

# **Internship Report**

**On**

***MERCHANT BANKING ACTIVITIES***

***OF***

***BANK ASIA SECURITIES LTD.***

***A STUDY ON MIRPUR, BRANCH***

Internship report  
On  
**Merchant Banking Activities of Bank Asia Securities Ltd.**  
**A Study on Mirpur, Branch.**

**Submitted to**

Sabrina Akhter  
Senior Lecturer  
Academic Supervisor  
Department of Business Administration  
Faculty of Business and Economics  
Daffodil International University.

**Submitted by**

Israt Khondoker Raka  
ID NO-141-11-3600  
BBA (Major in Finance and Accounting)  
Batch: 37<sup>th</sup>  
Department of Business Administration  
Faculty of Business and Economics



**Daffodil**  
*International*  
**University**



## Letter of Transmittal

04 May, 2017

Sabrina Akhter  
Senior Lecturer  
Academic Supervisor  
Department of Business Administration  
Faculty of Business and Economics  
Daffodil International University.

### **Subject: Submission of Internship Report**

Dear Madam,

It is of great honor and delights to me present you my internship project paper prepared as a part of the Internship program. I tried to gather information to make my project paper specific and coherent through my internship and using necessary data from relevant sources. I have analyzed every inch and outs about factors that influence the report “**MERCHANT BANKING ACTIVITIES OF BANK ASIA SECURITIES LTD A STUDY ON MIRPUR BRANCH.**”

I tried my best to make applicable and feasible planning so that it becomes effective and as good as you expected. I consider providing any information or clarification if necessary. I sincerely hope this report will fulfill the requirement suggested. I will appreciate if you kindly manage some of your valuable times by going through the report.

Sincerely yours,

.....  
Israt Khondoker Raka  
ID NO-141-11-3600  
Daffodil International University



## Letter of Approval

This to certify that Israt Khondoker Raka, ID# 141-11-3600 , Program BBA, Batch 37<sup>th</sup>, Major in Finance and Accounting is a regular student of Department of Business Administration, Faculty of Business & Economics, Daffodil International University. She has successfully completed her internship program at Bank Asia Securities Ltd and has prepared this internship report under my direct supervision. Her assigned internship topic is **“MERCHANT BANKING ACTIVITIES OF BANK ASIA SECURITIES LTD A STUDY ON MIRPUR BRANCH”**, I think that the report is worthy of fulfilling the partial requirements of BBA program.

I wish her happiness and every success in life.

-----  
Sabrina Akhter  
Senior Lecture  
Academic Supervisor.  
Department of Business Administration  
Faculty of Business & Economics  
Daffodil International University



## **Acknowledgement**

At the very beginning, I would like to express my deepest gratitude to almighty Allah for giving me the strength and the composure to complete the internship report words actually will never to enough to express how grateful I am, but never the less I will try my level best to express my gratefulness toward some people.

This internship report might never have been completed without the necessary practical knowledge, assistance of the many books, articles, websites, and primary data. It enhanced my knowledge in foreign trade activates as well as banking business. Thanks to all those persons, who have assisted me, providing me co-operation, books articles. I would like to express my special gratitude to my Executive Officer **Mostofa Nahid Soroar** for his supervision, co-operation and advices.

I have worked in the **Bank Asia Securities Ltd, Mirpur** Branch for three month. As an intern, I had the opportunity to do different types of tasks related to Trade, Merchant Banking, and BO Accounts Department which broadened my perception about **Bank Asia Securities Ltd** Operation during this period.

I again at the end of the summary would like to express my special thanks to **Md. Nahid Reza** and in charge Trade operations and all my colleagues, Bank Asia Securities Ltd, Mirpur Branches for providing me all the guidance and support that I Need. Besides, my thanks go to all the other member of **Bank Asia Securities Ltd**, and all my family members and friends for their co-operation in different level of my study.



## **Executive Summary**

Bank Asia Securities Limited (BASL), a majority owned subsidiary company of Bank Asia Limited has been operating as Stock Broker and Stock Dealer activities since August 05, 2009. BASL is playing a leading role on daily turnover and providing the best services to the clients for the sustainable growth of the capital market.

### **Customer**

BASL is providing best priority on customer demand through endless effort to assure best satisfaction and sustainable growth in investment.

### **Team Member**

Expert and experienced team members are ensuring financial growth of clients and companies by providing best and dedicated services.

### **Compliance**

A seasoned compliance team is ensuring best facilities for our valued customers adhering to rules and regulations.

### **Attractive Commission Rate**

Absolute cash account 'offering attractive commission @ 0.25% only for the cash investors without any hidden costs or charges.

### **Panel Broking**

BASL offers exclusive panel broking services through renowned merchant banks

## Table of Contents

Contents	Page Number
<b>Letter of Transmittal</b>	iii
<b>Letter of Approval</b>	iv
<b>Acknowledgement</b>	v
<b>Executive Summary</b>	vi
<b>Chapter-1: Introduction</b>	1-5
1.0. Introduction	2
1.1. Origin of the Report	3
1.2. Objective of the Report	3
1.3. Significance of the Report	3
1.4. Methodology	4
1.5. Limitations of the Report	5
<b>Chapter-2: Capital Market Operation And Bangladesh</b>	6-14
2.0. Introduction	7
2.1. Institutional Intermediation in Capital Flow	7
2.2. The Financial Institution And Banking Framework	7
2.3. Capital Market Framework	8
2.4. Capital Market Constituents	8
2.5. Capital Market In Bangladesh	9
2.6. Bangladesh Capital Market Activities in 2016	12
<b>Chapter-3: Organizational Overview</b>	15-30
3.0. Overview of Bank Asia Limited	16
3.1. Product & Service Offerings of Bank Asia Limited	18
3.2. Bank Asia Securities Limited	18
3.3. Bank Asia Securities Limited Corporate Organogram	21
3.4. Portfolio Management	24
3.5. Brokerage Services	27
3.6. Stock Broking Coverage Of BASL	28
3.7. Research Sector	29

<b>Chapter-4: Learning Part</b>	<b>31-51</b>
4.0. Introduction	32
4.1. Control And Supervision Of The Function Of Merchant Banking	34
4.2. MBS Front Office and Back Office Setup	36
4.3. Flow Chart of Accounts and IT Department	37
4.4. Flow Chart of Settlement Department	38
4.5. Flow Chart of Custodian Department	39
4.6. Flow Chart of Customer Service Department	40
4.7.Target Clients Of Portfolio Accounts	41
4.8.Collection Of Corporate Entitlements, Safe Custody Of IDA, BDA	44
4.9.Procedure Of Transaction Through BDA Portfolio Accounts	45
4.10.The Settlement System	46
4.11. Selection Of Scripts For Inclusion In The Portfolio Accounts	48
4.12.Major Types of Orders Executed by MBS	50
4.13.Significant Accounting Policies	50
4.14.The Basis of Providing margin Loan Facility	51
4.15.Interest Scheme on Idle Investment	51
4.16.Closing of an Account	51
<b>Chapter-5: Findings, Recommendation and Conclusion</b>	<b>52-55</b>
5.0.Findings	53
5.1.Recommendation	53
5.2.Conclusion	55
<b>Bibliography</b>	<b>56</b>
<b>References</b>	<b>56</b>



## Table of Chart/Diagram

Contents	Page Number
Table 1: Capital Flow in Economy and Institutional Intermediation	08
Table 2: Constituents of Capital Market	09
Table 3: Historical Development (1954- 1998) of Capital Market	10
Table 4: Sector wise Performance of DSE during July-September 2016	13
Table 5: Summary of Capital Market Development in Bangladesh	14
Table 6: Common features of Portfolio Services	25
Table 7: MBS Front Office and Back Office Setup	36
Table 8: Flow Chart of Accounts and IT Department	37
Table 9: Flow Chart of Settlement Department	38
Table 10: Flow Chart of Custodian Department	39
Table 11: Flow Chart of Customer Service Department	40
Table 12: Features of IDA and BDA Accounts	41
Table 13: Dhaka Stock Exchange Settlement Process	46
Table 14: MBS Settlement Process	47
Table 15: Operational Flow of MBS	49



# **CHAPTER-01**

## ***INTRODUCTION***

## **1.0 Introduction:**

Banks are one of the most important parts of any country. In this modern time money and its necessity is very important. A developed financial system of the country ensures to attain development. A modern bank provides valuable services to a country. To attain development there should be a good developed financial system to support not only the economic but also the society. So, a modern bank plays a vital role in the socio economic matters of the country. Banks are an important intermediary that links the surplus section of the country with the deficit section. They have the access of knowing the both section well. In the current time when poverty and environmental degradation are two important issue Banks can come forward to mitigate these issues with Sustainability Banking.

Sustainability Banking is the role banks can play to ensure sustainable development. It is the pursuit of environmental and social responsibility in a banks operation through environmental initiatives. It integrates sustainability into a bank's core business through the integration of environmental and social considerations into product design, mission policy, and strategies. Such a bank is Bank Asia Ltd. From the beginning of its journey Bank Asia is always concerned with the poverty alleviation and environmental protection. Bank Asia always believes the mantra of "Zero" for this purpose. The concept of Zero was very much spiritually connected with Indian philosophy and religion such as Nirvana, the transcendent state of 'nothingness', when all desires are nullified. Nirvana is attained when somebody can deliberately make his/her mind Zero or Shunya to be liberated from all kind of desires and self-sense. This mantra can be true for a commercial company too. If they can nullify so called corporate goals (desires) obsessed with profit and continuous growth and start from 'Zero to Infinity' giving cautious considerations to economic, environmental & social impacts and prioritize corporate social responsibilities with good governance it will usher in a state of sustainability. Bank Asia is striving for such spiritual salvation chanting the mantra of Zero. They are trying to ensure financial inclusion, Green financing and CSR activities every years to bring more sustained growth in the society.

Along with all modern commercial banking services Bank Asia Ltd. has also full-fledged merchant banking operation which has already proved as the strongest Strategic Business Unit of the Bank. Bank Asia Securities Ltd. stated its operation in 2009 has already established itself as pioneer among the commercial banks. Bank Asia Securities Ltd. provides brokerage service through CDBL, fully owned subsidiary of the Bank. All units are now joined together in the Investment Banking Division and taking steps to provide capital market services with innovation and maximum efficiency.

This report covers mainly the Merchant Banking Division of Bank Asia Ltd. and its services. In the learning part of this report I have shown the activities of merchant banking activities of the bank.

## **1.1 Origin of the Report:**

The BBA internship program is a mandatory requirement for the students who are graduating from the BBA program under the Faculty of Business & Economics of Daffodil International University.

In the internship program, I was attached to a host organization named 'BANK ASIA SECURITIES LIMITED' for 13 weeks. During this period I learned how the host organization works with the help of the internal supervisor. As a result I have decided to write a report on "Merchant Banking Activities- in context of Bank Asia Securities Limited". During the Three months of work experience with Bank Asia Securities Limited on this internship program, I was placed in the Merchant Banking activities of the bank. I joined on January 11, 2017. Bank Asia Securities Limited provides services of capital market with a small however efficient team of experts professional. Merchant Banking activities already established itself as one of the pioneer among the commercial banks currently operating in capital market through its portfolio management services, issue management and underwriting services to institutional clients.

## **1.2 Objective of the Report:**

Objectives of the report are

- To know about the Overall Merchant Banking activities of Bank Asia Securities Limited.
- To know about the Capital market operation in Bangladesh.
- To evaluate the performance of BASL at Capital Market.
- Settlement process with Dhaka Stock Exchange(DSE)
- To find out the setbacks and suggest some solution for merchant banking activities of Bank Asia Securities Ltd

## **1.3 Significance of the Report:**

Capital Market of Bangladesh is now-a-days more regulated and organized in comparison to the near past. The regulatory body especially SEC (Securities & Exchange Commission) always provides guideline to develop the capital market. Moreover, Investors' confidence and involvement is increasing very rapidly in the market. Beside this, a good number of institutions have started Merchant Banking operation to serve the investors. These institutions

are committed to earn profit for and on behalf of the investors and on the other hand they are making revenue and creating employment of a good number of people.

If the investors' hard earn money is not invested with a great care, the investor may lose their money and they must show their backs to the market. By applying prudent investment decisions the portfolio managers can make money for their clients which may induce more involvement of the new investors in the market.

My study focuses on whether the manager is exercising their selection and allocation skill in constructing portfolios or not. Besides this, whether the portfolios are constructed as a perfectly diversified manner or not also have been taken in the study. It is also my concern that, from a very risky and volatile market like DSE whether the portfolio managers are contributing towards making money for and on behalf of the investors or it is simply the market trend to earn above average and sometimes abnormal returns from an investment.

#### **1.4 Methodology:**

This part of the report contains which data sources I have used to gather all the related information about Bank Asia Limited and their activities. There are two types of data sources:

- Primary data
- Secondary data.

##### **Primary data:**

- Discussion with the officials of Bank Asia Securities Limited.
- Informal interview and individual conversation with employees.
- Face to face conversation with the clients.
- Direct involvement in the Merchant banking activities of the bank.
- Personal observation on the procedure of Merchant banking activities.

##### **Secondary data:**

- Annual report of Bank Asia Limited [2011, 2012, 2013, 2014, 2015, 2016]
- Brochures, Manual and publications of Bank Asia.
- Online data from the website of Bank Asia Limited.

- Relevant Journals and research papers.
- Relevant file study as provided by the officers concerned.

The description of the methodology is given later.

### **1.5 Limitations of the Report:**

To prepare the report I have encountered following limitations:

- The portfolio of BASL does not include Bond or Debenture or Money market instruments. So, different industry has been considered as sectors or market segments.
- Price volatility is very extreme in the capital market.
- The portfolio construction and method of measuring return adopted by BASL does not match with theoretical framework for decomposition analysis. So interest and management fee had to measure as weighted basis.
- Data unavailability was the constraint. Official documents on the detail activities of the department were not available.
- Holding periods of portfolio changes very frequently. So, complicity arises to calculate holding period returns.



## **CHAPTER-02**

# ***CAPITAL MARKET OPERATIONS***

***AND***

***BANGLADESH***

## **2.0 Introduction:**

The economy of a country functions on the fundamental mechanism of saving and investment of financial capital into economic activities that help in the creation of economic wealth. Economic wealth in turn creates a conducive atmosphere for the consumption that creates economic demand for goods and services thereby stimulating production and further investment. Therefore this continuous economic cycle leads to growth in the economy which is usually measured by the gross domestic product or GDP. Economic growth when channelized optimally leads to economic development which is measured by the standard of living of the people and other parameters such as the availability of developed capital and money markets, the exchange value of a country's domestic currency and the level of infrastructural development to sustain economic activity.

## **2.1 Institutional Intermediation in Capital Flow:**

Institutional intermediation is required in the capital movement as only savings do not generate economic wealth unless they are channelized into productive uses. Two paramount issues for sustained economic activities are- adequate domestic savings in the economy and the movement of such capital saved to productive investment in the economy. Capital movement is extremely critical since real growth in an economy is achieved only if real investments are made leading to an increased supply of goods and services. Institutional intervention in the economy not only channelizes savings to investments but helps in moving investments from financial assets into real assets as well. One of the biggest contributions of institutional intervention in the economy is in the allocation of available capital. This function is also of vital importance since the available capital may not be sufficient to meet all envisaged investment requirements.

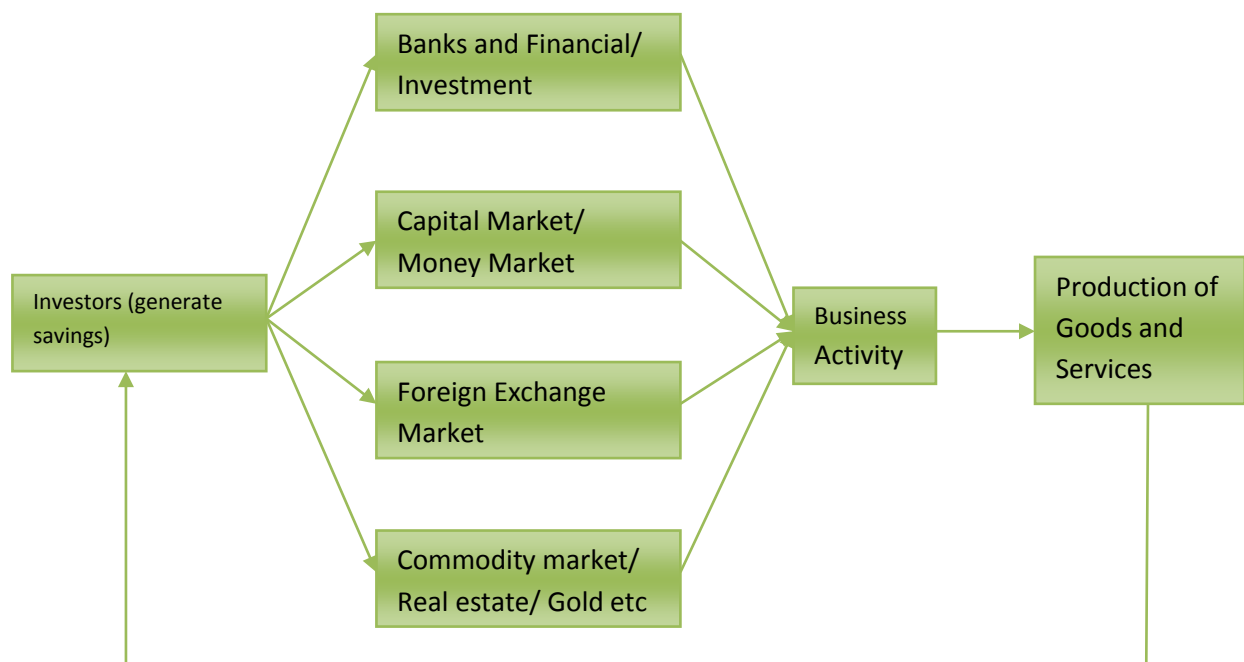
The movement of capital in the economy from the savings pool to the investment pool is performed by two main platforms of institutional intervention. The financial institution and banking framework and the capital market framework.

## **2.2 The Financial Institution and Banking Framework:**

Banks mobilize funds by rising deposits from domestic investors and other sources of savings and help re-deployment of these resources productively in the economy by advancing loans and other financial assistance to borrowers. Thus banks perform the role of intermediation primarily through mobilization and deployment of debt capital in the economy.



**Table-1:** Capital Flow in Economy and Institutional Intermediation



*Source: Subramanian, 2016*

### 2.3 Capital Market Framework:

Capital market deals with raising finance through issue of publicly traded financial instruments in equity and debt which can be bought and sold at any time through dedicated market places called stock exchange. Notwithstanding the clear roles played by banks and capital market in the economy, capital market also offers wide scope for raising long term debt capital through debt securities as distinguished from loans provided by banks and financial institutions.

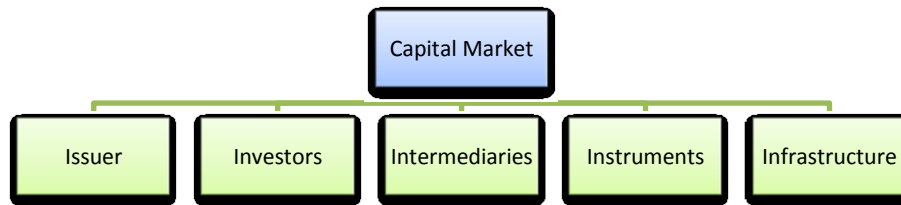
### 2.4 Capital Market Constituents:

To understand the capital market and its role it is important to know about the basic constituents of it. Subramanian (2016) identified five ‘I’s as basic components of capital market which are-

1. **Issuer:** Issuers of securities are basically companies incorporated under the Company Act, 1956. These companies can be privately owned or owned by the governments. Thus both government and companies can raise finance from the capital market using long-term debt route.

2. **Investors:** Investors in securities can be either wholesale investors or retail investors. The wholesale segment primarily comprises of institutional investors such as mutual funds, investment institutions and other. The retail segment consists of household and other small investors.

**Table-2:** Constituents of Capital Market



*Source: Subramanian, 2016*

3. **Intermediaries:** Intermediaries and service providers help in the mobilization of resources from the investors and provide other support services. Capital market intermediaries consist of brokers, merchant bankers and market makers. Support service providers include underwriters, custodians, depository participants, registrars and share transfer agents.
4. **Instruments:** Instruments are floated in the capital market for the purpose of raising capital both in debt and equity. These include equity instruments such as equity shares, preference shares, convertible debenture and purely debt instruments such as bonds. Debt instruments carry interests whereas equity instruments is more like ownership underlying business of the company that issues such shares.
5. **Infrastructure:** Another vital constituent of capital market is infrastructure which is required for the efficient functioning of the capital market. It consists of stock exchanges (eg. Dhaka Stock Exchange, Chittagong Stock Exchange), Depositories (eg. Central Depository Bangladesh Limited- CDBL), the regulators (Securities and Exchange Commission- SEC).

## 2.5 Capital Market in Bangladesh:

The capital markets of Bangladesh were undeveloped during the sixties, seventies, and the early part of the eighties. During this period, few companies accessed the capital market, institutional investors did not exist yet, and no retail investor culture existed, nor did the government of the day see fit to promote the capital markets, such as they were. This changed

over time, particularly from the late eighties to the mid-nineties. In this period, market capitalization and index showed a marked rise. The SEC was set up in 1993 to regulate the development of the market and to enhance the degree of investors' protection. ([www.secbd.org](http://www.secbd.org))

After the general election in June 1996, the market experienced an enormous boom, which inevitably led to a bubble. Large numbers of investors entered the capital market, mostly novices who took to curb trading outside the DSE premises, causing an entire city block to be closed on a daily basis due to the investor throngs. New issues multiplied and speculative fever gripped the market. Foreign brokers and investors were active for the first time. Trading volume rose sharply and the index reached 3648 points. ([www.dsebd.org](http://www.dsebd.org)) In November 1996, the inevitable crash occurred, accentuated by forged scrip issues and settlement failure. When the market finally settled at around the 500 index level, fingers were pointed, brokers accused of manipulation, and legal cases were filed by the government – which are still to be resolved ten years later.

Over the past five years, the Asian Development Bank (ADB), along with the Securities and Exchange Commission, has developed new trading rules, public issue rules, settlements systems, and bond issuance rules to govern the market and introduce transparency. (<http://www.adb.org>) As the market has gone through a process of prolonged consolidation, regulations have become more comprehensive. The capital markets of Bangladesh are now poised to achieve higher degree of stability, maturity, and regulation. And, as the market matures, a more meaningful risk return parity will emerge.

**Table-3:** Historical Development (1969- 1998) of Capital Market of Bangladesh

<b>Year</b>	<b>Event</b>
<b>1969</b>	Securities & Exchange Ordinance, 1969 is set forth. With the introduction of this ordinance the capital market operation of the country starts to have the guidelines of the policy makers. In other words policy makers and the capital market players get the ground to interact with each other.
<b>1976</b>	Investment Corporation of Bangladesh (ICB) is formed. It is the pioneer organization in the country that has been performing with a strong reputation In the country's capital market spreading its activities In all the segments of capital market. ICB launches its first Unit Certificate.
<b>1977</b>	ICB launches the first Unit Fund
<b>1986</b>	For years the activities in the capital market of .the country was nothing remarkable. There was no reliable indicator of performance of the Stock Exchange itself that could reflect the market condition. After so many years in this year DSE started All Share Price Index calculation.
<b>1987</b>	The Bangladesh Government prepares and presents the Securities and Exchange Rules, 1987.
<b>1993</b>	DSE took a step ahead to update its All Share price Index. It adopted the All Share Price Index on the basis of the design suggested International Finance Corporation (IFC). The government also showed some Improvements. It intrudes two more acts: Securities & Exchange Commission Act. 1993 and Financial Institution Act. 1993. These legislations at that time demonstrate that the capital market of Bangladesh needs to be regulated. In other words, it gives the hint the capital market has become !able to attract both the players in the capital market and the government
<b>1994</b>	SEC published rules regarding the activities of dealers and brokers. The title of the rules is set (Stock-dealers, Stock-brokers and sub-brokers; 1994.For professional operation In the capital market it was a long desired set of rules.
<b>1996</b>	SEC introduces SEC (Merchant Banker & Portfolio Manager) Regulations, 1996 along with SEC (Mutual Funds) Regulations, 1996.
<b>1996</b>	So far, except the activities of ICB, merchant banking In Bangladesh had the gray picture or infrequent issue underwriting by banks, Insurance companies etc. there were no legal obligation of the issuer companies to engage an issue manager at the time security Issue. Firms start applying for SEC registration to merchant bankers. Few commercial Banks also

	applied for the license or merchant banker and Portfolio Manager
<b>1997</b>	The applications from two local banks were rejected due to loan default of the directors of these banks, one foreign bank declined the SEC's requirement to form a subsidiary organization to operate as a merchant banker and another seek time to meet the requirements of the SEC. Prime Bank Ltd. was also instructed to form a subsidiary.
<b>1998</b>	DSE introduced automated trading. It is a great breakthrough both for the country and Stock Exchange. IDLC of Bangladesh got license from SEC as a full-fledged merchant banker. It is the country's' first licensed full-fledged merchant banker.

Source: [www.secbd.org](http://www.secbd.org), [www.dsebd.org](http://www.dsebd.org), Bangladesh Bank Annual Report 2016, Brochure.

## **2.6 Bangladesh Capital Market Activities in 2016:**

Capital market of Bangladesh is one of the smallest markets in Asia; however it is growing and broadening gradually. It consists of two full-grown automated stock exchanges- the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE). Bangladesh Securities and Exchange Commission (BSEC) regulates the stock exchanges and oversee the interests of securities' investors, and build up and maintain fair, transparent and efficient securities markets. Moreover, it ensures proper issuance of securities and compliance with securities laws. The quarterly analysis on capital market development of Bangladesh potentially gives some insights to understand policy aspects of capital market in Bangladesh. An analysis on the capital market of Bangladesh during July-September 2016 is given below:

### **Dhaka Stock Exchange**

The total number of listed securities stood at 559 at the end of September 2016 of which the number of companies 293, number of mutual funds 35, number of government bonds 221, number of debenture 8, and number of corporate bonds 2. The number of companies consists of banks 30, financial Institutions 23, insurance companies 47 and other companies 193.

During the period July-September 2016, a total number of 660.89 crore shares were traded as against 645.31 crore shares during April-June 2016 and 785.56 crore shares during the same period of the previous year (July-September 2015). It was 2.41 percent higher and 15.87 percent lower than that of preceding quarter (April-June 2016) and the same period of the previous year (July-September 2015) respectively. During the period under report, the total turnover value of traded shares was Tk. 24892.30 crore which was 4.65 percent higher than that of the preceding quarter; however, 20.04 percent lower than that of the same quarter of the previous year (Annex-1).

**Table-4:** Sector wise Performance of DSE during July-September 2016

(Tk. in Crore )

	No. of listed Securities	Issued capital	Market Capitalization	Total turnover	Turnover volume	P/E Ratio	Yield
Banks	30	23947.23	44183.58	2651.54	138.82	7.44	7.46
FIs	23	4052.99	15320.97	1885.98	68.62	14.76	3.94
Insurance Com	47	2148.12	7481.74	478.37	20.89	11.16	3.69
Mutual Funds	35	4614.87	3190.42	389.92	58.52	-	-
Govt. T. Bonds	221	54859.22	54859.22	0.00	0.00	-	-
Corporate Bond	2	595.11	598.64	3.01	0.00	-	-
Debentures	8	35.37	57.57	0.00	0.00	-	-
Other com.	193	22885.87	202498.81	19483.48	374.04	-	-
Grand Total	559	113138.78	328190.95	24892.30	660.89	15.12	3.73

Source: Dhaka Stock Exchange (DSE)

### Chittagong Stock Exchange (CSE)

The total number of listed securities in Chittagong Stock Exchange (CSE) stood at 299 at the end of September 2016. During the period July-September 2016, a total number of 50.41 crore shares were traded as against 55.09 crore shares during April-June 2016 and 68.75 crore shares during the same period of the previous year (July-September 2015). It was 8.50 percent and 26.68 percent lower than that of preceding quarter (April-June 2016) and the same period of the previous year (July-September 2015) respectively.

During July-September 2016, the total turnover value of traded shares was Tk.2120.88 crore which was 30.92 percent higher and 14.74 percent lower than that of the preceding quarter

and the same quarter of the previous year respectively. The market capitalization of CSE stood at Tk.258265.47 crore at the end of the period under report, which was 3.44 percent higher and 3.57 percent lower than the same of period of the preceding quarter and the same period of the preceding year respectively (Annex-3).

**Table-5:** Summary of Capital Market Development in Bangladesh

(Billion  
Taka)

End period	Number of listed Securities		Issued capital		Market Capitalization		Turnover		Indices	
	DSE	CSE	DSE	CSE	DSE	CSE	DSE	CSE	DSE	CSE
Mar-15	551	291	1,069.80	508.85	3,172.29	2,517.85	170.69	15.40	4,530.48	13864.01
Jun-15	555	295	1,091.95	529.77	3,247.31	2,588.08	305.99	30.74	4,583.11	14,097.17
Sep-15	556	296	1,096.80	536.27	3,355.50	2,678.26	311.33	24.87	4,852.08	14,845.00
Dec-15	559	299	1,105.92	544.68	3,159.76	2,487.49	243.39	17.47	4,629.64	14,089.63
Mar-16	560	300	1,111.64	551.35	3,030.37	2,368.35	279.89	19.52	4,357.54	13,407.24
Jun-16	559	298	1,127.41	566.08	3,185.75	2,496.85	237.85	16.20	4,507.58	13,802.59
Sep-16	559	299	1,131.39	565.57	3,281.91	2,582.65	248.92	21.21	4,695.19	14,429.44

Source: Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE)



## **CHAPTER-3**

# ***ORGANIZATIONAL OVERVIEW***



### **3.0 Overview of Bank Asia Limited:**

The economy of Bangladesh has been encountering a quick development since the 90's. Modern and horticultural advancement, universal exchange, inflow of ostracize Bangladeshi laborers' settlement, neighborhood and remote interests in development, correspondence, power, sustenance preparing and benefit venture introduced a period of financial exercises. Urbanization and way of life changes simultaneous with the financial advancement made an interest for managing an account items and administrations to bolster the new activities. A gathering of exceedingly acclaimed agents of the nation assembled together to react to this need and set up Bank Asia Constrained in the year 1999. The Bank Asia consolidated as an open constrained organization under the Organizations Demonstration. 1994. The bank began its business operation on November 1999 with an approved capital of Tk.800 million and paid up capital of Tk.218 million. The paid up capital of the bank remained at Tk.1116 million as on 31st December 2006. Inside a limited ability to focus time Bank Asia has set up itself as one of the quickly developing neighborhood private banks. It has at present a system of 26 branches serving a significant number of the main corporate houses and is step by step moving towards retail keeping money. Its other huge conveyance channel is the mutual ATM System. Bank Asia has 25 ATMs as an individual from ETN alongside eleven different banks. Since its modest starting in 1999, it set turning point by securing the business operations of the Bank of Nova Scotia in Dhaka, first in the managing an account history of Bangladesh. It again rehashed the execution by obtaining the Bangladesh operations of Muslim Business Bank Ltd. (MCB), a Pakistani bank. A year ago the Bank again went to the spotlight with over membership of the First sale of stock of the shares of the Bank, which was a record (55 times) in our capital business sector's history and its shares summons respectable premium.

The benefit and obligation development has been surprising. By December 2006 the aggregate resource of the Bank developed to Tk. 30,478 million, increment of very nearly 30% contrasting with 2005. As of December 2006 stores expanded to Tk. 25,289 million, an expansion of 37% over that of 2005, and Advances achieved Tk. 22,255 million, an expansion of 25% over that of the year 2005. Bank Asia has been effectively taking part in the nearby currency market and also outside coin market without presenting the Bank to powerless positions. The Bank's interest in Treasury Bills and different securities went up discernibly opening up open doors for improving salary with regards to an administration of steady loan fee decay. Bank Asia is keeping up its aggressiveness by utilizing on its Web

saving money Programming and current IT framework. It is the pioneer amongst the nearby banks in presenting inventive items like SMS managing an account, and under the ATM Organize the Stellar Web Keeping money programming empowers direct connecting of a customer's record, without the prerequisite for a different record. Bank Asia has effectively settled a straightforward procedure of enrollment looking for the best ability. In its endeavors towards consistent improvement of the HR of the Bank, it masterminds preparing programs consistently.

**Vision:**

Bank Asia's vision is to have a poverty free Bangladesh in course of an era in the new thousand years, mirroring and establishing the national dream to the full extent. The vision is to fabricate such a society where human nobility and human rights get the most elevated thought alongside lessening of destitution.

**Mission:**

The Core Missions of Bank Asia are-

- To help with conveying excellent support of our clients and to take part in the development and extension of our national economy.
- To set elevated expectations of honesty and convey all out fulfillment to our customers, shareholders and workers.
- To turn into the most looked for after bank in the nation, rendering innovation driven creative administrations by our devoted group of experts.

**Objectives:**

The pivotal objectives of Bank Asia are given below, • To mix in its operations conventional managing an account with present day worldwide administrations. • To encourage its partners with elevated requirement and quality managing an account. • To conduct outside trade business, for example, universal cash settlement administration thus on and in national. • To degree credit office to the customer. • To give standard and speedy administrations into the customer. • To degree custodial administrations, for example, locker. • To degree general saving money administrations to the customers. • Buying and offering of remote monetary standards.

**Policies:**

Bangladesh is making a decent attempt and putting its soul to try to be a productive player in the worldwide business sector as far as business. As needs be, Bank Asia Constrained will as an issue of arrangement, assembled its money related, non-monetary and human asset in

congruity with global standards, principles and practices. In the residential monetary field Bank Asia Restricted has set its sight on giving its customer base the edge of keeping money and fund which will empower them to run their undertakings benefit. Bank Asia Constrained give a hand the client with its innovation, know how preparing and specialization, and will give world class managing an account framework.

### **3.1 Product & Service Offerings of Bank Asia Limited:**

Bank Asia is another participant in the Private Banking segment of Bangladesh. It is resolved to give adaptable administrations to its clients for their most extreme advantage and higher fulfillment. Step by step Bank Asia builds its item list for the significant clients which are mentioned forth a few offerings and plans been stated underneath,

- Savings account
- Foreign Currency account
- DPS- Deposit Pension Scheme
- Current account
- MB+
- FDR
- STD- short term deposit
- DB+
- TRPLE Benefit PLUS

Since initial set up, its product rundown is solid and incorporates generally includes. At whatever point, the bank dispatches an item, it looks profoundly in its specialized issue and acknowledgment to the overall population.

### **Subsidiary Company**

2 in abroad which are 'BA Exchange Company (UK) Limited' in London, United Kingdom established on May, 2011 and 'BA Express USA Inc.' in Jamaica, New York, USA established on June 01, 2014 and 1 in Bangladesh 'Bank Asia Securities Limited' established on March 16, 2011.

### **3.2 Bank Asia Securities Limited:**

BASL has been operating as Stock Broker and Stock Dealer activities since August 5, 2009. It is a majority owned subsidiary company of Bank Asia Limited.

---

**Department : Research & Development**

---

**Job Responsibilities:**

- Research Service
  - Buy side research
  - Stock Analysis
  - Stock Valuation
  - Technical Analysis
- Report formulation on current market data (Price earnings ratio, Dividend yields, and Stock synopsis)
- Perform as a member of the Investment Committee.
- Perform Book building procedure for Dealer Investment.
- Regular Publications.
- Product Design and Development.
- Prepare different Board Memo and management report as per requirement.
- Arrange different training/grooming session for in-house development.
- Maintain corporate relationship for business development.

---

**Department : Portfolio Management**

---

**Job Responsibilities:**

- **Revenue Generating Activity:**
  1. Operating Dealer Investment (company investment) under Investment Policy Statements (IPS)
  2. Doing portfolio management (generating trade) of net worth clients
- **Client & Corporate Relationship:**
  1. Communicating clients in regular basis for smooth operation of stress management and recovery
  2. Meeting with management of different companies before taking position in particular shares
  3. Collecting market intelligence
- **Development Activities:**
  1. Worked in developing and designing of Investment Policy Statements (IPS), this statement is approved by honorable board

2. Working on the development of Operational Manual and HR policy for the company with the cooperation of management consultants from Bangladesh Institute of Management (BIM)
  3. Working on the development of Institutional & Foreign Trade department. Product development is done and acquisition of Bloomberg is under processing.
- **Research:**
    1. Cooperating research department to combine theoretical research with market intelligence which further use in the decision making process of dealer investment
    2. Doing required back testing research for portfolio management
    3. Preparing introductory research for Foreign Investors
  - **Multitasking back office activities:**
    1. Derived the Strategic and five years recovery plan which is approved by honorable board and regularly monitoring it
    2. Working on different MIS for management and honorable board

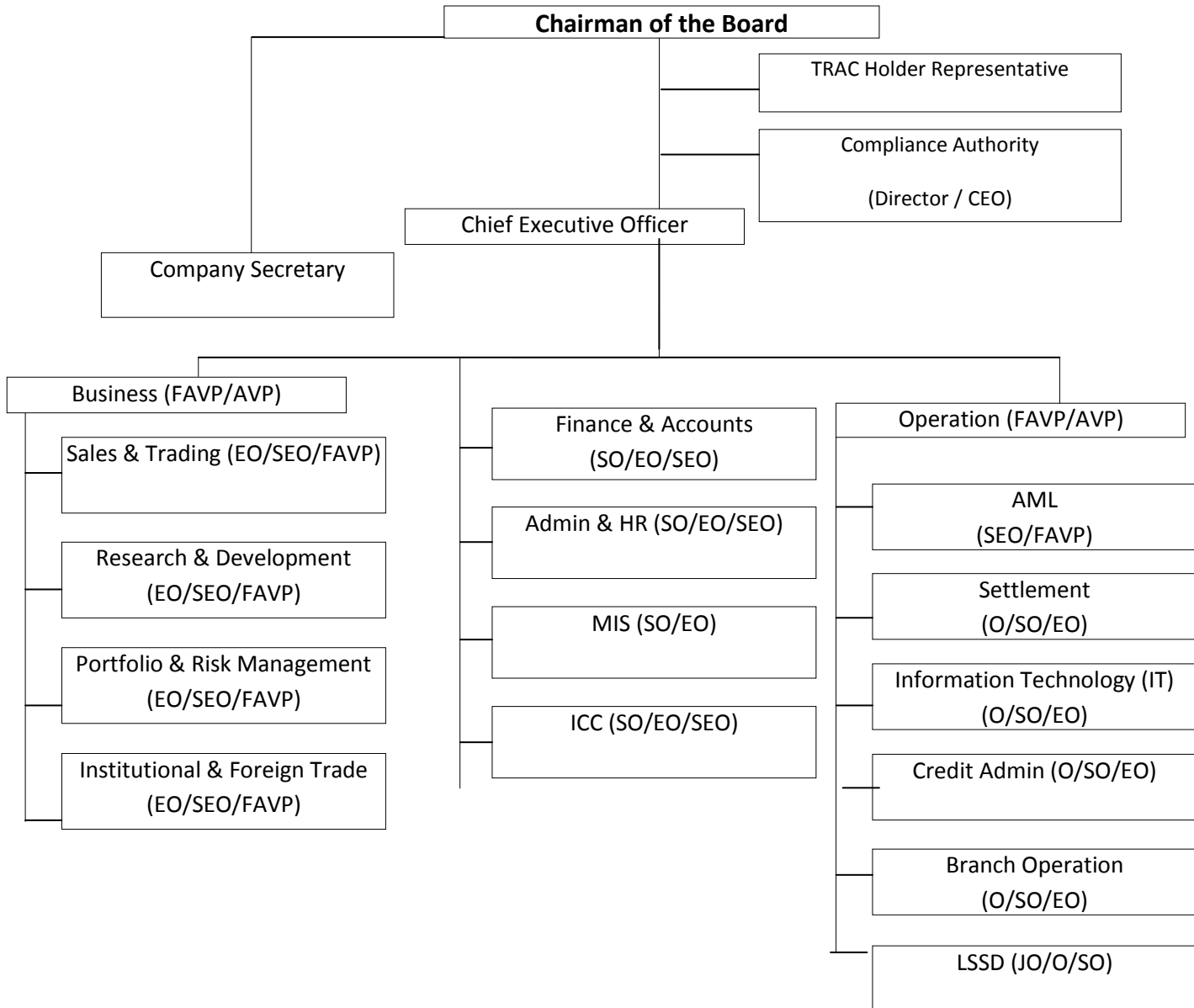
---

**Department : Finance & Accounts**

**Job Responsibilities:**

- Provides financial information to management by researching and analyzing accounting data; preparing reports.
- Prepares asset, liability, and capital account entries by compiling and analyzing account information.
- Documents financial transactions by entering account information.

### 3.3. Bank Asia Securities Limited Corporate Organogram:



### **Attractive Commission Rate**

Absolute cash account 'offering attractive commission @ 0.25% only for the cash investors without any hidden costs or charges.

### **Panel Broking**

BASL offers exclusive panel broking services through renowned merchant banks.

Wide Branch Network

BASL has wide branch network among 7 branches like;

- Head office branch at Motijheel
- Dhanmondi Branch
- Modhumita Extension office
- Jurain Branch
- Khulna Branch
- Mirpur Branch
- Uttara Branch

### **Institutional and Foreign Trade**

Trade finance signifies financing for trade, and it concerns both domestic and international trade transactions. A trade transaction requires a seller of goods and services as well as a buyer. Various intermediaries such as bank and brokerage house like BASL can facilitate these transactions by financing the trade.

### **Brokerage Services**

BASL always focus on their customer demand. BASL always modify its business activities by giving attractive opportunities than other brokerage house. Such as, absolute cash account which requires 0.25% commission rate and 0.37% commission rate at normal account. The advantages of absolute cash account is an account holder can give only 0.25% commission rate on each transactions. Brokerage house mainly perform trading services for their clients and give customer care services for better facilities.

### **CDBL Services**

Central Depository Bangladesh Limited (CDBL) was incorporated on 20th August 2000 sponsored by the country's Nationalized Commercial Banks (NCBs), private commercial banks, Investment Corporation of Bangladesh, foreign banks, Merchant Banks etc. The main functions of CDBL are to provide services to the Bangladesh Capital Market covering settlement of trades on the Dhaka and Chittagong stock exchange.

### **Research**

Cooperating research department to combine theoretical research with market intelligence which further use in the decision making process of dealer investment.

### **Daily Market Updates & New Summary**

BASL customer services provide Portfolio, ledger statement, client information on the regular basis. So the customer can get up-to-dates information about their daily transactions.

### **Internet & Smart Phone Services**

BASL provides online trading services to their customers and also provide mobile Apps from which any customer can do their trading smoothly. For mobile Apps Transaction the customer should have Tk. 5,00,000 transactions record on their ledger balance. These apps regularly conducted through BASL authorized person.

### **Margin Loan**

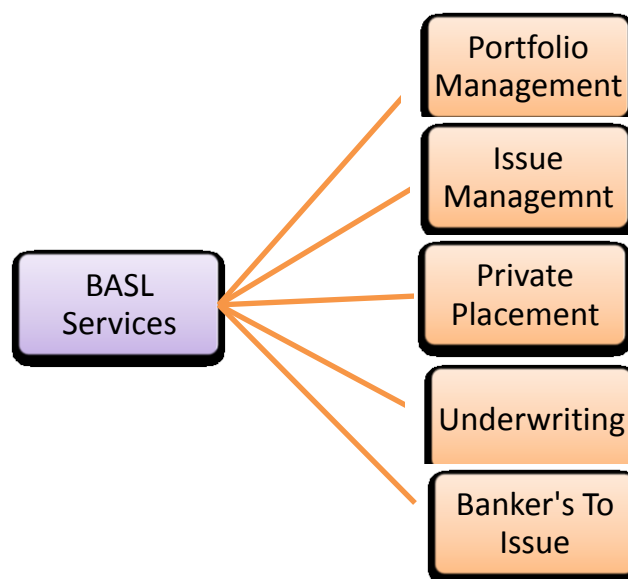
BASL provides margin loan services to their clients which means on the basis of the customers own margin amount they get loan services. These Loan services regulated by CDBL because here the margin shares are used as mortgage of the loan.

### **Risk Management**

The trader who provides trading services to the customers regularly inform their clients about the market rate and return. From the portfolio traders can help them how much share they can buy or sale. If the customers have negative equity for long time the CDBL will take out his BO account.

### **Major Products and Services**

BASL has distinctive services to meet the needs of the participants of the capital market of Bangladesh. The services of BASL include:





### **3.4 Portfolio Management:**

BASL have already gained an excellent reputation on the Merchant Banking services which resulted in a large number of customer base of over 2000 customers of BASL availing portfolio management services across the country. Portfolio Management services can be distinctively categorized into the following 3 types of accounts which are

#### **Investors Discretionary Accounts (IDA)**

The IDA clients of BASL has obtained approximately 197% return on an average on their investment in 2016 which is much higher than return on any other savings instruments. Moreover, investment in capital market is liquid which allows investors to reap capital gain (i.e. sell value of shares – cost of shares) at any time. Capital gain from investment is absolutely tax free income while there is only 10% tax deducted at source on dividend income.

#### **Key Features of IDA**

- IDA can be opened individually or jointly to make investment in the Capital Market
- Each person can open maximum 2 IDA accounts, one individually & one jointly
- Account can also be managed by an authorized operator
- Stock trading facility at both the Dhaka and Chittagong Stock Exchange
- Instant stock trading facility through our exclusive stock broking houses, ABBF and 5 other designated brokers
- Telephone trading facility
- Instant purchase facility upon cash deposit
- Updated portfolio statements are provided on demand

#### **Banks Discretionary Accounts (IDA)**

BDA clients obtained approximately 155% return on an average on their investment in 2016 whereas the total returns has been 228% since opening of BDA with us.

#### **Key Features of BDA**

- BDA can be opened individually or jointly to make investment in the Capital Market
- Each person can open maximum 2 BDA accounts, one individually & one jointly

- Research based professional portfolio management services

### **NON-RESIDENT BANGLADESHIS INVESTORS DISCRETIONARY ACCOUNTS (NRB-IDA)**

NRB-IDA offers the opportunity to investment in the Bangladesh capital market while staying abroad.

#### **Key Features of NRB-IDA**

- Non-Resident Bangladeshis (NRBs) investors may open a Non-Resident Investors' Individual Discretionary Account (NRB-IDA)
- Account can also be managed by an authorized operator
- Stock trading facility at both the Dhaka and Chittagong Stock Exchange
- Telephone trading facility
- Prompt customer services over Phone, Fax, SMS and E-mail
- Updated portfolio statements are provided on demand

**Table-6:** Common features of Portfolio Services

<b>COMMON FEATURES OF IDA, BDA &amp; NRB-IDA</b>
Margin loan facility is offered to construct the desired portfolio
Verification, ownership transfer and safe-keeping of shares for the clients
Quality Private Placements are offered to the clients
Preparation of all type of necessary certificates for the clients on demand
Fund Withdrawal and Fund Transfer services
Interest is paid to the clients on credit balance at a higher than normal saving accounts rate
Prompt customer services over Phone, Fax, SMS and E-mail
Research and Advisory services for investment
Delivery of Half Yearly account statements by post

*Source: IBD Brochures, 2016*

#### **Issue Management Services**

- A Professional team provides Issue Management services ranging from fund raising in the form of Equity and Debt

- Advisory Services for determination of capital structure and listing shares with the stock exchanges
- Acts as Issue Manager for right share offering / bonus share issue
- Preparation of prospectus, completing necessary formalities at the SEC, RJSC, Stock Exchanges and other regulatory bodies for fund raising services
- Provides legal advice on fund raising
- Conduct marketing of the issue on behalf of the clients.

### **Underwriting**

- BASL is able to subscribe the IPOs & Right Share Issues in case of Under-subscription by the general public
- BASL eased the listing of many quality IPOs in the past like Trust Bank, IPDC, Jamuna Bank, S. Alam Cold Rolled Steels, MIDAS Finance, Lafarge Surma Cement, Standard Bank, One Bank, First Lease etc.
- BASL can underwrite as much as Tk. 3.72 billion at a time

### **Private Placement**

- Due to our wide professional connection with high net worth individual and institutional investors, we can negotiate and arrange investors on behalf of the companies intending to raise capital through issuing shares.
- Having a large pool of portfolio investors, we are capable of managing large Private Placements

### **Bankers To The Issue**

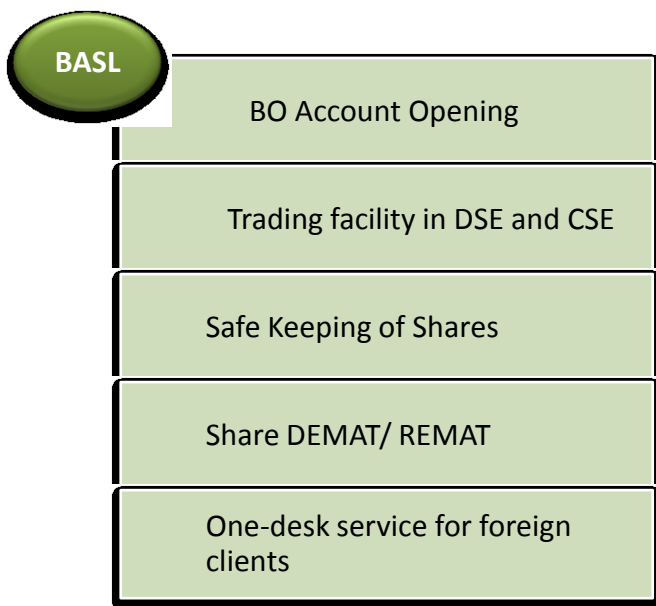
- Having a wide network of 70 on-line branches across the country, BANK ASIA SECURITIES LIMITED has been successfully participating as the Bankers to the Issue in many IPOs and already gained an excellent reputation with this service.

### 3.5 Brokerage Services:

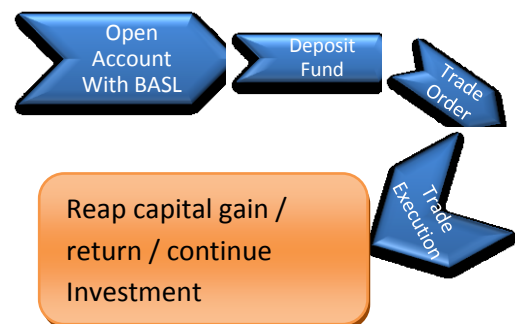
In way to serve investors' needs, BANK ASIA added fully fledged stock brokerage house in 2009 which is managed by BASL, a fully owned subsidiary of Bank ASIA Ltd. Since its inception it has proved its efficiency in operation and maintained its leadership position in this business while managing over 2000 satisfied clients.

BASL provides full-fledged stock broking services to its clients having seats on both the Dhaka and Chittagong Stock Exchange to offer you a range of opportunities to help build and preserve good investments.

#### BASL 'S CORE SERVICES



#### Work Flow of BASL



Services	Brief Description
BO Account Opening and Brokerage Account	If any investor want to participate in the capital market (Buy, sell of shares), need to open an account with BASL and CDBL (Central Depository Bangladesh Limited) known as <b>Beneficiary</b> Owner's (BO) Account.

	BASL Assists to open client's BO Account
Trading	BASL has membership of both Dhaka Stock Exchange Ltd (DSE) and Chittagong Stock Exchange (CSE). BASL Clients can trade through both bourses DSE and CSE
Safe Keeping of Shares	BASL Assist on the safe keeping of shares for its clients
Share DEMAT& REMAT	BASL Provides share dematerialization and Dematerialization services of shares
One Stop Service for Foreign Clients	BASL provides one desk service Foreign investors

### 3.6 Stock Broking Coverage of BASL:

Our valued clients can trade through five other leading stock brokerage houses located at different important places across Dhaka and Chittagong. Following are the details of our stock broking coverage:

#### Key Strength of BASL

- Corporate Entity backed by BASL strong footing in financial sector
- Real time trading opportunities in two bourses (DSE & CSE)
- Operating excellence from highly professional team
- Transparency in transactions
- Prompt settlement and reporting
- One stop prioritized services for foreigners and NRBs
- Effective public and corporate relationship
- Customer service with Financial, technological and Banking support

#### BASL Custodian Service

BANK ASIA SECURITIES LTD. has obtained the security Custodial Services license from the Securities and Exchange Commission (SEC) on 2011. They are now providing custodial services to the individual and institutional clients.

#### Services under Custodian Business

- Safe custody of client securities
- Foreign Trade Execution and Settlement
- Share transfer in the name of client
- Complete the Dematerialization process as per client request
- IPO , Private Placement & Right share subscription as per clients' instruction
- All types of corporate action that includes cash dividend, bonus share and right share collection
- Opening BO account
- Instant information regarding client securities position upon request
- Quarterly reporting to the client

### **3.7 Research Sector:**

Very recently BASL has decided to establish a full-fledged research sector to support both internal and external development to serve capital market related activities. Business today has become more competitive than ever before and to sustain the success story of BASL most valued strategic unit the “Investment Banking Division”, establishment of research sector was the most correct solution.

Research sector of BASL has again five distinctive units to facilitate different services. These are briefly discussed below:

- **Corporate Advisory Team:** This team of BASL research SECTOR deals with corporate services that includes providing IPO (Initial Public Offering) Services to the institutions. Most recently this team have been the issue manager for “First Security Bank Ltd” that worth 115 core BDT which is the biggest IPO among any Bank. The other planned works includes bond issue, business plan development; facilitate merger and acquisition and private equity finance for corporations.
- **Service Marketing Team:** This team exclusively deals with core service marketing that includes Advertising support, Publication support and project presentations.
- **Sector Analysis & Database Management:** This team/unit of research sector deals with economic and sector analysis. With quality updated research on economy of the country and the capital market, this team adds value to the organization and team up with the service marketing team for the publication of the research. All researches are also maintained and stored by sophisticated database.

- **Product and Service Development:** This unit of the research wing engaged with the product and service development for investment banking division. This team facilitate new service development as well as improvise existing service according to the client's need and demand. They also do feasibility analysis and marketing research for the overall development of services.
- **Training and Development:** This team/ unit develop and maintain customer relation and communicate feedbacks form the customers to the IBD. They are also engaged in arranging such training and development programs, various workshops both internally and externally. They also arrange customer awareness programs for sharing experiences, and knowledge about the capital market. Most recently, in March 6, 2008 this unit arranged the first customer awareness program of this year.



## **CHAPTER-4**

### ***LEARNING PART***



## **4.0 Introduction:**

In Bangladesh, Merchant Banks facilitate public and private corporations to raise funds from the Capital Market, as well as to provide underwriting, strategic advisory services for mergers, acquisitions, corporate advisory in financial management, and management restructuring. The Securities and Exchange Commission (SEC) has issued license to 23 full-fledged Merchant Banks, 6 Issue Managers and 1 Portfolio Manager totaling 30 participants in this sector.

BASL Merchant Banking operation was launched in early 2010 to satisfy various needs of the investors in the Capital Market of Bangladesh. BASL possesses a full-fledged Merchant Banking license from the SEC which primarily allows us to offer the following services to our valued clients:

- Portfolio Management
- Issue Management
- Underwriting
- Other Services

### **Portfolio Management Service**

BASL have already gained an excellent reputation among the investors with our Portfolio Management service which includes managing Investor's Discretionary Account (IDA) and Bank's Discretionary Account (BDA).

**IDA:** This leveraged account is managed by the accountholder through us and the investor bears the risk of investment as well as its gain or loss.

**BDA:** With this account, the Bank uses its discretion in managing the account on behalf of the accountholder. The investor lays down his/her investment objectives and the Bank designs a portfolio aligning the investor's risk return profile.

### **Issue Management Service**

In order to cater the fund raising needs of various business entities through issuing securities in the Capital Market, BASL are capable of managing the following means of raising capital:

- Initial Public Offering (IPO) / Repeat Public Offering (RPO)
- Right Share Offering
- Preference Share Issue

### **Underwriting Service**

BASL participates frequently in the underwriting of many institutions intending to raise fund through issuance of securities and thereby undertake to purchase those securities in the event

of under subscription. Having necessary permission from the SEC, BASL acts as an underwriter in Initial Public Offering and Right Share Offering.

### **Other Services**

In addition to the aforementioned services, BASL also offers the following services to our clients.

#### **Private Placement Service**

Due to our wide professional connection with high net worth individual and institutional investors, BASL can negotiate and arrange investors on behalf of the companies intending to raise capital through issuing shares.

#### **Corporate Advisory Service**

Having the required human resources and expertise, BASL can also provide necessary advisory services in the following areas:

- Corporate / financial restructuring
- Merger & acquisition
- Business / project financing

#### **Stock Broking Service**

Render stock broking services to the clients through BASL Foundation, a subsidiary of BANK ASIA LTD. and member of both the Dhaka and Chittagong Stock Exchanges. Bank service in this area includes:

- Opening stock brokerage account
- Real time screen based stock trading facilities
- Margin lending facilities for stock trading
- Settlement of shares with the stock exchanges
- Safe keeping of shares

#### **CDBL Service**

Being a Depository Participant (DP) of the Central Depository Bangladesh Limited (CDBL), BASL extends the following services:

- Opening Beneficiary Owner (BO) Account with the CDBL
- Providing necessary settlement services for CDBL shares
- Processing conversion requests of paper share certificates into electronic format or Dematerialization (DEMAT) and Rematerialization (REMAT)

#### **4.1 Control and Supervision of The Function Of Merchant Banking Sector:**

In order to establish a smooth and effective system of management and supervision of the key functional areas, clarity and transparency in the designated roles and responsibilities, maintenance of required quality of services at all levels of operations, the activities of Merchant Banking Sector (MBS), as mentioned above, have been divided into two broad functional areas as mentioned follows:

##### **Front Office**

The Front Office forms the hub of Investment Operations and Portfolio Management functions of the Merchant Banking Sector of BAL. All the activities of this section are aimed at generation of revenue streams through a series of activities viz.

- Receive sale/purchase orders
- Check the order to see whether the orders are executable or not
- Place the order to broker for execution
- Verify the order & Execution
- Place the order in MBS software
- Keep the client order properly
- Counseling the clients on investment decision
- Co-ordinate with the custodian for transfer, verification, registration works.
- Marketing of MBS product
- Undertake Sales call
- Keep liaison with the big clients, other market players and Merchant Bankers
- Operate and monitor BDA accounts
- Monitor the listed company situation
- Monitor the corporate entitlement

As per recently approved Organogram, the functions of Front Office therefore include the following Key activities:

- a. Customer Service
- b. Underwriting
- c. Public Issue Management
- d. Portfolio Management

## **Customer Service**

This section is the fore front of the Front Office. The principal responsibility of this section is to undertake the following tasks:

- Marketing for the different products of MBS
- Opening of portfolio accounts of clients
- Check fund position/ share position of IDA clients' portfolios and pass on the same to the transaction section of the brokerage houses for execution.

## **Underwriting**

MBS acts as an Underwriter in Public Issue having sound fundamentals. For acquiring underwriting jobs, the personnel responsible for Issue Management Jobs should keep constant liaison with the Issue Managers.

## **Public Issue Management**

The bank offers one-stop service for all the issue management tasks with our experienced and efficient team of experts.

## **Portfolio Management**

Under the Portfolio Management operations two types of Portfolio Management Schemes are being offered by the MBS. These are:

- (a) Investors' Discretionary Account (IDA)
- (b) Bank's Discretionary Account (BDA).

## **Back Office**

The functions of BACK OFFICE include the following Key activities:

- a. Settlement
- b. Custodian Service
- c. Accounts

## **Settlement**

This division deals with receiving and delivering share certificates, arrangement relating to transfer and verification of ownership of share certificate etc.

## **Custodian Service**

Main activity of this division is to safeguard the share certificate.

## **Accounts**

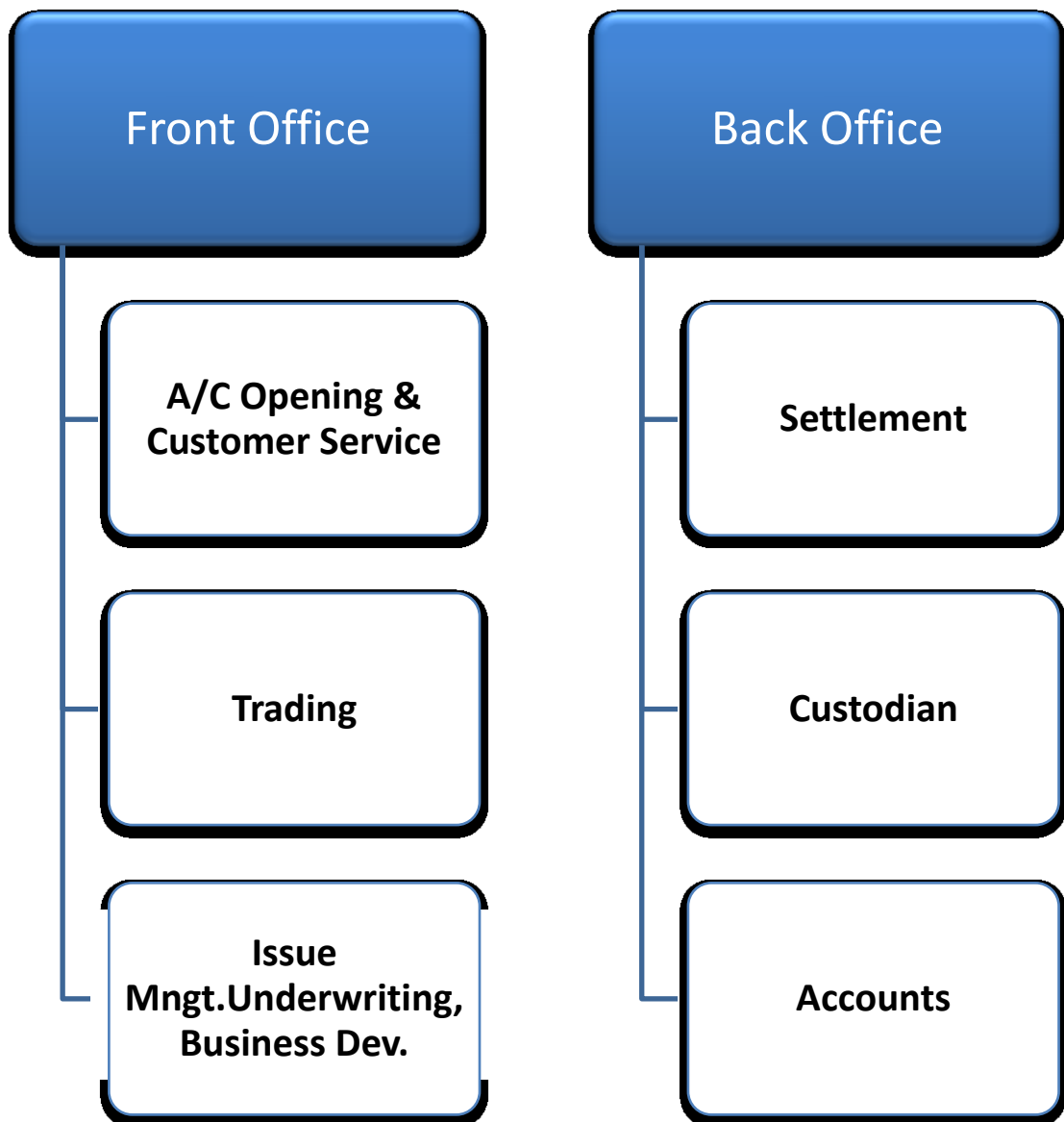
This division is liable for keeping records related to merchant banking activities. It maintains books and records, registers related to financial statements.

### Back Office Responsibilities

- Preservation of documentation sets, Account Opening Forms, Sale-Purchase orders, vouchers, cheque books etc. and other related papers in a proper manner.
- Recoding collection of all types of corporate entitlements i.e. dividend, bonus etc. from different companies in time.
- Reconciliation of client-wise share holding, corporate entitlements on regular basis.
- Preparation of Financial Statements, vouchers, Cheques etc.
- Submission of periodical statements to the regulatory bodies as and when required.

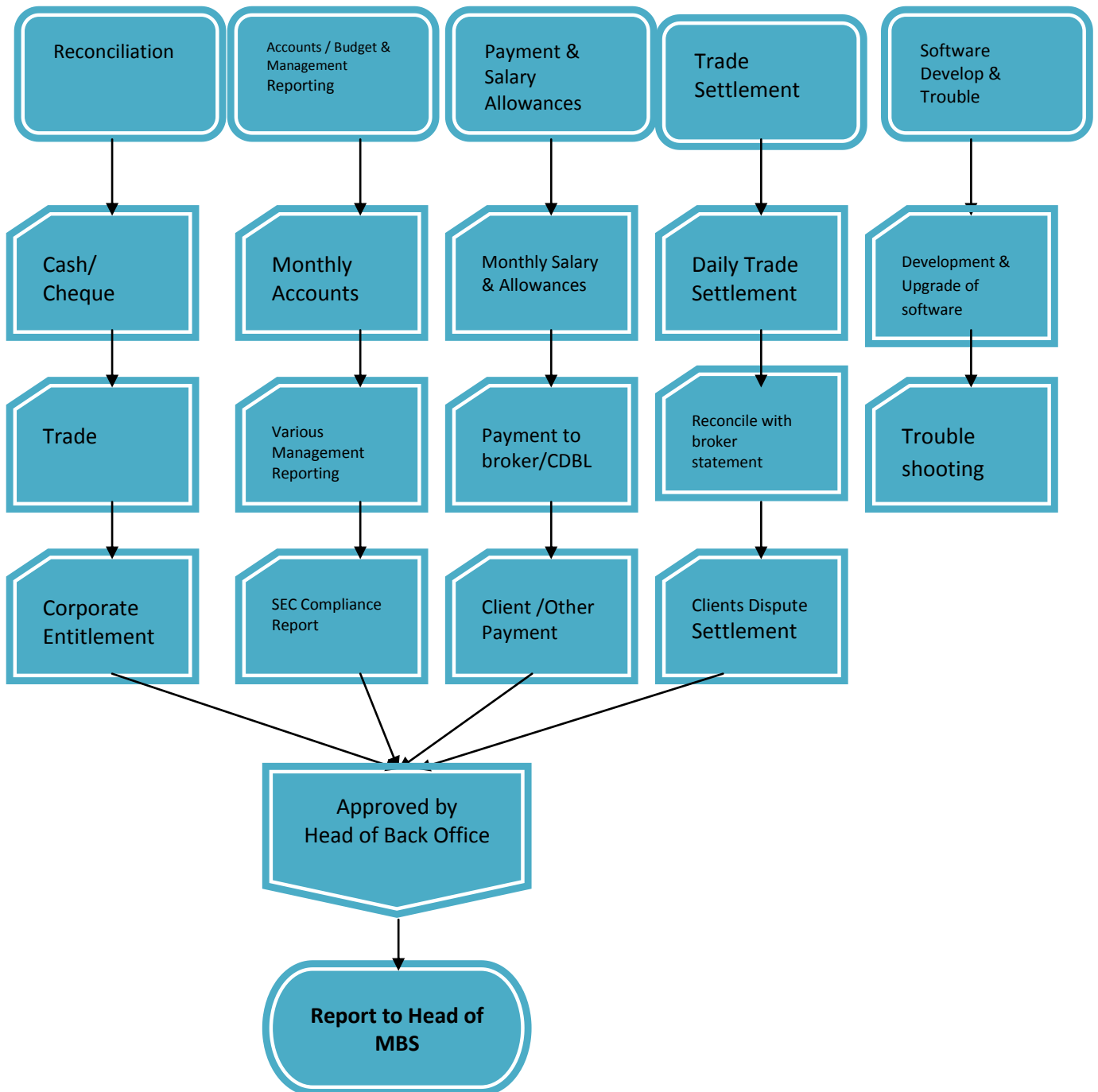
### 4.2 MBS Front Office and Back Office Setup:

Table-7: MBS Front Office and Back Office Setup



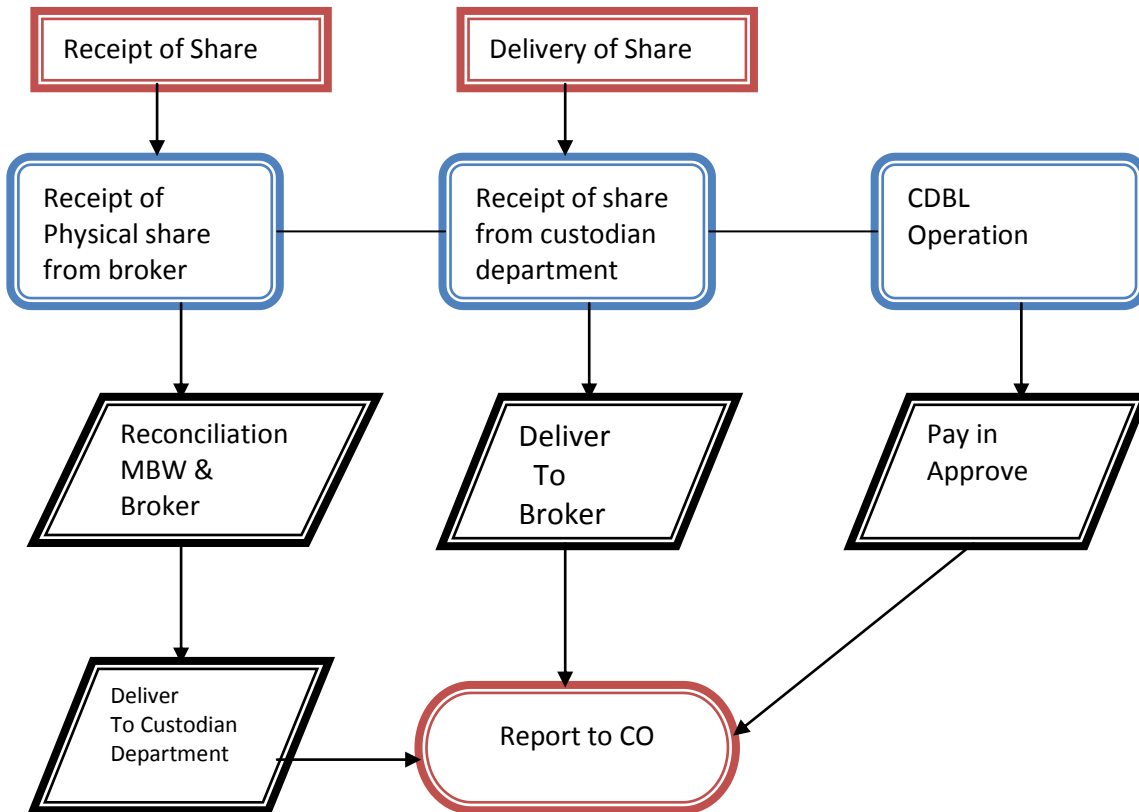
### 4.3 Flow Chart of Accounts and IT Department:

**Table-8:** Flow Chart of Accounts and IT Department



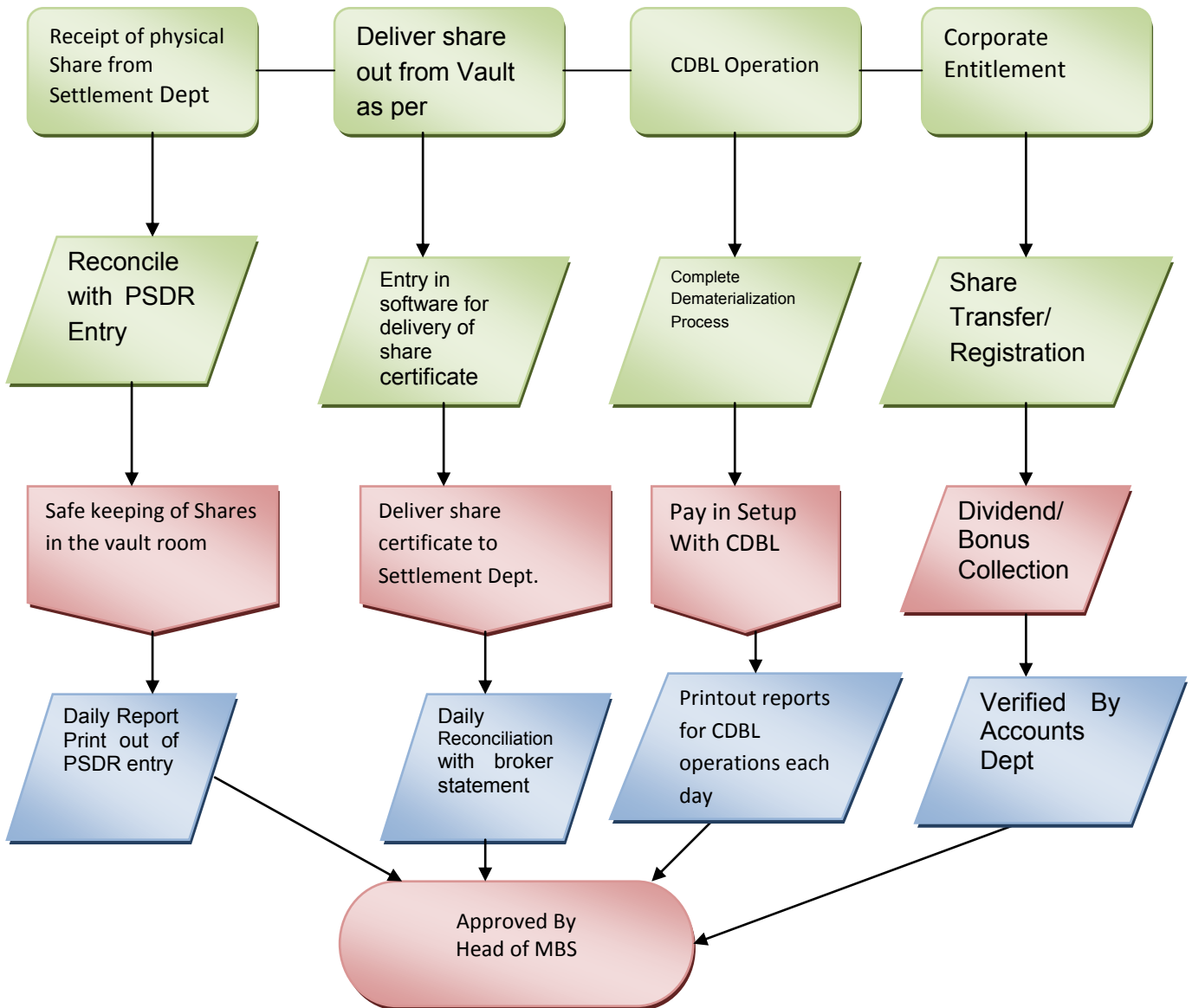
#### 4.4 Flow Chart of Settlement Department:

Table -9: Flow Chart of Settlement Department



### 4.5 Flow Chart of Custodian Department:

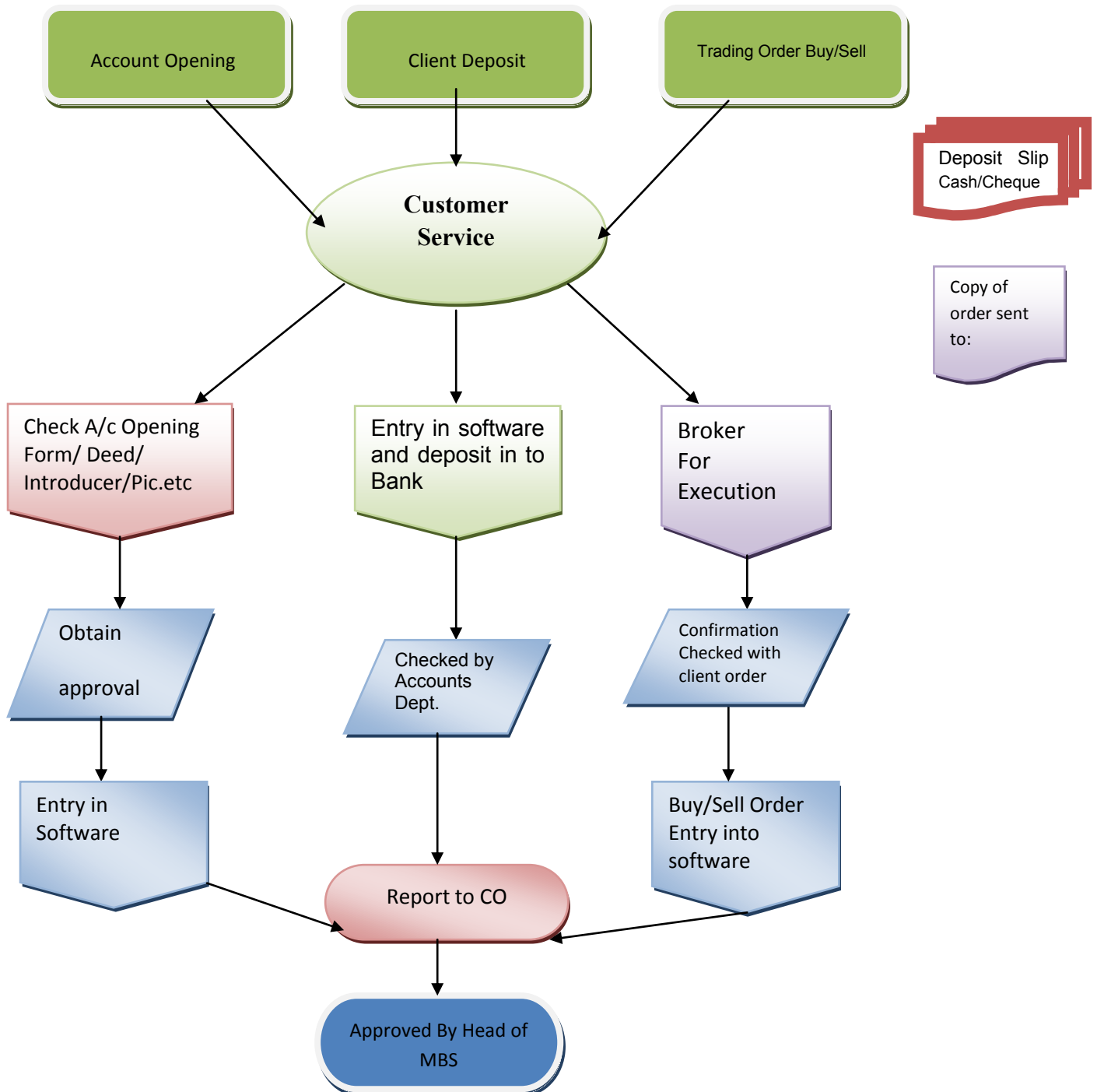
**Table-10:** Flow Chart of Custodian Department





## 4.6 Flow Chart of Customer Service Department:

**Table-11:** Flow Chart of Customer Service Department



#### 4.7 Target Clients of Portfolio Accounts:

Any adult Bangladeshi national / NRB of any profession , having some savings and also desirous of investing the same in shares and securities of different public limited companies Listed with the stock exchanges, are eligible to open a Portfolio Account.

#### Salient Features of IDA and BDA Accounts and the Procedure Of Opening

**Table-12:** Features of IDA and BDA Accounts

Sl. No.	Criteria	IDA	BDA
1	Opening of Portfolio Account	Any two Bangladeshi national and NRB (Non Resident Bangladeshi) of sound mind having a minimum age of 18 years may open three IDA/BDA Accounts: on each in their single name and the other in their joint names.	Any two Bangladeshi national and NRB (Non Resident Bangladeshi) of sound mind having a minimum age of 18 years may open three IDA/BDA Accounts: on each in their single name and the other in their joint names.
2	Photograph	Two copies of attested photograph of the account holders(s) and 1 copy of photograph of the authorized person (operator) as well as nominee(s) should be attached with the account opening form.	Two copies of attested photograph of the account holders(s) and 1 copy of photograph of the authorized person (operator) as well as nominee(s) should be attached with the account opening form.
3	Min. Deposit for opening an account	Tk. 10.00 ( Ten) lac	Tk. 10.00 ( Ten) lac
4	Mode of Deposit	Crossed cheque/P.O./DD preferred. In case of Head Office, the account holder will deposit the sum with the Principal branch, Dhaka and at	Crossed cheque/P.O./DD preferred. In case of Head Office, the account holder will deposit the sum with the Principal branch, Dhaka and at the counter of the

		the counter of the Bank for other designated branches.	Bank for other designated branches.
5	Fill-in-the Account Opening Form	The Application Form must be completely filled-in and signed by the account holder(s) and the operator (if any) and the nominee(s), if any.	The Application Form must be completely filled-in and signed by the account holder(s) and the operator (if any) and the nominee(s), if any.
6	Loan Facility/Bank Participation for investment	@ 1:1, Max.Tk.5.00 (five) crore.	@ 1:1, Max.Tk.5.00 (five) crore.
7	Rate of Interest for availing loan facility	@ 14.75 % Qtly interest	@14.75% Qtly rest (subject to change from time to time)
8	Documentation charge	Tk.500.00 ((subject to change from time to time)	Tk.500.00 ((subject to change from time to time)
9	Composition of Portfolio	Diversified Portfolio through investment in IPO, Pre-IPO, secondary, market.	Diversified Portfolio through investment in IPO, Pre-IPO, secondary, market.
10	Management of Portfolio	By the Bank on the basis of instruction of clients	By the Bank on the basis of own judgment.
11	Brokerage Commission	@0.35% ( subject to change from time to time)	@0.35% ( subject to change from time to time)
12	Portfolio Management Commission	@ 1.50% on the monthly average value of Portfolio charged Qtly or minimum of Tk. 250.00 / qtr.	@ 2.00% on the monthly average value of Portfolio charged Qtly or minimum of Tk. 250.00 / qtr.
13	Safe Custody of share	With Bank Vault separately for each client	With Bank Vault separately for each client
14	Handling of	Bank will arrange	Bank will arrange

	share portfolio	collection/deposit of shares from the stock exchange on behalf of client.	collection/deposit of shares from the stock exchange on behalf of client.
15	Transfer of shares, collection of corporate entitlement	Bank will arrange transfer of shares in the name of account holders, collection of corporate entitlements; deposit the same to respective portfolio accounts of clients.	Bank will arrange transfer of shares in the name of account holders, collection of corporate entitlements; deposit the same to respective portfolio accounts of clients.
16	Payment of Interest	@6.50% provided a minimum credit balance of Tk.25, 000.00 remain in the account for one full month i.e. from 1st to the last day of a particular month.	@6.50% provided a minimum credit balance of Tk.25, 000.00 remain in the account one full month i.e. from 1st to the last day of a particular month.

### **Documentation / Power of Attorney**

The Portfolio Account holders are required to execute a documentation set empowering the MBS to act as Power of Attorney on behalf of them. By virtue of this Power of Attorney the Portfolio Manager shall undertake all steps for making application for subscription of shares through IPO / right share/ secondary market in the name of account holders, transfer and registration of shares in the name of portfolio account holders, collection of corporate entitlements, dematerialization of share certificates, giving input for buy/sale of CDBL shares etc.

### **Operation of Portfolio Accounts**

Operation of Portfolio Accounts involves a series of steps. As the nature of IDA and BDA Portfolio accounts vary from each other, the operational procedure of IDA and BDA accounts also differs.

### **Operation of IDA Portfolio**

An IDA account holder/ or his/her authorized representative (through empowering in writing another IDA Account holder in prescribed form) will operate his/her account and also take decisions on behalf of account holder regarding IPO applications/ Pre-IPO application and

also for sell/ purchase of shares from the secondary market, fund transfer/ withdrawal/closure of accounts etc. through their accounts as per their written instructions.

### **Operation of BDA Portfolio**

As per the nature of the account and on the basis of the authority given by the BDA account holders, the responsibility of managing BDA Portfolio accounts lie with the MBS. This responsibility covers making application in Pre-IPO/ IPO floatation, secondary market operations, reshuffling of accounts depending on the market conditions, CDBL operations, collection of corporate entitlements etc.

## **4.8 Collection of Corporate Entitlements, Safe Custody Of IDA, BDA**

### **Accounts:**

The responsibility of collection of corporate entitlements of IDA and BDA accounts lies with the MBS. So MBS always keeps a track on the declarations, book closures and takes all necessary steps to collect corporate entitlements on behalf of all IDA and BDA clients, undertake all works relating to CDBL as well as provide safe custody of shares purchased through their portfolio accounts.

### **Execution of Clients Sell/Purchase Order**

The procedure of execution of clients' buy/ sell orders also differs from each other, as mentioned below.

### **Execution of IDA Order**

An IDA account holder takes decisions on his/her own regarding IPO applications/Pre-IPO placement, sell/purchase shares through his/her account through forwarding their written instructions at the Customer Services Section.

### **IPO Application/Pre-IPO Placement**

On receipt of the same, the Front Office personnel file the same and forward the orders to the Back Office for processing and application for the minimum lot on the basis of availability of fund on 1:1 basis. If the Issue has strong fundamentals, the MBS makes application for the IPO/Placement for the minimum lot, irrespective of fund position, for the sake of profit/strengthen portfolio position.

## **Secondary Market Operation**

The IDA account holders would first collect the fund position/ salability position of share position from the Customers' Service Section at the Front Office and on the basis of which they would fill-in- the Sell/Purchase Form and handover the same to the Counter beside the Brokerage house at the Front Office. This section would again verify the fund/share position and handover the same to the Transaction Section of the Brokerage house for execution as per the instruction of the clients.

## **4.9 Procedure of Transaction through BDA Portfolio Accounts:**

The decision on buy/sale through the BDA Portfolios as well as the tentative allocation is taken in the Merchant Banking Committee meetings mentioned above. After execution of trade, allocation of shares bought/sold is made in a judicious manner on the basis of deposit, return, composition portfolio, tenure of account, investment made etc.

### **Criteria for Selection Of Scripts**

The bank always tries to select the companies having sound fundamentals. A number of factors are taken into consideration while selecting a script for inclusion in the Portfolio Account. These are:

- Trend of market price
- Performance of companies
- Management of companies
- Declaration
- EPS
- P/E ratio
- Yield
- Composition of Portfolio/holding cost
- AGM date
- Overall economic conditions etc.

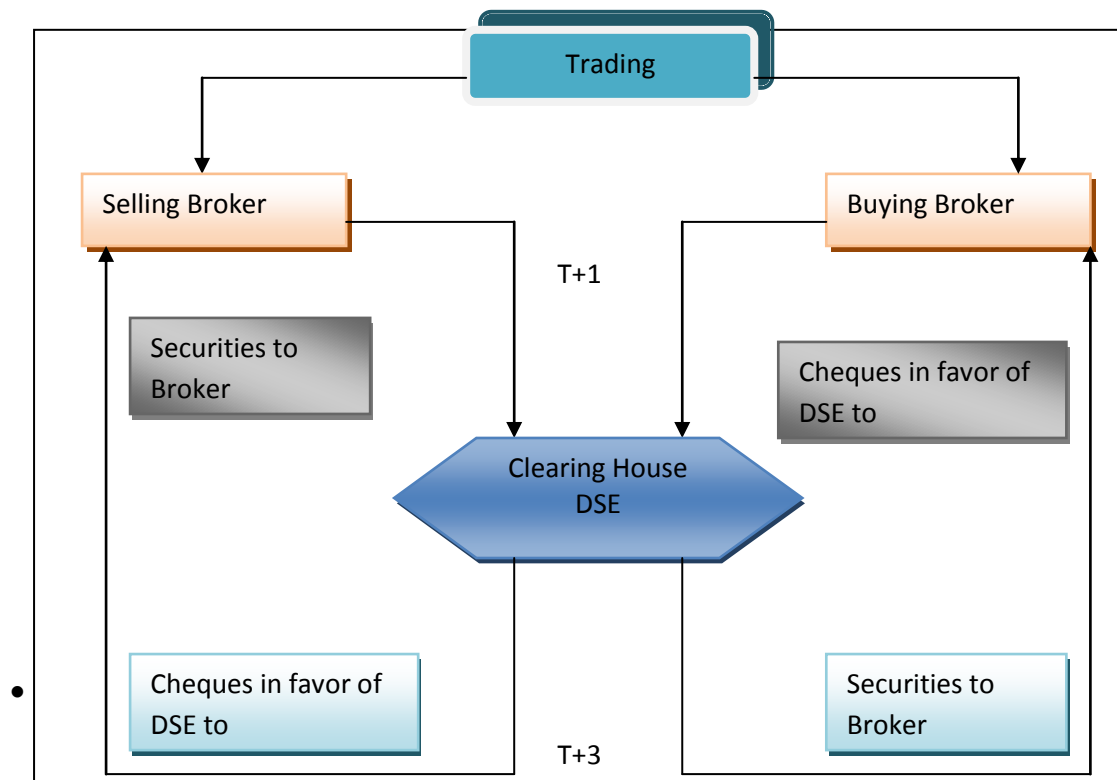
The MBS always try their best to get the best bargain. They usually go slowly for picking up good shares at the lowest possible prices. They reshuffle the Portfolio as and when require to take advantage of market conditions, realize capital gains/ dividend incomes etc. This is a continuous process.

#### 4.10 The Settlement System:

The Settlement System of the MBS is based on the stock exchange settlement cycle and also the operational flow of MBS as detailed below.

#### Dhaka Stock Exchange Settlement Process:

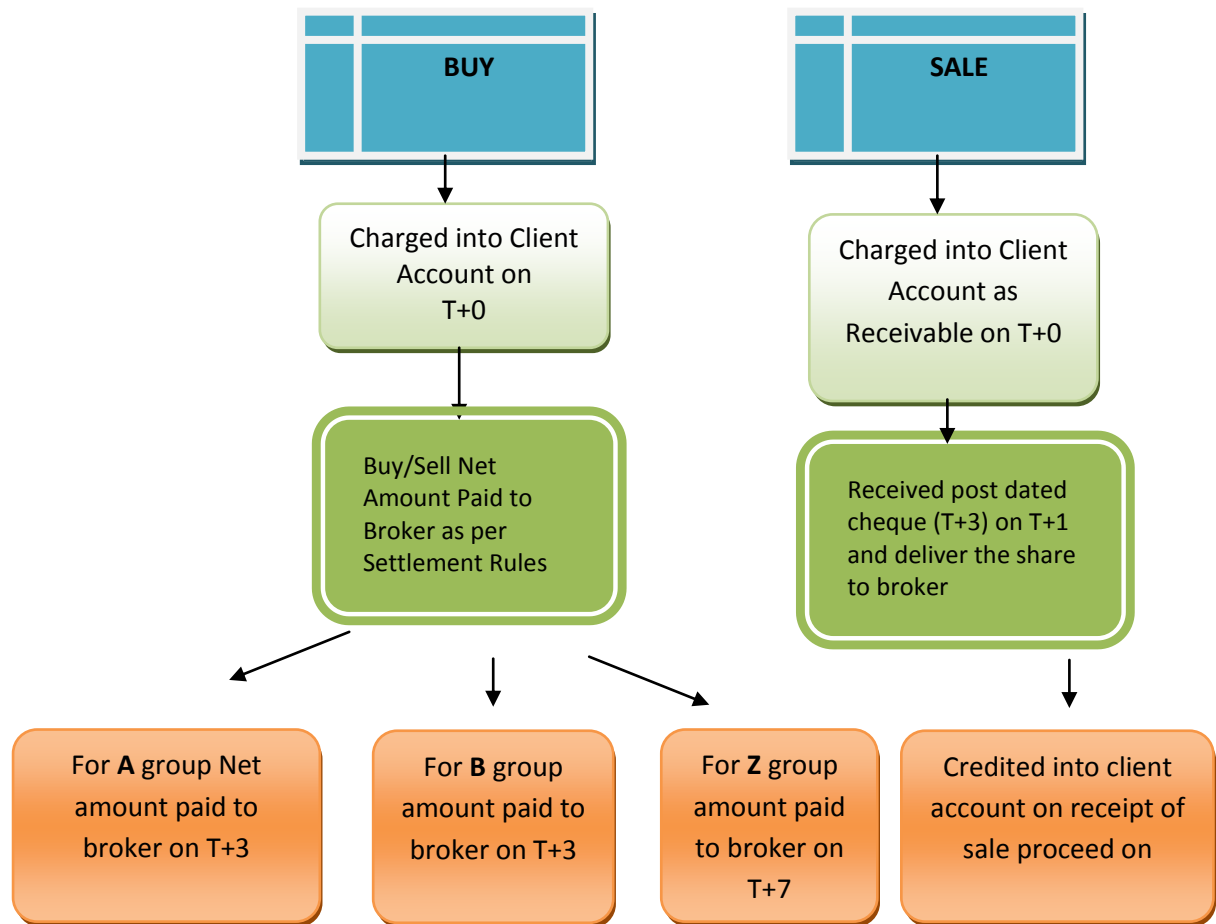
**Table -13:** Dhaka Stock Exchange Settlement Process



- Buying broker issue the cheque in favor of SE.
- Clearing house of SE arranges encashment of the Cheques
- Clearing house of the SE delivers the securities to the buying broker
- The broker delivers the share to the client.
- **Selling Broker**
  - Trading (T+0)
  - Clearing house of SE issues cheque in favor of broker.
  - Broker issues cheque in favor of client.
  - After receiving the cheque client deliver the share to the broker.
  - Broker delivers the share to SE.

## MBS Settlement Process:

Table-14: MBS Settlement Process:



- **Buy**

- Trading (**T+0**)
- Charged into Client Account: **T+0**, through automated trade settlement process
- Cheque issue to Broker: For **A**, **B** and **G** (**T+3**), for **Z** group (**T+7**)

- **Sell**

- Trading (**T+0**)
- Charged in to Client Account as receivable on **T+0** and realized on **T+4**



## **4.11 Selection of Scripts for Inclusion in the Portfolio Accounts and It's reshuffling:**

### **Basis of Decision**

Every day the share prices move up and down. It is possible to predict the prices to a large extent based on market information like performance of companies, management of companies, declarations, EPS, P/E ratio, yield, composition of portfolio/ holding cost, AGM date, economic conditions etc.

### **Strategies**

There are three strategies for each company's share they hold. Those are

1. Long Term- more than 1 year
2. Midterm- between 6 months and 1 year and
3. Short term- for trading purpose only with tenor ranging from few days to few months

The bank only sales those shares keeping in mind the tenor and the saturation point.

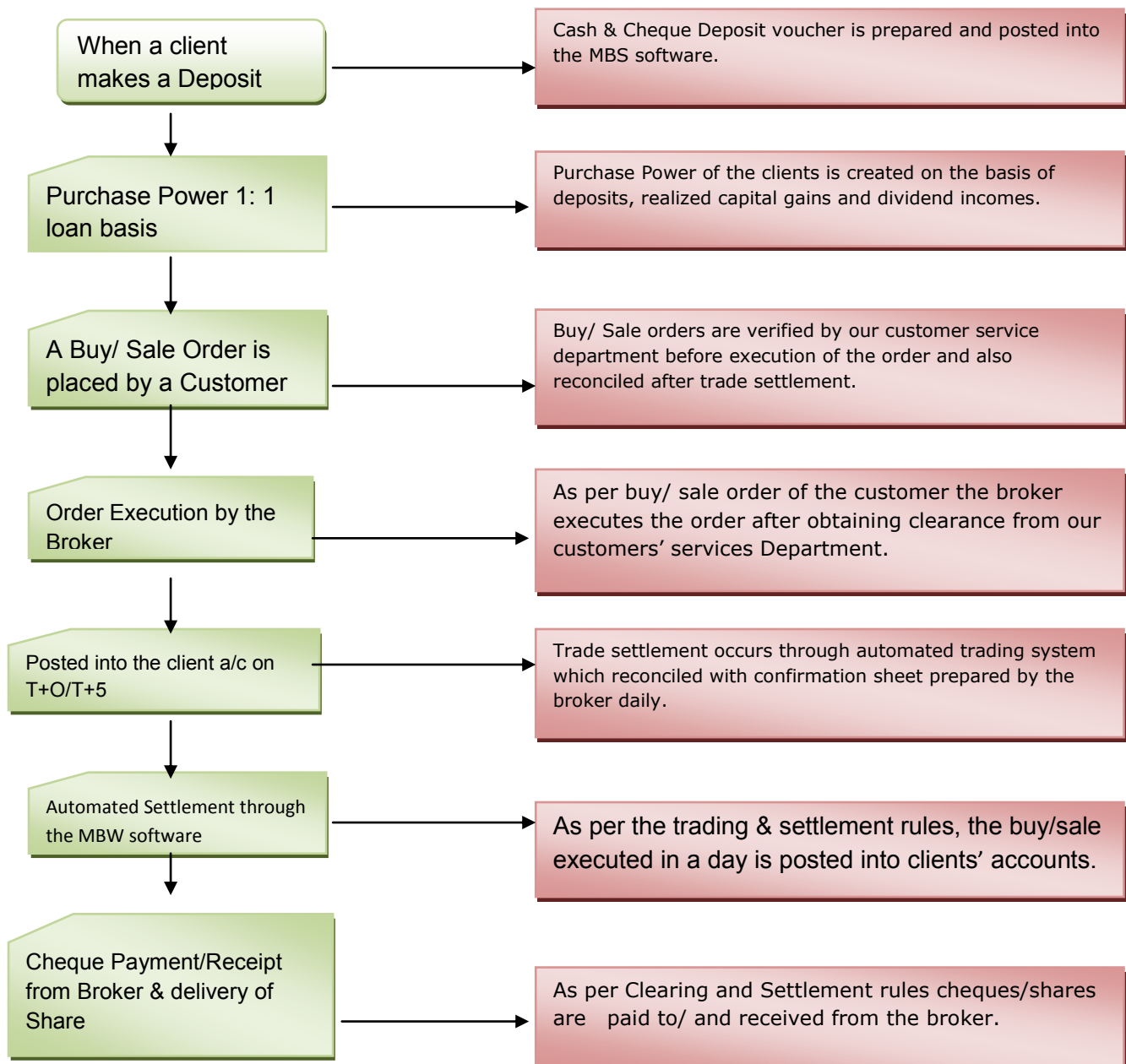
### **Basis of Allocation of Purchase**

#### **Buy Allocation**

The Buy Allocation is based on

- **Purchase Power:** Merchant Banking Software gives a report of the purchase power of each client. Purchase power is the BDT amount that is on hand of the client to buy securities. Without the purchase power the bank doesn't allow the clients to buy.
- **Composition of the Portfolio:** Existing portfolio condition also dictates whether the bank will allocate shares for an individual client. The bank usually doesn't want one company to occupy more than 30% of the portfolio of the client.
- **Market trend:** If the market trend is a bit shaky but the bank still thinks the share of the company is a good buy then they allocate the shares to their larger deposit holders namely the A & B Category share holders. The clients are distributed into 5 categories based on their deposited amount. The larger deposit clients usually get any new issues the bank chooses since the first few months are tryout time for those companies.
- **Rebalancing of the Portfolio-** If the bank sells the share of one company of a client they usually try to balance the sale with a purchase on the same industry.

**Table-15: Operational Flow of MBS**



## **Withdrawal of Money**

The client can withdraw cash from his account on the basis of availability of withdrawable money. The withdrawal money is not more than 25% of the purchase power of the account.

### **4.12 Major Types of Orders Executed By MBS:**

- **Market Orders**
  - Buy or sell at the best current price
  - Provides immediate liquidity
- **Limit Orders**
  - Order specifies the buy or sell price
  - Time specifications for order may vary
  - Instantaneous - “fill or kill”, part of a day, a full day, several days, a week, a month, or good until canceled (GTC)
- **Stop loss Order**
  - Conditional order to sell stock if it drops to a given price
  - Does not guarantee price you will get upon sale
  - Market disruptions can cancel such orders
- **Stop buy order**
  - Investor who sold short may want to limit loss if stock increases in price

### **4.13 Significant Accounting Policies:**

- **Basis of presentation of Financial Statements**

The financial statement of the BASL Merchant Banking Sector have been prepared on a going concern basis under the historical cost convention in accordance with International Accounting Standard as adopted in Bangladesh.

- **Revenue recognition**

Revenue is recognized as Accrual Basis, i.e. when services to the clients is performed.

- **Fixed Assets and Depreciation**

Fixed assets are stated at cost less accumulated depreciation. The cost of the assets include the price paid and to the vendors along with all incidental expenses to install or construct the assets.

- **Calculation of Purchasing Power**

Purchase Power = (Initial Deposit + Additional Deposit + Realized Capital Gains + Dividend received + Bonus Shares/ Converted shares received + Sale of Fraction Bonus Shares + Right shares received + Interest received on Debentures) – (Charges – interest, management fees, unrealized losses, documentation charges etc.)

#### **4.14 The Basis of Providing margin Loan Facility:**

While calculating the margin loan facility to a particular portfolio account the MBW calculate the purchase power in the following manner:

Total deposit made + Total Capital Gains realized + Total dividend income received – (Charges (i.e. interest, management fee, CDBL etc.) + Amount of loan lying in the account + Un-realised loss)

#### **4.15 Interest Scheme on Idle Investment:**

MBS is giving interest at the rate of 6.5% on the unutilized investment of at least 25000 for at least one month. This is undoubtedly an attractive offer to keep quiet the customers who impose undue pressure to buy securities immediately after make a deposit.

#### **4.16 Closing of an Account:**

A client can close his account when required, by submitting an application. The closing procedure generally takes one or two weeks depending on the salability of shares and receipt of sale proceed

#### **Future of the MBS**

The Bank has become a Depository Participant (DP) with the Central Depository of Bangladesh Limited (CDBL). They have been offering, free of cost service from the working desk, for the Dematerialized process of the scripts, enrolled with the CDBL. Their activities are limited to the scripts having sound fundamentals only and these are enrolled with the CDBL on a regular basis. Hence, the risk of physical handling of shares is mitigated to a large extent.



## **CHAPTER-5**

***FINDINGS, RECOMMENDATION***

***AND***

***CONCLUSION***

## 5.0 Findings:

- ☞ Despite having full-fledged merchant banking license in 2009, BASL begins Issue management services in 2010.
- ☞ Small team in the issue management service.
- ☞ No target, objective or goal to strengthen the issue management service.
- ☞ No schedule work in the issue management section.
- ☞ Lack of monitoring, supervision and marketing.
- ☞ Lower rate of issue management, underwriting service increase the expenditure in this sector in compare with the other Merchant banking services.
- ☞ No capital Market news archive.
- ☞ No comparative analysis with the competitor's products & services.
- ☞ Slow in the modification of the existing products & services, this could be a threat for future challenging competitive capital market environment.
- ☞ Slow in implementation of new products or services of capital market.
- ☞ Because of the shortage of manpower in the MBW sometimes there creates hassle to provide services to the IDA clients

## 5.1 Recommendation:

A portfolio manager must have to know investment decision process, timing/allocation skill in order to construct a well diversified portfolio. To overcome the weaknesses of the Portfolio Management the following recommendations are made:

- MBS must have a research cell to have an actual knowledge about companies' securities and actual scenario of the capital market.
- Investors risk preferences must be kept in mind during the construction of a portfolio.
- Securities always should buy in the bear market. In this regard client's request must not be honored in case of buying stocks.
- There should be no time limit regarding holding period. MBS should keep in mind that they are committed to make profit for their clients. So whatever the amount of profit may be earned should be realized immediately without taking any risk.
- In sanctioning the margin MBS must consider the market condition because the loan amount seriously affects the portfolio return in bear market condition.
- The management of MBS should take initiative to develop an operating guideline by an independent body to carry out its activities by keeping uniformity.

- In order to diversify its business this wing should add new schemes to the existing product range e.g. Profit Loss Account may immediately be launched to attract the religious people who are not interested to the traditional investment policy. Besides this scheme, MBS may also launch Islami Shariah Based products like Mudaraba and Murabaha.
- MBS may explore opportunities to undertake Issue Management/ Post Issue Management etc. on selective basis. Initially, efforts can be taken to take up one Public Issue/ Post Issue job, on joint venture basis with another reputed merchant banker.
- MBS may try to recover the accounts of negative return by carrying out short term trading on those accounts. Under these circumstances the bank might give them more loan than normal margin but this is a very short term issue.
- The portfolio managers should be trained on security valuation and portfolio construction process.
- The portfolio manager should avoid the tendency to earn abnormal return and so they should construct diversified portfolio for each BD account.
- MBS should include bonds and debentures in the portfolios to reduce portfolio risks.
- The Portfolio Statement provided by the bank should include the capital withdrawal amount to calculate portfolio returns which will reflect the actual return on the investment.
- In order to reduce risk, the portfolio should have to be diversified through inclusion of shares of at least three companies having sound fundamentals. If at any point of time, the number of securities in the portfolio falls below this number, efforts should be taken on urgent basis, to include the required number of companies. The ratio of holding of different companies in the portfolio should be more or less similar to each other in terms of market value.
- MBS of BASL Ltd. is already treated as a leader in the capital market. To sustain this position the Bank immediately needs to open new Merchant Banking Branches over the country as early as possible to fulfill the demand of the investors.

Successful implementation of these recommendations will help Merchant Banking Sector (MBS) to improve their current operational activities and also will help the bank to make more profit for the clients as well as for themselves.

## **5.2 Conclusion:**

The capital market of Bangladesh is an emerging market. So, there prevails extreme price volatility in the market. The external factors affects the market very frequently as political unrest and violence is every day event of the country. Without prudent investment decision it is very difficult to make above average return from the market.

Apart from ICB, Bank ASIA LTD is the only bank undertaking Merchant Banking operations through obtaining a full-fledged merchant banking license from SEC. If other new capital market institutions start their operation soon market will have more depth, clientele based financial support, confidence and operational control.

Merchant Banking Sector (MBS) of BASL being private sector merchant bank of Bangladesh is doing better no doubt. From the beginning, MBS was covering 30% on an average of the market turnover of DSE. Since the nature of activities is new to them, it has some weaknesses in its operations. The continuous efforts can eliminate the difficulties.



## Bibliography

### References

#### Books:

- “Investment” sixth edition –Bodie, Kane, Marcus
- “Fundamentals of Financial management”-Van Horne
- “Portfolio Management”-S. Kevin
- Reviews of SEC, DSE, CSE
- Major SEC published Rules & regulation, acts etc.
- Edwin J. Elton & Martin J. Gruber (2001) “Modern Portfolio Theory and Investment Analysis: Evaluation of Security Analysis” John Wiley & Sons, 5<sup>th</sup> Edition
- Frank K. Reilly & Keith C. Brown (2003) “Investment Analysis and Portfolio Management”: Effect of Margin on Return” 7th Edition
- Lawrence J. Gitman & Michael D. Joehnk (1998) “Fundamentals of Investing”

#### Websites:

- [www.bankasia.com.bd](http://www.bankasia.com.bd)
- [www.bangladeshbank.org](http://www.bangladeshbank.org)
- [www.bttb.net.bd](http://www.bttb.net.bd)
- [www.csebd.org](http://www.csebd.org)
- [www.dsebd.org](http://www.dsebd.org)
- [www.secdb.org](http://www.secdb.org)
- [www.stockbangladesh.com](http://www.stockbangladesh.com)

#### Annual Reports:

- Bangladesh Bank Annual Report 2016
- Bank ASIA Annual Report 2016
- Annual Reports of SEC, DSE, & CSE

#### Brochures and Others:

- Brochure BANK ASIA Limited
- Brochure Investment Corporation Bangladesh Limited
- CSE Fair Presentation of BANK ASIA LTD.