

A Term Paper
On
“Securities Market in Bangladesh”

Submitted To

Mrs. Shahzadi Aziza Raihan
Associate professor
Dept. of Finance & Banking
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Submitted By

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Date of Submission: April 10, 2013

Supervisor Declaration

This is certifying that Farhana Rahman Roll no: 9578589 Reg. no: 1641139, student of Eden Mohila College of BBA (Honours 2nd Year) Program has completed the term paper titled **“Securities Market in Bangladesh”** successfully under my supervision. To the best of my knowledge and as per her declaration the report is an authentic work on the issue and has not been submitted to anywhere for awarding any degree.

I wish her every success in life.

Supervisor,

.....

Mrs. Shahzadi Aziza Raihan

Associate Professor

Dept. of Finance & Banking

Eden Mohila College

Letter of Transmittal

April 10, 2013

Mrs. Shahzadi Aziza Raihan
Associate Professor
Dept. of Finance & Banking
Eden Mohila College.

Subject: Submission of Term Paper Report.

Dear Madam,

With great pleasure and honor, I am submitting my term paper report titled, “**Securities Market in Bangladesh**”. I have tried my level best in order to analyze this topic based on all the recent updated information as much as possible. I have also given a lot of effort for preparing this report based on recent updated and modern information.

I have gathered a lot of practical experience about the activities of Securities market during period for analyzing my topic.

I have also tried my level best to make this report an outstanding one. But still there might be some shortcomings regarding this report. I hope you all will see the flaws in forgiveness mind.

I will be happy if this report can contribute to its targeted purpose to some extent. I will also be obliged to provide you with any further explanation if required.

Thankfully yours,

Farhana Rahman
Dept. of Finance & Banking
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Student Declaration

I hereby declare that the report namely “**Securities Market in Bangladesh**” by me after the completing of 1 (one) month of internship with AB Bank Limited and a comprehensive study of the existing activities and its implementation.

I also declare that this paper is my original worked and prepared for academic purpose which is a part of BBA (Honors) and the paper may not be used in actual market scenario.

.....
Farhana Rahman

Roll no: 9578589

Reg. no: 1641139

Dept. of Finance & Banking

B.B.A (Honors 2nd Year)

Eden Mohila College

ABSTRACT

Analyzing the Security market in Bangladesh appears to be relevant in view of on-going structured adjustment, financial liberalization and economic deregulation policy adopted by the government of Bangladesh. These reforms aim at macro economic stabilization in a free market economy, where stock market reform and development can play a vital role. In order to support the stock market activity towards growing liberal policy for investment and as a vehicle for effective privatization, understanding prevailing stock price behavior and the requirements of marketing securities market effective ones in terms of liquidity and competitiveness is a must. This paper is a modest attempt towards these ends. This paper eventually throws some light on the perceived dominant problems faced by Bangladesh Securities Market (BSM), issues to be addressed for restoring investor's confidence and potentiality of growing BSM as an emerging market. In doing so, the paper draws attention of the research findings on securities market and is based on logical arguments put forward an observations being made by the author and interviews with diverse groups of market participants.

Development of capital market is essential for better opportunity of Bangladesh. If Dhaka Stock Exchange and Chittagong Stock Exchange follow the rules and regulations of Securities and Exchanges Commission properly, then our capital market will grow day by day. The investors of the capital market must build there confidence for invest more. If the investors see the growing position of the market, they obviously invest more capital to earn more.

The securities market of a country is not a thing apart from its economy. Rather typically, a weak economy trudges the stage along with the vicious burdens of a frail and sickly capital market. Conversely, robust securities market serves as a strong part to a country's forward economy. The Bangladesh stock markets and said to have enormous potential for luxuriant growth. This report focus threadbare analysis of the prevailing situations in the country's securities markets, probes deep into their great potentialities for growth to substantially back his optimism, and identifies sources that can feed our present climax of security market back to health and prosperity.

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CHAPTER: 1

Introduction

1 ORIGIN OF THE REPORT:

Today practical experience is as much essential as academic education that enables someone to be successful business executive especially in the glove, competitive business environment. In order to gather knowledge and exposure regarding the organization culture, behavior the business students has to be go internship or project thesis program after the successful completion of their business degree.

2 PURPOSES OF THE REPORT:

This report aims to analyze the activities of Security market and identify bottlenecks and make some recommendations to revove those bottlenecks. The analyzing and interpretations of the report have been done with the help of academics oversees.

3 OBJECTIVES OF THE REPORT:

National University requires each BBA (Honours) graduate to be attached with an organization and submit a report on a particular topic. So, fulfillment of the BBA (Honours) program was the main objective of this study. On the other hand the objective of the report is to make us known the practical situation of Securities market in Bangladesh and prepare me to face the complex situation in any organization in this country. The objectives are also represents here chronologically:

- 1 To make the ratios as a measure of important financial issues that is considered as important aspect of a firm.
- 2 To survive with the current market situation.
- 3 To monitor the practice of modern technology of security market.
- 4 To know the various strategy of securities market.
- 5 To develop our proficiency on capital market.

- 6 To know about the history of capital market.
- 7 To assess strengths and weaknesses of a company.
- 8 To know the strategy of making financial control.
- 9 To examine and evaluate financial statement and identify major field needs to improve.
- 10 To know the Practical knowledge about transaction.

4 METHODOLOGY OF THE REPORT:

A. Research Methodology: This research required both qualitative and quantitative research.

B. Sources of information: The report has been written on the basis of information collection from secondary source. Secondary data again are of two kinds: internal and external. Internal secondary data has been collected from the organization and from its brochures and annual reports of different years. External secondary data gathered from various outlets, research reports, magazines, and newspaper, Internet, web site of securities market and different books and periodical related to the subject matter.

5 LIMITATIONS OF THE STUDY:

Every matter has got some limitation. So this report is not out of them. The limitation of this report has been stated below:

- 1 Difficulty in collecting Information
- 2 The study completely depends on official records and annual reports.
- 3 Information scarcity was also a problem for conducting a full length research
- 4 Lack of experience of the researcher and lack of co-operation from the respondents.
- 5 Large-scale research was not possible due to political instability, monetary constraints and transportation inconvenience.
- 6 Part of industry characteristics was written from individual's perception and may vary from person to person.
- 7 Time frame for this research was very limited. The actual study was done within three months. Hence quantitative research was not possible within this short period of time.

Chapter: 2

OVERVIEW OF SECURITIES MARKET

1 A brief Description of Security Market:

Security market is a place or places where securities are bought and sold, the facilities and people engaged in such transactions, the demand for and availability of securities to be traded, and the willingness of buyers and sellers to reach agreement on sales. Securities markets include over-the-counter markets. The developing economics are looking forward to their capital markets as the engine for future growth as its presence insures mobilization of funds from surplus units to the ones suffering from deficits. Business firms (deficit units) need money to pay to their factors of production, i.e. land, labor, capital and entrepreneurship. Households (surplus unit) have residual earnings, i.e. savings after there consumption but usually in fewer quanta compared to the business firm needs. It is the financial intermediary that usually pools the money from a wide number of people and channels it to the ultimate borrowers.

Two stock markets in Bangladesh, one is named Dhaka Stock Exchange (DSE) in Dhaka and another one is called Chittagong Stock Exchange (CSE) in Chittagong. A central regulatory agency which is the Securities and Exchange Commission (SEC) overseeing the activities of the entire capital market including issue of capital, monitoring the issue of stocks, and operation of the stock markets. As of 18 August 2010, the Dhaka Stock Exchange had over 750 listed companies with a combined market capitalization of \$50.28 billion.

A liquid stock market induces individual investors and institutional to keep their savings in shares market to make investment less risky and more attractive in profit taking because they allow savers to acquire the capital gains and to sell it as quickly at the least cost in a situation they need to access to their savings or want to alter portfolios. Alternatively, the stock market also provides companies a permanent access to capital raised through equity issues so that companies can expand its infrastructure in services or products to block the market share competitively and allows to be multinational companies, linked up with international companies

and financial institutions. More attractively, institutional investors can invest in infrastructure projects in anticipation of long-term revenue and capital gains on shares of market leaders companies. The studies show based on collected data on 47 countries from 1976 to 1993, banking and the stock market liquidity, size, volatility, and integration with world capital market accelerate the current and futures rates of economic growth, capital accumulation, productivity growth, and private savings and they are robustly correlated to real per capita gross domestic product growth.

Financial intermediaries include banks (the central bank, commercial banks, investment banks etc), Security and Exchange commission (SEC), specialized financial institutions, development financial institutions and institutional investors (i.e. Investment Corporation of Bangladesh). The market can be classified into a number of ways, but from the duration point of view, it is classified into two-money market and capital market. The money market is the market where financial securities maturing in less than one year are transacted while in capital market financial assets maturing within more than a year change hands.

Capital Market is the market, or realistically, the group of interrelated markets, in which capital in financial form is lent or borrowed for medium and long term and, in cases such as equities unspecified periods. The capital markets, in distinction from other parts of the financial market, i.e., the money market are those, for long-term government's securities, corporate bonds, and stocks, municipals bonds issued by stay and logical government units, and mortgages. Industry and commerce as well as government and local authorities raise capital from the capital market, which perform several important functions in the process of economic development. Most important among them are the promotion of saving and investment and efficient allocation of funds among the competing uses. Participants in the capital market are many. They include the commercial banks, saving and loan associations, credit unions, mutual saving banks, finance houses, finances companies, merchant bankers, discount houses, venture capital companies, leasing companies, investment banks, investment companies, investment clubs, pension funds, stock exchange, securities companies, under writers, portfolio- managers, and insurance companies.

Capital market instruments are broadly the securities- debt and equity instruments. Both money and capital market undeveloped in Bangladesh. A number of reasons may explain why this is

happening. First of all, Bangladesh Bank (BB) only holds 91-day bills but the buyers have been limited into commercial banks. In case of capital market, debentures issued by both autonomous bodies and corporation (housing and petroleum) are primarily held by BB and Nationalized Commercial Banks (WB, 1994).

2 Historical Background of Stock Exchange:

It first incorporated as East Pakistan Stock Exchange Association Ltd in 28 April 1954 and started formal trading in 1956. It was renamed as East Pakistan Stock Exchange Ltd in 23 June 1962. Again renamed as Dacca Stock Exchange Ltd in 13 May 1964. After the liberation war in 1971 the trading was discontinued for five years. In 1976 trading restarted in Bangladesh. In 16 September 1986 DSE all Share Price Index was started. The formula for calculating DSE all share price index was changed according to IFC in 1 November 1993. The automated trading was initiated in 10 August 1998. In 1 January 2001 DSE 20 Index was started. Central Depository System was initiated in 24 January 2004. As of November 15 2007, the benchmark index of the Dhaka Stock Exchange (DSE) crossed 3000 points for the first time, setting another new high at 3013 points.

Stock Exchange organized market for trading of stocks and bonds. In early 1952, five years after the independence of Pakistan, the Calcutta Stock Exchange prohibited transactions in Pakistani stocks. This necessitated the formation of a stock exchange in East Pakistan and the East Pakistan Stock Exchange Association Ltd. was incorporated on 28 April 1954. It changed its name to East Pakistan Stock Exchange Ltd on 23 June 1962 and finally to Dhaka Stock Exchange (DSE) on 14 May 1964. Although incorporated in 1954, formal trading started in 1956 in Narayanganj. In 1958, the stock exchange was shifted to Narayanganj Chamber Building. DSE purchased its own land, and moved to its own premises at 9/F Motijheel C/A in 1959. Prior to independence in 1971, the number of listed companies in DSE was 196 with a total paid up capital of Tk 4 billion. The daily average transaction during that period was about 20,000 shares.

After the Independence, the government of Bangladesh took charge of the abandoned industrial units and pursued a policy, under which large industrial units were nationalized. The trading activities of DSE remained suspended till 1975 and following change in the economic policy of the government, DSE resumed its activities in 1976 with only 9 listed companies, having a total paid up capital of Tk 137.52 million. The actual growth of the stock exchange in Bangladesh (the

DSE) started since 1983, when the market capitalization was Tk 812 million. The year 1987 experienced a relatively steep rise in the market with 92 listed companies. With the liberalization of policies in the 1990's the stock market gradually started to prosper. On 30 June 2001, the number of securities listed in the DSE was 244, the number of listed companies 224, number of listed debentures 10, number of shares of all listed companies 666,553 and that of all mutual funds 72,250 and the market capitalization Tk 72,168 million (\$1226 million).

3 Formation:

Dhaka Stock Exchange (DSE) is a public limited company. It is formed and managed under Company Act 1994, Security and Exchange Commission Act 1993, Security and Exchange Commission Regulation 1994, and Security Exchange (Inside Trading) regulation 1994. The issued capital of this company is Tk. 500,000 which is divided up to 250 shares each pricing Tk. 2000. No individual or firm can buy more than one share. According to stock market rule only members can participate in the floor and can buy shares for himself or his clients. At present it has 230 members. Market capitalization of the Dhaka Stock Exchange reached nearly \$9 billion in September 2007 and \$15 billion a year later.

4 Management:

The management and operation of Dhaka Stock Exchange is entrusted on a 25 members Board of Director. Among them 12 are elected from DSE members, another 12 are selected from different trade bodies and relevant organizations. The CEO is the 25th ex-officio member of the board. The following organizations were holding positions in DSE Board:

- 1 Bangladesh Bank
- 2 ICB
- 3 President of Institute of Chartered Accountants of Bangladesh
- 4 President of Federation of Bangladesh Chambers of Commerce and Industries
- 5 President of Metropolitan Chambers of Commerce and Industries
- 6 Professor of Finance Department of Dhaka University
- 7 President of DCCI (Dhaka Chamber of Commerce and Industry).

Chapter: 3

Corporate Profile of a Security Market

3.1 AB Securities Ltd. (A Subsidiary of AB Bank Limited):

AB Securities Limited (ABSL), a wholly owned subsidiary of AB Bank Limited, provides stock broking services to its clients. ABSL originally incorporated in December 2009 as a private limited company, commenced operations in August 2010, following the transfer of the brokerage business of Arab Bangladesh Bank Foundation (ABBF) to ABSL in August 2010, in accordance with the instructions of Bangladesh Bank. ABSL is a corporate member of both Dhaka Stock Exchange Limited (Member # 201) and Chittagong Stock Exchange Limited (Member # 101). Its services include stock broking services for trading in stock markets through branches and the internet, and investments in IPOs, Mutual Funds and Bonds. Currently, ABSL is one of the largest broking houses in Bangladesh which serves its clients through three branches located in Dhaka, Chittagong and Sylhet. ABSL has a client base of around 4000, comprising of local individuals and institutional clients, as well as Non Resident Bangladesh (NRB) and foreign investors. ABSL also acts as Agent Broker of AB Investment Limited.

ABSL's registered office is located at WW Tower (Level-6), 68, Motijheel C/A, Dhaka-1000

Particulars of the investment in AB Securities Ltd. are given below:

Name of the associate	Nature	Activity	Description of shares held	% of Shareholding	Face value of shares	Book value per share
AB Securities Limited	Brokerage House	Share trading in DSE and CSE	Ordinary	50	100	165.67

The book value per share of associated company is calculated based on un-audited financial statements and the management believes that audited result will not differ materially.

Unrealized gain on investment in listed securities

At 31 December 2010, there was Tk. 20.00 million of gross unrealized gain on investment in listed security.

3.2 Corporate Vision:

Its vision is to be a market leader in providing integrated financial services with special focus on creating value for:

- 1 Clients - Working closely with clients;
- 2 Shareholders - Satisfy Shareholders by achieving better performance;
- 3 Employees - Rewarding properly and providing training and development opportunities;
- 4 Communities - Participating in the life of the community.

3.3 Corporate Mission:

To be a specialist in wealth creation by applying a unique breadth and width of innovative expertise to the benefit of clients, shareholders and staff.

ABSL believe in building strong relationships with clients, in maximizing value of clients' investment portfolios and in continuous innovation and improvement in services offered. It believe that it prosper only if its clients do.

- 1 ABSL is one of the leading financial institutions operating in Bangladesh. Our core competencies cover lease finance, term finance, real estate finance, SME finance, public issue of shares, portfolio management, margin loan, share trading etc.
- 2 The client is the focal point of all our activities. The company is committed to providing clients with excellent, innovative and fast solutions across all business segments. They want to be the preferred financial institutions for our clients as they enjoy distinct service culture.
- 3 ABSL holds a leading position in the capital market operations. It is the undisputed number one in providing comprehensive and integrated capital market services.

- 4 ABSL boasts up a broadly diversified business profile. This enables us to offer our clients the full range of services, they expect from a leading financial institution.
- 5 ABSL seeks to constantly increase its return on equity for its shareholders, building on a systematic program of value-based management.

3.4 The Aims & Objects for which the Company is Established:

(As per Memorandum of Association under the Companies Act'1994)

- 1) To act as consultants, professional advisers, Managers and equity analyst and to provide professional expertise and to act as investment counselors to individual person/persons, firms/ firms, trusts, companies or corporations, local and Govt. authorities and to receive fees therefore.
- 2) To act as financial consultants for issue of shares of and/or debentures or other types of transferable instruments and for public offer soliciting subscription thereof and to act as managers of such issues and to receive fees therefore.
- 3) To promote formation of and manage funds, trusts, undertakings for collective investment in transferable securities and portfolios of shares, stocks, debentures and securities and of financial assets in general and to render management services to any individual firm, trust, corporation or association whatsoever in Bangladesh or outside Bangladesh and generally to manage, supervise such funds or investments portfolios.
- 4) To carry on the business of stock-brokers, investment brokers, insurance brokers, security brokers, property brokers, ship brokers whatsoever for or on behalf of any individual or firm, trust or association, companies or corporations, local or Govt. authorities and receive brokerage thereof.
- 5) To buy, sell and deal in shares, stock, debentures, bonds and other securities.

- 6) To become member of Stock Exchanges in Bangladesh and or elsewhere and undertake all the functions of a Stock Exchange member.
- 7) To act as a stock-broker, CDS-broker, Stock-dealer, underwriter, portfolio manager, fund manager, equity analyst, investment adviser, management consultant, share transfer agent, manager to issue, register to issue, trustee to trust deed and such other intermediary as required in the capital and securities market.
- 8) To establish, maintain, carry on, transact and undertake all kinds of business other than banking business.
- 9) To advance or deposit money, securities and properties to or with such persons or bodies, corporate or unincorporated, and on such terms as may seem expedient, and also to discount, buy, sell and deal in bills, notes, coupons and other negotiable or transferable securities or documents.
- 10) To borrow or raise or secure the payment of money by issue or sale of shares, bonds, debentures, other securities and obligations, either perpetual or terminable and redeemable or otherwise, and to change or secure the same by trust deed or otherwise on the undertaking of the company including its uncalled capital or upon any specific property and rights, present and future of the company.
- 11) To negotiate all kinds of loans and advances, aid or assistance from any source, local or foreign and to take all such steps as may be required to complete and effectuate such dealings.
- 12) To pay all expenses incidental to the formation or promotion of this or any other company, organization, body and to conduct its business and to remunerate any person, company, or bodies for services rendered in placing or assisting to place or guaranteeing in the placing of any of the shares or debentures or other securities of the company or in or about the

promotion, formation of business of the company or any other company promoted wholly or in part by this company.

- 13) To purchase or otherwise acquire and undertake, the whole or any part of or any interest in the business, goodwill, property, contracts, agreement, rights, privileges, assets and liabilities of any other company, corporation, partnership, body, person or persons and carrying on any, for the time being business which the company is authorized to carry on, or possessing property suitable for the purpose of the company and upon such terms and subject to such stipulations and consideration, if any, in money, shares, money's worth or otherwise as may be deemed advisable.
- 14) To pay for any property or rights acquired by the company either in cash or fully or partly paid shares or by issue of securities or partly on one mode and partly in another and generally on such terms as may be determined.
- 15) To invest the capital and other moneys of the company not immediately required in the purchase, exchange, or upon the security of shares, stocks, debentures, debenture stocks bonds, mortgages, obligation and securities of any kind issued or guaranteed by any company. Corporation, government, municipal authority or body or undertaking of whatever nature and whatsoever constituted or carrying on business or to invest in any manner as may determined by the company.
- 16) To establish and open offices, branch offices to carry on all or any of the above businesses abroad and within Bangladesh.
- 17) To draw, make, accept, endorse, discount, execute and issue cheque, promissory notes, and bills of exchange, bills of lading, debentures and other negotiable or transferable instruments.
- 18) To form, manage or subscribe to any syndicate, consortium, or any company or trust or individuals abroad or within Bangladesh and to carry on the business of underwriters of any issue.

- 19) To conduct and carry out any kind of research work calculated to advance any business or activity which the company is authorized to carry on, or in any way related to or connected with.
- 20) To publish magazines, journals, periodicals, documents and papers whatsoever the company may deem expedient and in this connection the company may purchase or otherwise acquire printing press and do all sorts of printing and publishing business and to do all other works incidental thereto.
- 21) To enter into any arrangement or agreement with any person or firm, institution, corporation, company or with any government or Autonomous bodies for the purpose of introducing, encouraging any of the aforesaid objects.
- 22) To distribute any of the properties of the company whether upon distribution of assets or division of profits among members in specie or otherwise.
- 23) To buy, underwrite, invest in, acquire and hold, pledge, sell or otherwise dispose of shares, debentures, debenture stocks, bonds obligation and securities issued or guaranteed by any company or body corporate or association, and to exercise and enforce all rights and powers conferred by or incidental to the ownership thereof,
- 24) To form, promote, organize and assist or aid in forming, promoting, organizing companies, syndicate or institutions including subsidiaries in Bangladesh or abroad or enterprises or acquire any interests therein.
- 25) To act as agent, correspondent and representative of any bank, financing institution, corporation, company, firm, body, authority or individual whatsoever, whether foreign, local or otherwise, for the purpose of any business of the company.

- 26) To act as trustees, nominees or agents in the matter of issues, purchase and sale of debentures, bonds, stocks of any nature and description including improvements, development and management of any real estates and property or any other purpose in Bangladesh and abroad.
- 27) To enter into any arrangement with any Government or other authorities supreme, municipal, local, statutory or other bodies and to obtain from any such Govt. or authority all rights concessions and privileges that may seem conducive to any object of the Company.
- 28) To assist in merger, amalgamation and take over of firms/enterprise/companies etc.
- 29) Generally to do all such other acts and things as are incidental or conducive to the attainment of the above objects.

And it is hereby declared that the objects specified in each paragraph above, except where otherwise expressed in such paragraph, shall be separate and independent objects of the company, and shall in no way be limited or restricted by reference to or inference from the terms of any other paragraph or the name of the company.

3.5 Advisory Service:

ABSL has years of experience advising clients on portfolio strategies. As well as being tuned in to market, your broker can draw on internal research technical analysis to help you maximize returns on your investments. Whether you need an option on a specific company or just compare notes with a market professional, ABSL can guide you. A client will benefit from:

- 1 Professionalized broker who understands your investment objectives
- 2 Monthly in house research report on trading
- 3 Online account viewing.
- 4 Company research, Economy research, Industry research
- 5 Analysis and news on new IPOs
- 6 Personally tailored portfolio advice

- 7 Regular updates and recommendations
- 8 Portfolio holding valuations

3.6 Types of Brokerage Trading Account:

FSBL offers two broad types of accounts:

- 1 Cash Account
- 2 Margin Account

3.7 Portfolio Management Service:

ABSL is one among the few privileged brokers in Bangladesh who has got strong association licensed to offer the entire spectrum of services for investment activity management in capital markets. Its major shareholder is registered Merchant Bank and Portfolio Manager under SEC Regulation to offer this portfolio management service.

ABSL's portfolio management schemes are a way of providing solutions to your various problems. ABSL will try to fulfill your hopes, dreams and aspirations. Its investment planning will consider specific individual needs and preferences to the possible extent.

These schemes are backed by its experienced, professionally qualified, dedicated teamwork. Getting a team of professionals to manage your money will improve your chances of beating the markets.

Its investment professionals will regularly track your investments. This way one could spend more quality time with his/her core business activities, instead of poring over investment papers.

Under the portfolio management schemes ABSL offer two different services:

- (A) Portfolio Management Service (Discretionary Service);
- (B) Portfolio Advisory Service (Non-discretionary service).

Portfolio Management Service (Discretionary Service):

This money management service where it will accept ones funds and would manage his/her portfolio at its complete discretion, for a minimum term and fixed fees, meaning it would act as clients' agent and invest on his/her behalf in various asset classes such as mutual funds, debt instruments, primary and secondary equity markets. The main features of this service are follows:

Investment Decision: As ones portfolio managers, it will manage clients' portfolio at its complete discretion and in line with ones policy statement and SEC guidelines.

Size of Portfolio: It will need to develop a minimum portfolio of Tk. 0.50 million either by way of cash or securities.

Bank and Depository Accounts: Funds and Shares of all the clients will be placed in a separate Bank account and Depository account. Shares will be bought/sold in the firm's name. Similarly the funds will be transferred to the firm's PMS bank account. It will constantly track clients' portfolio and keep them informed through its management information systems.

Investment Horizon: A minimum investment span of 1 year is recommended.

Investment Process: After the account opening formalities in completed it will prepare a policy statement. This statement will constitute ones investment objectives, liquidity needs, time horizon, and other needs and preferences. Understanding ones objectives and constrains will help its investment team to allocate there funds to various asset classes.

Portfolio Advisory Service (Non-Discretionary Service):

In this service it will provide you a comprehensive advisory package designed to help your investment decisions. Here you will handle your funds and take your own investment decisions based on its research reports and proposals. Such research reports will provide independent recommendations, corporate details and reasons to invest in equity, debt and mutual funds.

Moreover our investment professionals will help to restructure your portfolio as per your investment objectives. The following are the characteristics of these schemes:

Investment Decision: It will have total discretion to handle own portfolio.

Size of Portfolio: It will need to develop a minimum portfolio of Tk. 0.50 million.

Research Reports: Reports will be sent on a fortnightly basis.

3.8 Income Statement & Balance Sheet of ABSL:

Income Statement

For the year ended 31 December 2010

Figure in (BDT)	2010	2009	Notes
Operating Income:			
Commission on securities trading	50,287,505	5,907,211	16
Interest on margin loan	3,131,765	1,949,831	17
Other operating income	3,562,086	2,129,385	18
Total Operating Income:	56,981,356	9,986,427	
Operating Expenses:			
Laga & Howla charges	7,337,437	680,199	19
Management expenses	6,312,061	2,241,052	20
Total Operating Expenses:	13,649,498	2,921,251	
Profit before income tax:	43,331,858	7,065,176	
Provision for income tax:	5,730,112	1,453,450	
Net profit after income tax:	37,601,746	5,611,726	
Basic earning per Share (EPS):	253.21	37.79	21

The annexed notes 1 to 32 form an integral part of these financial statements. The Board of Directors approved these financial statements on 30 March 2009.

Balance Sheet of ABSL

As at 31 December 2009

Figure in BDT	2010	2009	Notes
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Sources of Fund:

Shareholders' Equity:			
Share capital	14,850,000	14,850,000	3
Proposed cash dividend	-	4,455,000	
Proposed stock dividend	35,046,000	-	
Retained earnings	8,170,115	5,614,369	
Total	58,066,115	24,919,369	

Applications of Fund:

Investment:			
Membership of stock exchanges	12,612,500	12,612,500	4
Fixed deposit with banks	5,050,000	50,000	5
Total Investment:	17,662,500	12,662,500	
Current Assets:			
Advance, deposits & prepayments	287,502	128,800	6
Margin loan to clients	99,311,287	40,314,721	7
Accounts receivables	170,894,256	31,213,159	8
Advance corporate tax	6,102,710	762,234	9
Cash & cash equivalents	5,188,714	12,054,462	10
Total Current Assets:	281,784,469	84,473,376	

Current Liabilities:			
Margin deposit from clients	3,039,200	2,540,200	11
Short term borrowing	25,000,000	29,854,986	12
Accounts payables	205,039,287	36,735,335	13
Provision for current tax	9,072,967	3,342,855	14
Total Current Liabilities:	242,151,454	72,473,376	
Net Current Assets:	39,633,015	12,000,000	
Property, plant & equipments:	770,600	256,869	15
Total Assets & Investments	58,066,115	24,919,369	

The annexed notes 1 to 32 form an integral part of these financial statements. The Broad of Directors approved these financial statements on 30 March 2009.

3.9 ABSL Cash Flow Statement:

For the year ended 31 December 2009

Figure in BDT	2009	2008
Operating Activities:		
Net profit before tax	43,331,858	7,065,176
Depreciation on fixed assets	337,916	208,363
Net profit before change in working capital components	43,669,774	7,273,539
Change in working capital component:		
(Inc)/dec. in advance, deposit & prepayments	(158,702)	(3800)
(Inc)/dec. in accounts receivables	(139,681,097)	(19,884,677)
(Inc)/dec. in margin loan to clients	(58,996,566)	8,255,531
Inc./(dec) in accounts payable	168,303,952	20,992,015
Inc./(dec) in margin deposit from clients	499,000	1,597,758

	(30,033,413)	10,956,827
Cash generation from operating	13,636,361	18,230,366
Income tax paid	(5,340,476)	(368,878)
A. Net cash flows from operating activities	8,295,885	17,861,488

Investing Activities:

Acquisition of property, plant & equipments	(851,647)	(98,050)
Fixed deposit with bank	(5,000,000)	-
B. Net cash flows from investing activities	(9,309,986)	(98,050)

Financing Activities:

Payment of dividend	(4,445,000)	(2,025,000)
Inc/(dec) in short term borrowing	(4,854,986)	(6,111,622)
C. Net cash flows from financing activities	(9,309,986)	(8,136,622)
Net change in cash & cash equivalents (A+B+C)	(6,865,748)	96,26,816
Add. Cash & cash equivalents at the beginning of the year	12,054,462	2,427,646
Cash & cash equivalents at the end of the year	5,188,714	12,054,462

The annexed notes 1 to 32 form an integral part of these financial statements. The Board of Directors approved these financial statements on 30 March 2008.

3.10 Operation of the Company:

All the divisions of ABSL contributed to the company's year on year increase of operating profitability in 2009. These results are practically positive, given the fact that during the year a major divisional process was successfully implemented to enhance their future profitability.

- 1 **Investment Division:** Increase of 7.52 percent despite economic slowdown and low industrial investment.

- 2 **Capital market division:** fantastic growth of almost 7 times due to robust capital market.
- 3 **Business activities:** ABSL offers diversified products and services which include lease finance, term finance, real state finance, SME finance, short term finance, margin loan, portfolio management, issue management, underwriting etc.
- 4 **Diversification:** ABSL has a well balanced diversified portfolio in major sectors which ensure sustained and stable revenue growth. Highest allocation was to dyeing, finishing and accessories sector at 13.46 percent followed by service and entertainment 13.41 percent, construction and engineering 12.08 percent, transport 11.99 percent and spinning, weaving, and knitting 10.81 percent.
- 5 **Financial activities:** Considering the socio-economic condition in leading operations, our approach to new leading remained extremely cautious in 2007. The quality of finance and maintain high credit requirements for clients and pricing has been systematically linked to risk profile of the transaction.
- 6 **Leasing:** Leasing finance is the principal fund based activity of ABSL. Until now the company concentrated only on full payout financial lease transaction for financing a wide range of capital machinery, equipment and vehicles. Customer represents different segments of local markets. They provide services to developing companies, SMEs and market-leading concerns.

In 2007, ABSL was able to maintain consistent growth in lease finance. Despite stagnation in the financial market, innovative offerings, such as option of structured payments, make its easier to draw up concepts for customize solutions whilst using standardized procedures. The ongoing assessment procedures of investment proposals help measuring credit risks entitled in the lease proposals.

Chapter: 4

FINDINGS

The findings of this report are that Bangladesh must have dynamic security markets, which can play a greater role as the prime source of industrial finance as well as vehicle for rapid capitalization of state-owned enterprises. It has also been regulated that there is strong potential for the expansion of stock market activities in Bangladesh. But it is unfortunate that when a robust stock market is badly needed to finance industrial and other development activities in order to overcome the limitations of the country's banking system in providing term loans and the problems of a decaling trend of a foreign aid the stock market in Bangladesh are now in a tailspin with no sign of improvements, and struggling to survive.

Given the developments in the regional security markets, we believe, it is now a matter of time for Bangladesh to initiated privatization through capital markets. SOEs that have profitable track record or have potential for turn around shall be properly valued. Privatization through public flotation creates the most public awareness widespread ownership, and this process can be easily used when large amounts of capital needed to be raised. We need to develop capacity to price these issues by using acceptable valuation particles so that the subscriptions are acceptable to international investors.

Chapter: 5

CONCLUSION & RECOMMENDATION

Conclusion:

In the final analysis, Bangladesh security market still has a long way to go. It is growing but the pace needs to be faster. With the support from government multilateral institutions for capacity building this market has very responsibility to improve. We are yet to have in place several missing parts of the vital market infrastructure, and valuation and appropriate rules are essential segment of this expected infrastructure.

In the securities market brokerage business all over the world has reached its pinnacle. Now we can see that quite a great many securities market brokerage house build up safety and marketability of securities to a level where they could be used temporary homes for the profitable employment of short term money. They are innovative, aggressive and doing their business efficiently. Their services range from investment advice to the clients to asset management, investment bank to portfolio management.

Over the short-term, stocks and other securities can be depreciate or sustain by any number of fast market-changing events, making the stock market behavior difficult to predict. Emotions can drive prices up and down, people are generally not as rational as they think, and the reasons for buying and selling are generally obscure. Behaviorists argue that investors often behave 'irrationally' when making investment decisions thereby incorrectly pricing securities, which causes market inefficiencies, which, in turn, are opportunities to make money.

Increasing public confidence in the stock market through strengthening the regulatory mechanism and ensuring transparency and accountability in financial disclosure of companies are crucial. Government support is much needed to bring in profitable business and private sector enterprises in the capital market. A well developed securities market is also helpful to the central

bank in the formulation of the monetary policy through which it can gain information about public perception (e.g. inflation expectations) and hence increase the efficacy of monetary policy using the stock market channel.

Recommendations:

Here I focus on one part of the factor market, the market for securities and financial assets. This market determines the cost of capital. Common stock issued by digital Equipment Corporation. Stock options permit investors to mold the shape of return distribution to meet investment objectives better. The brokerage commission is the most objective type of trading cost and objective of competition among broker for both institutional and retail investors. The underlying stock market index may be a broad-based index or a narrow-based index. It should need to open more branches to reach to more customers.

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