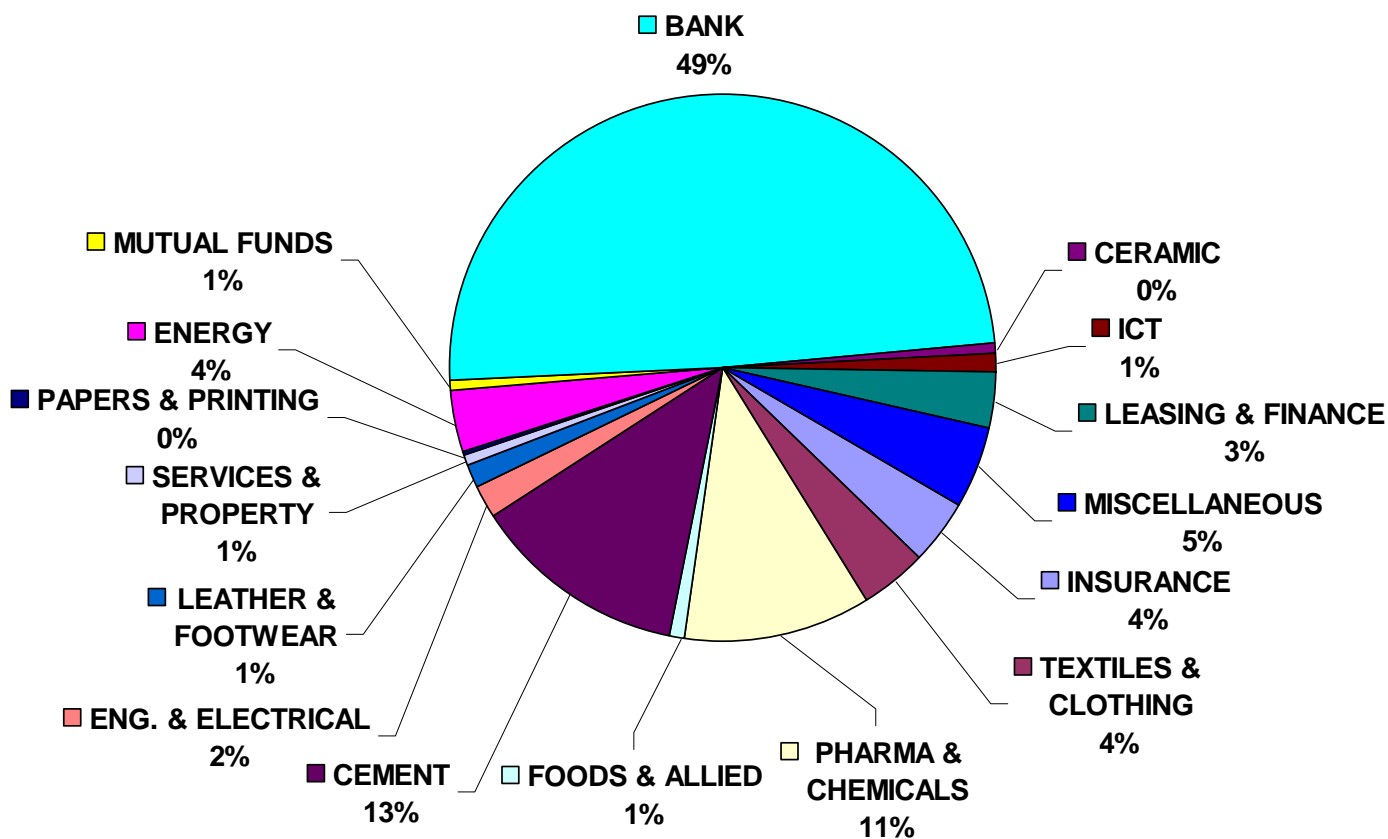
Growth of Listed Securities of CSE

up to March 2008





Market Composition as on 30th March 2008





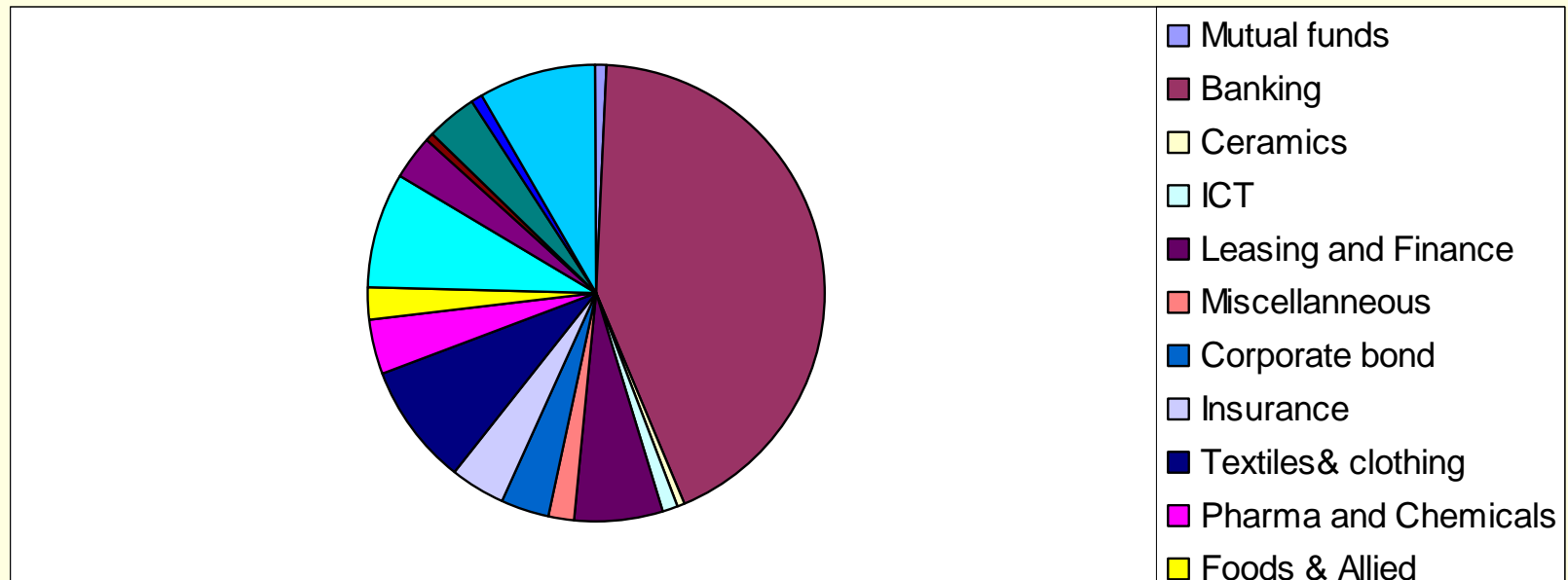
CSE sector wise paid up capital :30th March 2008

In percent

Mutual funds	0.95
Banking	42.62
Ceramics	0.61
ICT	1.02
Leasing and Finance	6.21
Miscellaneous	2.06
Corporate bond	3.3
Insurance	3.78
Textiles& clothing	8.67
Pharma and Chemicals	3.97
Foods & Allied	2.19
Cement	8.25
Eng & Electrical	3.03
Leather and Footware	0.63
Services & Property	3.51
Paper & Printing	0.98
Energy	8.22



CSE sector wise paid up capital :30th March 2008



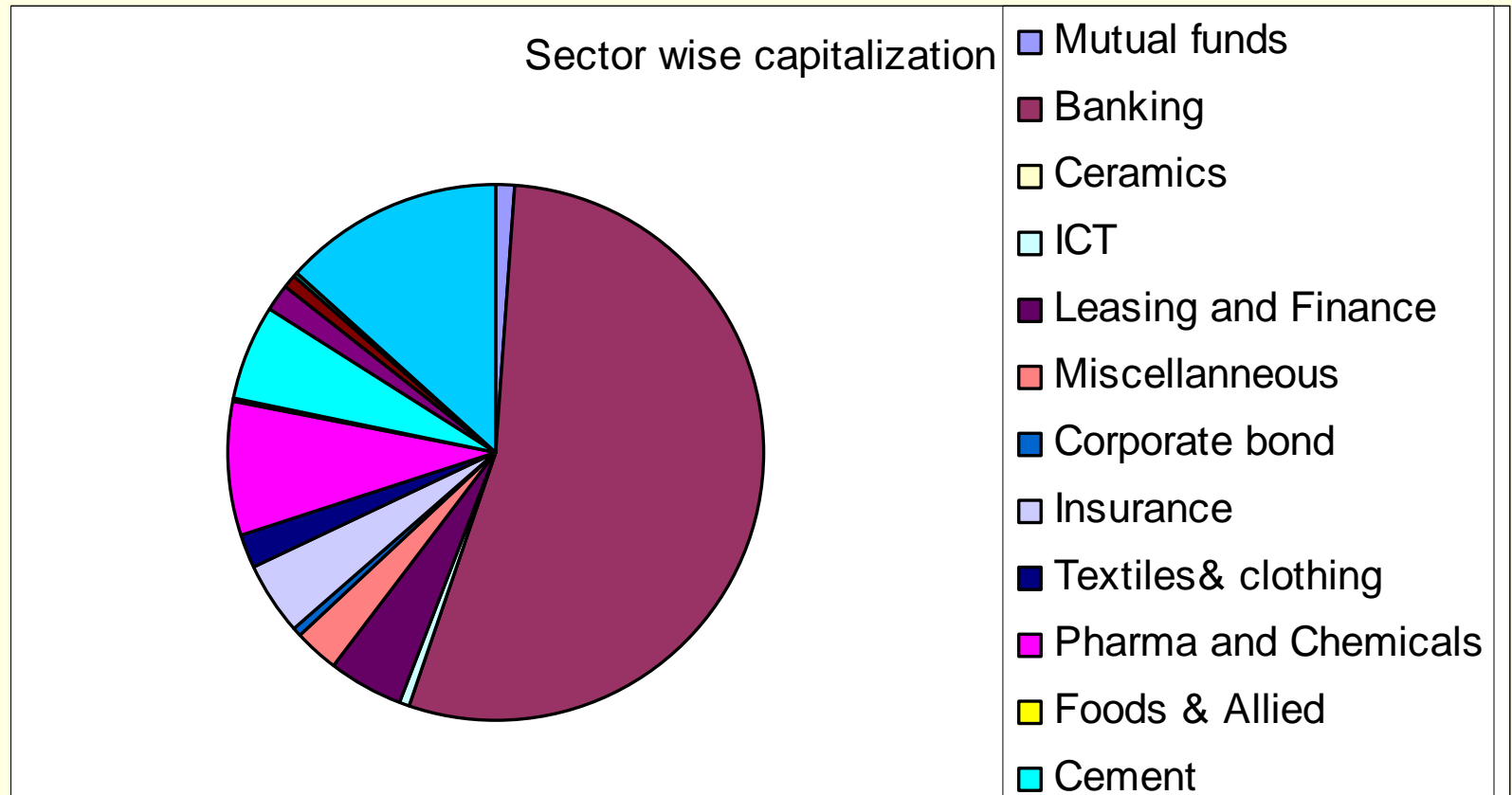


CSE Sector wise Market capital, 30th March 2008

<u>Sector</u>	<u>Sector wise capitalization</u>
Mutual funds	1.06
Banking	54.13
Ceramics	0.11
ICT	0.45
Leasing and Finance	4.6
Miscellaneous	2.83
Corporate bond	0.55
Insurance	4.43
Textiles& clothing	1.89
Pharma and Chemicals	7.97
Foods & Allied	0.43
Cement	5.56
Eng & Electrical	1.43
Leather and Footware	0.86
Services & Property	0.27
Paper & Printing	0.15
Energy	13.27



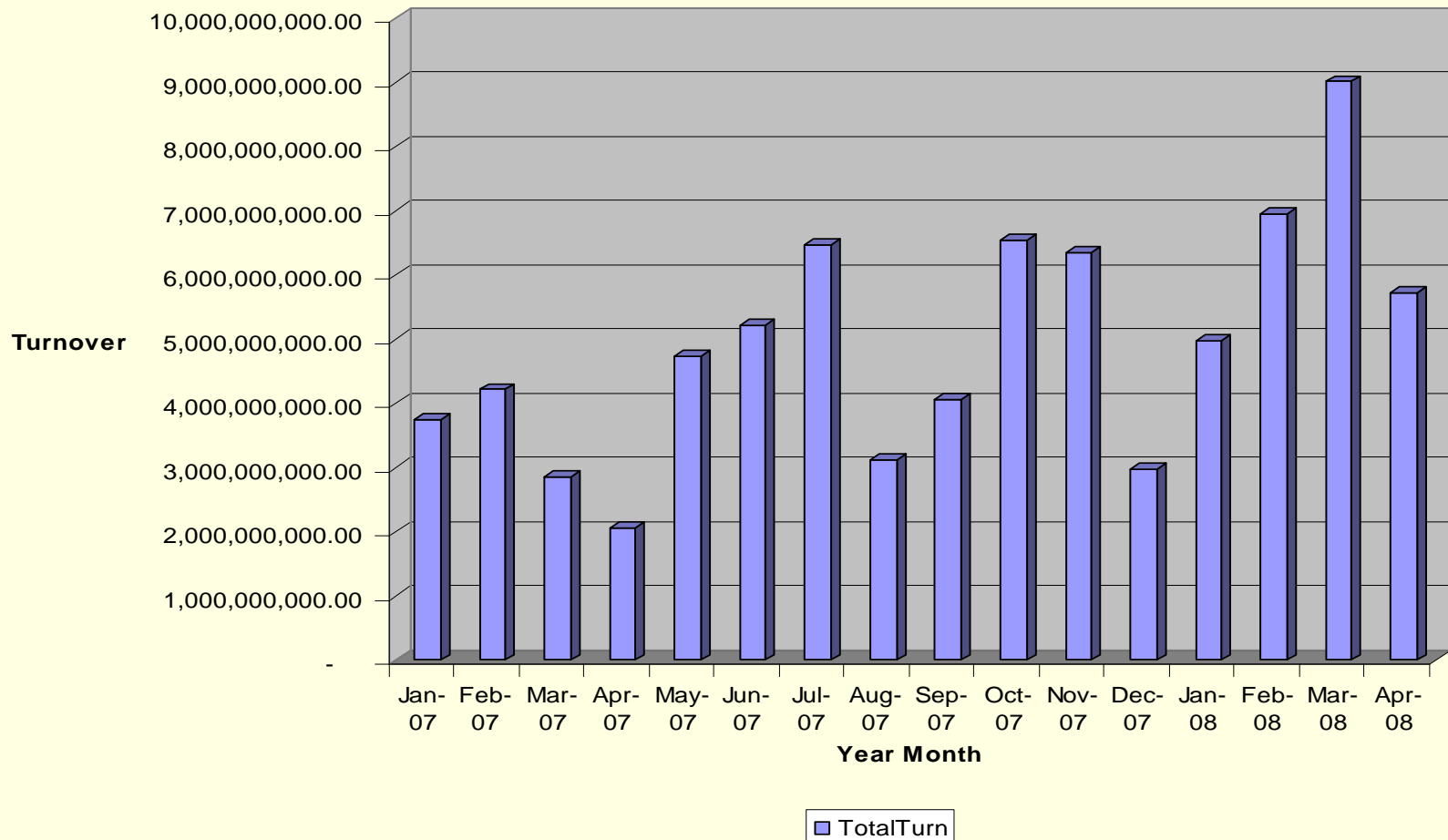
CSE sector wise Market Capital :30th March 2008





Total Monthly Turnover of CSE (January 07– 15th April 08)

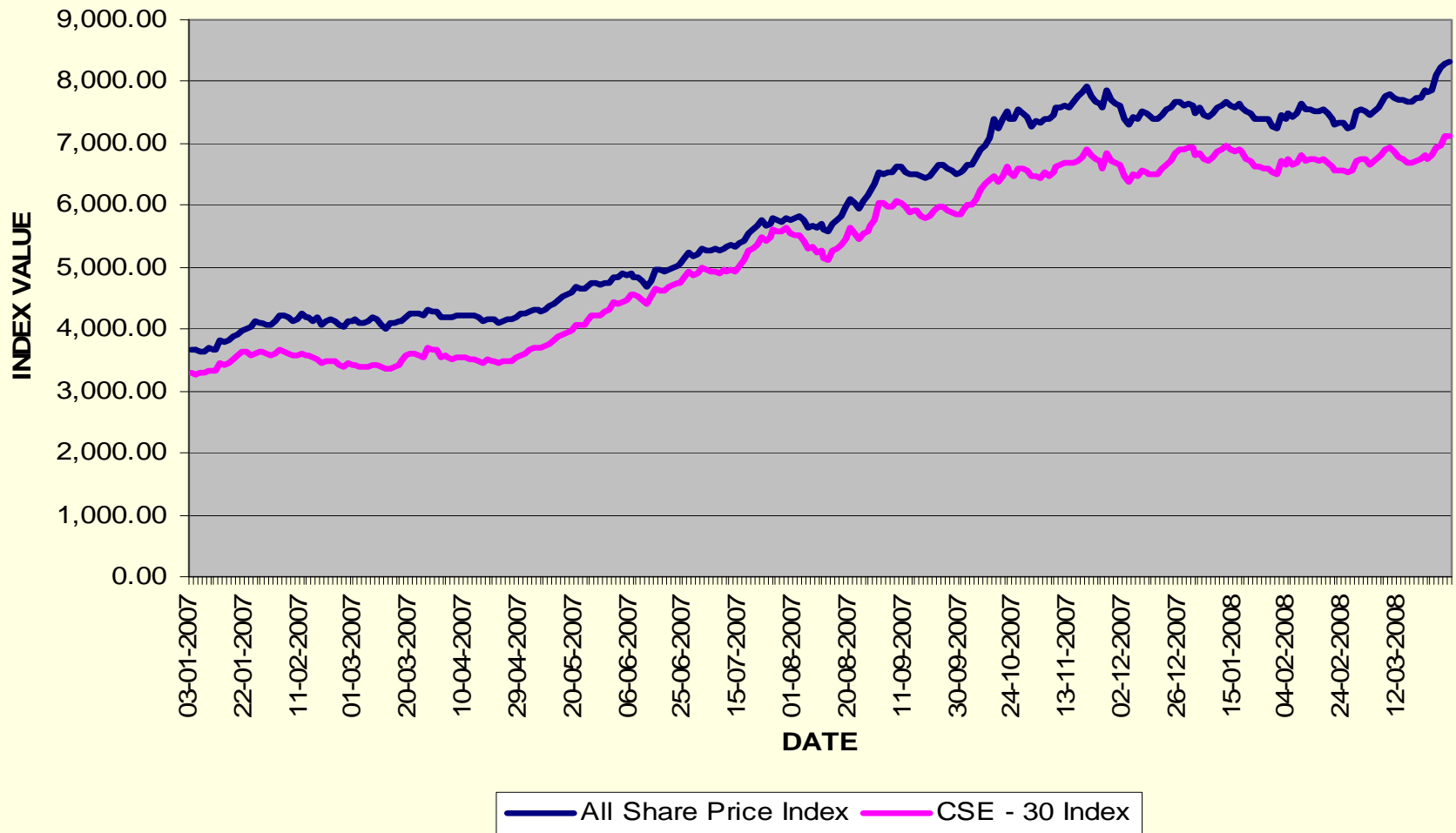
CSE Month wise Turnover (Taka)





CSE Index Movement January 07 to 12th March 08

CSE INDEX MOVEMENT (CASPI and CSE-30)





Thank you very much

