Ups and Downs of Capital Market and Roles of the Regulatory Authority: A Case Study on Dhaka Stock Exchange Limited

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Abstract

Steady volatility is the common phenomena of a capital market and it has a huge role to play in the economic development of a country. An efficient capital market helps to allocate capital to businesses effectively. Bangladesh's capital market has greatly lost the confidence of its investors due to negative performance in the previous two crucial market falls and the COVID-19 pandemic crisis. Present study will recognize that because of the sudden bubble of capital market of Bangladesh in its previous two occasions have lost the investor's confidence, examine the situation of that time, steps were taken by the regulators and will identify the precautionary measures for the safety in future in the capital market of Bangladesh. The study was descriptive and analytical type. The study was conducted at Dhaka district in Bangladesh. The study was conducted from April 2019 to July 2020. Basically, random sampling method was used in this study. The present study is based on secondary sources of data. Secondary data were collected from different relevant publications, dissertations, books, journal articles, reports and websites etc. The result of the study revealed that most of the investors of Bangladesh are not skilled. The investors have lack of knowledge and lack of experiences in investing in the capital market. Most of the investors use to motivate by the rumors; they don't want to study the financial statements of the companies where they will invest. In some cases, investors rely on the brokerage house to invest in any companies. From the result it was also found that there were some fraud companies who had no fruitful business history but submitted artificial financial statements and related documents. This type of intentional companies have got the opportunity to come in the capital market with the chance of lack of rigorous scrutinizes by the regulated authorities. Most of the cases that intentional companies showed their business performance for qualifying to able to sell their all shares; then gradually escaped from the market by depriving the general investors. But the irony of fate is that the concerned authorities have failed to stop the gateway or unsuccessful to give punishment or unable to bring back the money of the investors. However, recently present commission of the BSEC is working seriously on these issues. For these reasons capital market of Bangladesh has faced many challenges in its lifetime. From the result it was found that the securities market of Bangladesh was stable before 1996 but not automated and no corporate governance was there. In 1996, there were many bubbles in the capital market, there were many alluring news, false statements, market manipulation, corruptions and illegal interferences were done by the companies 'as well as concern bodies. As a result market was crushed at that time. More specifically, after that capital market has got automation and huge corrective measures have taken by implementing reasonable rules and regulations and the market tried to be behaved properly. To some extent the market became stable before 2010. But in 2010 the growth of the market has shown almost similar behavior as it was in 1996. And there were also many bubbles in the capital market, there were much unrealistic news, misleading statements, manipulation, exploitations and illegal interferences were done by the companies' authorities as well as the related concern. For cooling the extreme bubble SEC of that time rightly pointed out to increase the supply of profitable government shares but was not possible due to bureaucratic failure and ultimately failed to address the issue at that time. As a result market was once again crushed at the last month of 2010. Many investors lost their investment and turn into bankrupt and many became mad. After the down in 2010, many positive decisions have been taken by the concerned authorities related to capital market. Specifically, in 2020, the recent authority of Bangladesh Securities Exchange Commission has taken significant and very potential initiatives which were needed to change the attitude and the confidence of the investors of Bangladesh capital market. The Bangladesh Securities Exchange Commission is strictly obeying the prevailing rules and regulations regarding capital market. For this reason some directors of publicly traded companies were bound to hold 2% share of their companies' total share. On the other hand, the companies' directors who are unable to hold 2% share of their total companies' share, are going to fail to continue their directorship and would be cancelled side by side same announcement was pronounced for holding 30% share of their respective companies by the directors as a whole which was also a mile stone decision in the history of the capital market of

Bangladesh. As a matter of fact, Bangladesh Securities and Exchange Commission has a significant role in bringing back the investor's confidence in the development of the capital market of Bangladesh.

Key Words: *Capital Market, Share, Companies, Regulatory authority, Securities, Index, Financial statement, Revenue, Earning, Dividend, Market Capitalization, Fund, Price etc.*

INTRODUCTION

There were two significant bubble in the capital market of Bangladesh has been burst critically in both the occasions. These disasters have been created an obstruction to the development of the capital market. Therefore, proper steps required to be identified by the regulator on the basis of quality supply of equity to mitigate excessive demand, so that the same episode can be stopped efficiently in future. At first, it is vital to observe the historical presentation of the capital market crashes especially of the Dhaka Stock Exchange (DSE).On April 28, 1954 the inauguration of Bangladesh Capital Market started by way of East Pakistan Stock Exchange Association Ltd. The stock exchange was renamed as Dhaka Stock Exchange (DSE) Limited on June 23, 1962. Until 1990s the market did not behave significantly. More specifically, in 66 year's history of Bangladesh Capital Market the indexes touched at the highest point in two times, firstly in 1996 and secondly in 2010. On September 16, 1986 all share price index of Dhaka Stock Exchange was introduced and in June 1996 although it was at around 1,000 point but surprisingly it moved at 3,627 point on November 16 of that 1996 and at the market's top, securities were traded at an average of above 80 times of relevant earnings and all the bull ran ultimately finished in tears, the bubble was finally burst: securities market prices decreased by around 70 % in April 1997 and this share price index then moved drop to 484.44 in January 2000. In the blink of an eye, most of the investors lost their own and borrowed investments.

Basically, after the cruel crash in 1996 Bangladesh Capital Market had initiated rising from 2006 because listing of a small number of profitable state-owned entities and Multinational Companies (MNCs). Nearly all commercial banks together with individual investors involved themselves extremely in the capital market. Gradually, the bullish market converted into a bubble and on December 05, 2010, the Dhaka Stock Exchange General Index (DGEN) reached at the top high of 8918.5, actually 5.6 times higher than December 2006. At that time, market capitalization and turnover increased by 11.1 times and 61.7 times respectively. But in fact, when the bubble burst on December 19, 2010 the DGEN observed its major one day fall of 6.7% and since then the market has become bearish with almost no positive movement of securities prices and then moved further down to 3458.10 in April 2013. This study will reveal in both the cases there were regulatory failure and didn't initiate proper measures to mitigate demand by issuing proper quality securities. However, in money market we generally find Bangladesh Bank is controlling inflation with the changes of bank rate and other similar steps. Particularly, in the capital market it is the function of supply or issue of quality securities when it seems to be bubble as well as discontinuing supply of securities where there is a possibility of bearish situation. Ultimately, the gravity of the capital market will increased with the help of good governance which would be reflected in the economic advancement of the country.

OBJECTIVES OF THE STUDY

The objectives of the study are as follows:

1. To recognize the sudden bubble of capital market in Bangladesh especially on the Dhaka Stock Exchange Ltd.
2. To examine the steps taken by the regulators in the previous two occasions.
3. To identify the precautionary measures for the safety in future in the capital market of Bangladesh.

METHODOLOGY OF THE STUDY

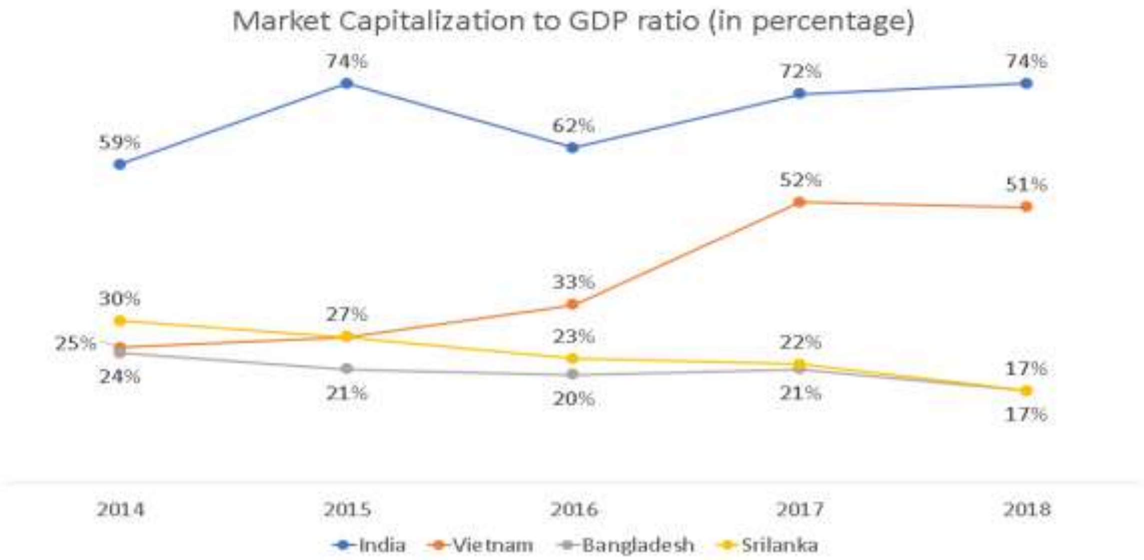
The study was descriptive and analytical type. The study was conducted at Dhaka district in Bangladesh. The study was conducted from April 2019 to July 2020. Basically, random sampling method was used in this study. The present study is based on secondary sources of data. Secondary data were collected from different relevant publications, dissertations, books, journal articles, reports and websites etc.

RESULTS AND DISCUSSION

Declining performance in the past leading to reduced confidence in the present

Bangladesh's capital market has failed to keep up with the country's economic growth. Among its regional peers, the market capitalization-to-GDP ratio is the lowest. The ratio has been decreasing over the years suggesting a lack of listing of large corporations in the market. Consequently, investors are losing confidence to invest in the country's capital market as large corporations are more likely to provide regular dividends and coupon payments.

Figure 1: Market Capitalization-to-GDP ratio (in percentage) of selected Asian countries

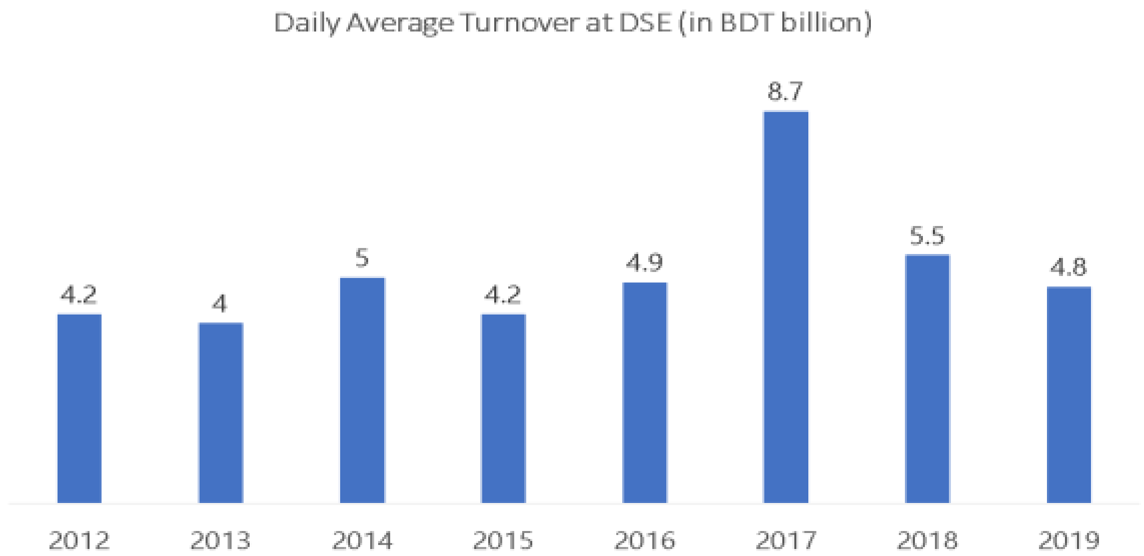


Source: IDLC Monthly Review

Two consecutive years of negative growth affected investors' optimism

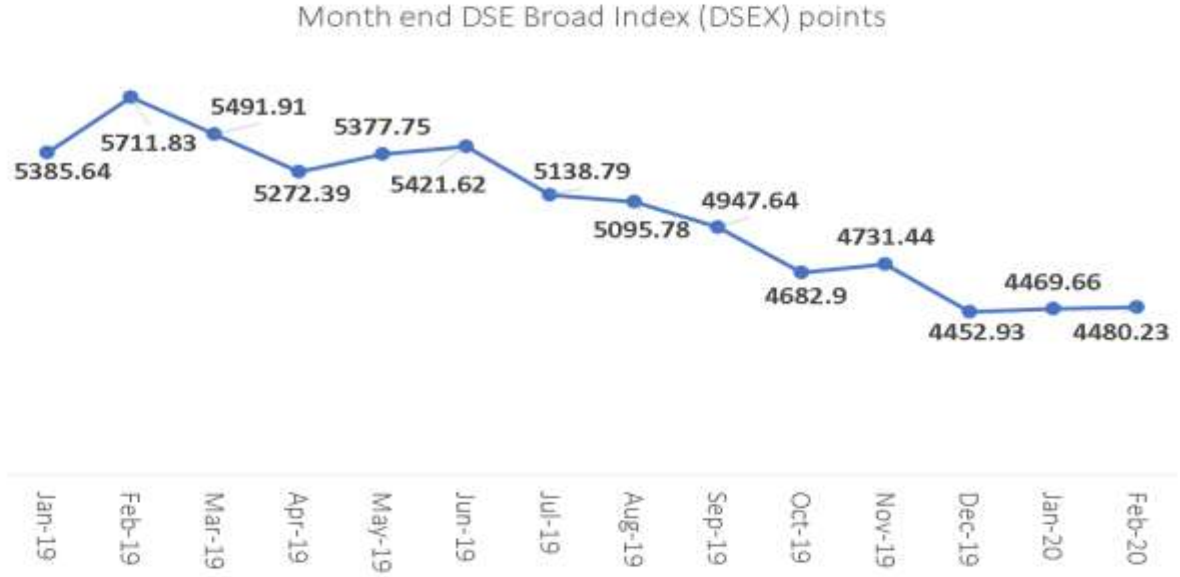
In the past two years, Bangladesh's capital market has undergone negative growth. The major index DSEX fell 28.7% during this period. After posting a stellar return of 24% in 2017, broad index DSEX declined by 13.8% in 2018, wiping out USD 4.3 billion of market capitalization. In the year 2019, the key market index fell 17.3% to 4,452; hitting a 42 month low and the total turnover fell 14.6% to BDT 1.14 trillion.

Figure 2: Daily Average Turnover at the Dhaka Stock Exchange (in BDT billion) from 2012-2019/Source: City Bank Capital Resources Limited



Macroeconomic issues such as the liquidity crisis in the banking sector, aggressive bank borrowing by the government, and depreciation of the Bangladesh Taka against the US Dollar have contributed to the downfall. Besides, issues such as the clash of Grameen phone with BTRC over default payments, liquidation of People's leasing and Financial Service Limited, poor payout ratio of listed companies, and reduction in price of large-cap companies like BATBC, Square Pharma, and United Power have also worsened the situation. The capital market of Bangladesh and its investors entered 2020 amidst such negative economic outcomes.

Figure 3: Month-end DSE Broad Index (DSEX) points from January 2019 to February 2020

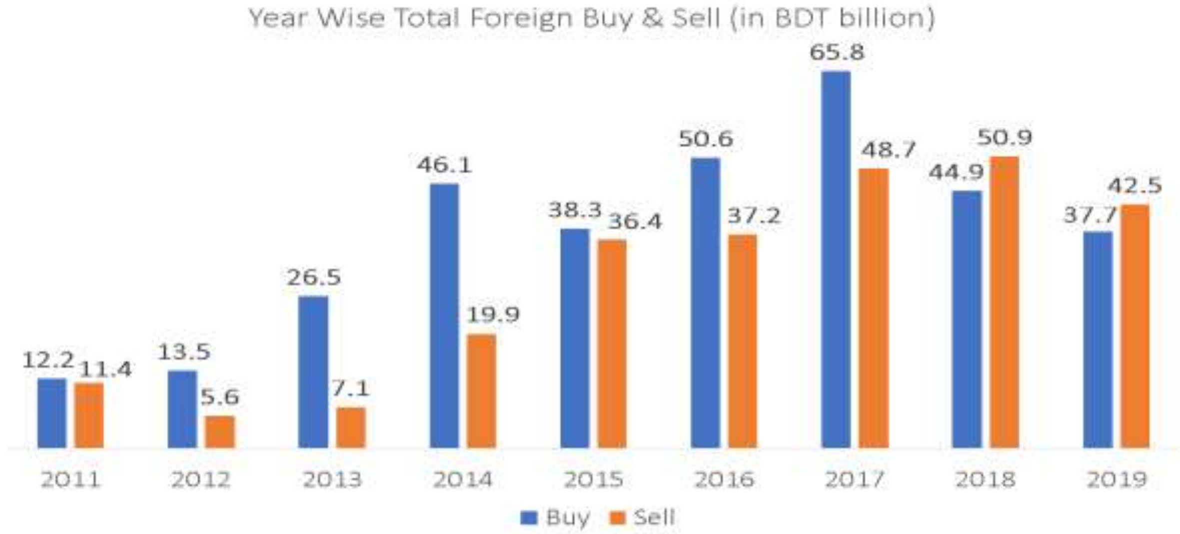


Source: Bangladesh Bank

Bringing in foreign investors can be a key to raising investor confidence

Foreign investors tend to invest for the long term. Thus they bring stability to the market that will encourage large-cap companies and consequently, sophisticated investors to participate. Overall investor confidence can, therefore, be improved through bringing in foreign investors. However, foreign investment faced a downturn last year due to currency depreciation and other negative economic outlooks. There was a record of net sales by foreign investors while purchases reduced. Total foreign turnover at DSE stood at BDT 80.3 billion which was 10.7% lower on a Year-on-Year basis.

Figure 4: Year Wise Total Foreign Buy and Sell (in BDT billion) in Dhaka Stock Exchange from 2011 to 2019



Source: City Bank Capital Resources Limited

There were already initiatives taken to attract foreign investors in the capital market earlier by the country's primary bourse Dhaka Stock Exchange. It collaborated in a strategic partnership with the Shenzhen Stock Exchange to launch the CNI-DSE Select Index (CDSET) comprising 40 companies. There are also plans to launch Size-Based Indices like CNI-DSE Large-Cap Index, CNI-DSE Mid-Cap Index, and CNI-DSE Small-Cap in the coming days. The country's two stock exchanges should, therefore, undertake more such strategic partnerships to attract more foreign investors. The technical support provided by these strategic partners can build a strong foundation for the markets required for foreign investments. In addition, policymakers can consider "tax-loss harvesting" in order to improve the country's capital market image for foreign investors. Under tax-loss harvesting, investors are taxed at an aggregate level instead of each trade. Such a facility is allowed in India and Pakistan and can be adopted in Bangladesh as well.

Table 1: Financial Results of DSEfrom financial year 2014-15 to 2018-19

(BDT million)	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Statement of Income					
Revenue	1,949	1,871	2,082	2,096	2,189
Expenses	602	673	737	808	888
Net profit before tax	n/a	n/a	1,345	1,287	1,301
Net profit after tax	1,346	1,198	1,239	1,044	974
Statement of Cash Flows					
Cash flows from operating activities	359	485	616	1,171	670
Statement of Financial Position					
Current assets	2,330	4,914	13617	13,746	11,857
Current liabilities	1,492	4,454	4,476	5,376	5,157
Non current assets	9,000	9,397	9,677	9,802	9,915
Non current liabilities	376	400	440	473	513
Financial Ratios					
Current ratio	1.56	1.10	3.04	2.56	2.30
Net profit margin (%)	69.00	64.00	59.51	50.00	44.49
Return on equity (%)	6.39	5.86	6.23	5.46	5.07
Return on total assets (%)	5.87	4.73	4.99	4.18	3.91
Operating cash flow per share	0.20	0.27	0.34	0.06	0.37
Ordinary Shares Information					
Authorized capital	25,000	25,000	25,000	25,000	25,000
Paid up share capital	18,037	18,037	18,037	18,037	18,037
Face value per share	10	10	10	10	10
Number of shares	1,803,776,500	1,803,776,500	1,803,776,500	1,803,776,500	1,803,776,500
Earnings per share (EPS)*	0.66	0.75	0.74	0.58	0.54
Net assets value (NAV) per share*	11.34	11.68	10.93	10.61	10.65
Cash dividend on paid-up capital	10%	10%	10%	5%	5% (Proposed)

Table 2: Market Scenario from financial year 2014-15 to 2018-19

(BDT million)	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Market Capitalization	3,247,306	3,185,749	3,801,001	3,847,348	3,998,164
Turnover Value	1,123,519	1,072,461	1,805,222	1,590,852	1,461,930
DSE Broad Index–DSEX* (points)	4,583.11	4,507.58	5,656.05	5,405.46	5,421.62
DSE 30 Index–DS30** (points)	1,769.37	1,770.82	2,083.80	1,959.95	1,929.09
DSEX Shariah Index–DSES*** (points)	1,122.03	1,110.84	1,296.74	1,263.79	1,244.69
Total No. of Securities	555	559	563	572	584
Market Price Earnings (P/E) Ratio (Times)	15.9	14.61	15.74	14.97	14.25
Market Capitalization to GDP (Percent)	24.04	18.42	19.43	17.19	18.75
Total No. of IPOs	16	11	9	11	14
Capital Raised through IPOs	12,469.72	8,583.00	3,900.00	5,412.50	5,710.00
Total No. of Right Issues	5	2	4	3	-
Capital Raised through Right Issues	14,458.27	3,134.83	10,419.67	3,929.06	-

* DSE launched new benchmark Index DSE Broad Index (DSEX) on January 28, 2013, before that DSE General Index (DGEN) was the benchmark Index. DSE launched DGEN on 24 November 2001 and withdrawn from 01 August 2013.

** DSE launched DS30 Index on 28 January 2013 with base value of 1,000.00 points and opening value of 1,460.30 points.

*** DSE launched DSEX Shariah Index (DSES) on 20 January 2014 with base value of 1,000.00 points and opening value of 942.50 points.

Market Performance from January 2018 to May, 2019

Capital market in Bangladesh contains of two developed automated stock exchanges- the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE). Bangladesh Securities and Exchange Commission (BSEC), as the regulator regulates the stock exchanges of the country. The quarterly study on capital market developments contributes various insights to recognize whole actions of capital market in Bangladesh. During January-March 2019, Dhaka Stock Exchange (DSE) showed rising trend in terms of turnover and index linked to the previous quarter. Broad index of DSE raised at 5491.91 points at the end of March 2019.

Dhaka Stock Exchange (DSE)

At the end of March 2019 the total number of listed securities raised at 581. There were 313 companies, 38 mutual funds, 221 government bonds, 8 debentures, and 1 corporate bond amongst listed companies. The number of companies consists of 30 banks, 23 financial Institutions, 47 insurance companies and 213 other companies. More specifically, during January-March 2019, a total number of 11.28 billion shares were transacted as against 8.28 billion shares during October-December 2018 and 6.50 billion shares during the similar time of the preceding year. Significantly, it was 36.29 percent greater than that of previous quarter as well as 73.65 percent greater than that of the similar period of the preceding year. The total turnover value of transacted shares was BDT 455.19 billion during the period under report, which was 37.45 percent and 86.04 percent greater than that of the preceding quarter and the similar quarter of the earlier year correspondingly.

Table 3: Sector wise Performance of DSE during January-March 2019 (BDT/volume in billions)

	No. of listed Securities	Issued capital	Market Capitalization	Total turnover	Turnover volume	P/E Ratio	Yield
Banks	30	278.60	14.65	54.49	2.46	9.31	2.82
FIs	23	47.67	189.95	25.86	1.02	15.41	3.20
Insurance Com	47	23.80	103.12	52.24	1.59	13.92	2.37
Mutual Funds	38	56.35	34.88	2.10	0.30		
Govt. T. Bonds	221	548.59	548.59	0.00	0.00		
Corporate Bond	1	3.00	2.90	0.02	0.00		
Debentures	8	0.35	0.58	0.00	0.00		
Other Companies	213	289.19	3224.99	320.49	5.91		
Grand Total	581	1247.55	4119.65	455.19	11.28	16.14	3.35

Source: Dhaka Stock Exchange (DSE)
Note: BDT= Bangladeshi Currency (Taka)

At the end of March 2019 all Share Price Index of DSE (DSEX) raised at 5491.91 points which was 1.97 percent greater than 5385.64 points at the end of December 2018 however 1.89 percent lesser than 5597.44 points at the end of March 2018. At the end of March 2019 DSE30 index raised at 1967.21 points which was 4.60 percent greater than 1880.78 points at the end of December 2018 and 6.59 percent lesser than 2106.02 points at the end of March 2018. At the end of January-March 2019 Sharia'h Compliant index called DSES increased to 1275.45 points quarter which was 1232.82 points at the end of preceding quarter and 1314.65 points at the similar quarter of the previous year. At the end of March 2019 the market capitalization of DSE raised at BDT 4119.65 billion which was 6.37 percent advanced than that of the earlier quarter as well as 5.17 percent upper than that of the similar time of the preceding year. The ratio of market capitalization to GDP rose at 15.01 percent at the end of December 2018, which recorded the peak at 43.52 during the month of December 2010. In the meantime, the price-earning (P/E) ratio improved to 16.14 during the time under report which was 15.19 at the end of the earlier quarter. At the end of the similar quarter of the corresponding year the ratio was 15.67. On the contrary, the yield of all share diminished to 3.35 at the end of March 2019 which was 3.58 at the end of December 2018 and 3.50 at the end of March 2018.

Sector wise Issued capital and market capitalization of DSE

At the end of March 2019 the total amount of issued capital improved to BDT 1247.55 billion which was BDT 1243.01 billion and BDT 1197.44 billion at the end of December 2018 and March 2018 correspondingly**.** Bangladesh Govt. Treasury Bonds (BGTBs) lead the bourse in terms of issued capital at the end of March 2019 among different sectors. Moreover, this sector delivered around 43.97 percent of the capital followed by other companies which were 23.18 percent and banking sectors which was22.33 percent. Actually, at the similar period the shares of Mutual Fund, Financial institutions (FIs), Insurance companies and corporate bonds were 4.52 percent, 3.82 percent, 1.91 percent and 0.24 percent correspondingly. Particularly, the involvement of Banks to the total market capitalization was 0.36 percent. In addition to the impact of Govt. Treasury Bonds (BGTBs), Financial Institutions (FIs), Insurance Companies, Mutual Fund, Corporate Bonds and Debentures were nearly 13.32 percent, 4.61 percent, 2.50 percent, 0.85 percent and 0.07 percent and 0.01 percent correspondingly. During the same period, except financial sector the involvement of other listed companies like manufacturing, service and others taken the utmost portion which78.28 percent amongst all listed securities in DSE. At the end of March 2019 Price-earnings (P/E) ratio of all securities of DSE recorded 16.14 percent. The P/E ratios for banking sector traditionally carry out the best within the financial sector companies. P/E ratios for banks, FIs and Insurances companies are 9.31, 15.41 and 13.92 percent correspondingly.

Table 4: Summary of Capital Market Developments in Bangladesh

End period	Number of listed Securities		Issued capital (Billion Taka)		Market Capitalization (Billion Taka)		Total Turnover (Billion Taka)		Indices	
	DSE	CSE	DSE	CSE	DSE	CSE	DSE	CSE	DSE	CSE
Dec-16	560	300	1,145.30	574.10	3,412.44	2,683.04	424.90	26.15	5,036.05	15,477.66
Mar-17	562	302	1,152.55	590.06	3,798.31	3,118.87	754.07	45.73	5,719.61	17,738.30
Jun-17	563	303	1,165.51	606.57	3,801.00	3,113.25	377.32	30.68	5,656.05	17,516.71
Sep-17	564	304	1,178.05	616.70	4,072.08	3,382.72	604.63	41.76	6,092.84	18,881.60
Dec-17	569	308	1,194.16	628.92	4,228.95	3,522.97	433.58	29.33	6,244.52	19,264.04
Mar-18	570	310	1,197.44	633.10	3,917.19	3,213.31	244.67	16.66	5,597.44	17,215.11
Jun-18	572	312	1,219.67	654.06	3,847.35	3,123.52	307.98	21.50	5,405.46	16,558.51
Sep-18	575	317	1,228.50	665.86	3,876.84	3,131.84	449.82	29.34	5,368.96	16,483.49
Dec-18	578	320	1,243.01	672.33	3,872.95	3,146.84	331.16	19.48	5,385.64	16,449.51
Mar-19	581	323	1,247.55	683.98	4,119.65	3,402.77	455.19	18.51	5,491.91	16,803.16

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

Regional Markets

At the end of March 2019 of the designated regional capital markets from 6 countries like Bangladesh, India, Indonesia, Sri Lanka, Pakistan and Thailand, leading indexes of the capital market of India displayed a rising trend. Admittedly, at the end of March 2019, it is witnessed that, Thailand has the maximum market capitalization in terms of percent of GDP amongst the designated countries that was 111.11 percent followed by 73.56 percent in India, 51.76 percent in Indonesia, 18.07 percent in Pakistan, 16.37 percent in Sri Lanka and 15.01 percent in Bangladesh. But, at the end of March 2019, Pakistan has utmost interest rate of 10 Year Government Bond which was 13.10 percent while it was 7.54 percent in Bangladesh.

Table 5: Regional markets as on March 2019

Country	Index		Interest Rate 10-Yr-G-Bond % a year	M. Cap to GDP ratio* %	Yield	P/E ratio
	In Name	% change over previous month				
Thailand	SET	-1.08	2.30	111.11	3.13	17.12
India	S&P BSE SENSEX	7.36	7.50	73.56	1.19 (BSE 100)	25.78 (BSE 100)
Indonesia	ISE	-0.46(JC)	7.90 (JC)	51.76	-	-
Pakistan	Pakistan SE	-4.30 (KSE 100)	13.10 (KSE 100)	18.07	-	-
Sri Lanka	Colombo SE	-	-	16.37	3.56	8.72
Bangladesh	DSEX	-3.85	7.54	15.01	3.30	16.46

Source: Monthly Review of Dhaka Stock Exchange, March 2019.Vol 34. No 03

*Data as on February, 2019

Bangladesh Securities Exchange Commission (BSEC) has analyzed the catastrophe in the stock market and concludes that the ultimate cause was that the real financial health of companies was not revealed in audited financial reports. To solve this problem, BSEC brought two reforms, one special tribunal and another framing the financial reporting act. Moreover, BSEC has taken plan for modifying the rules of Mutual Fund Services advising major alterations are the fees of the asset management companies (AMCs) and trustees will be rationalized, MFs will initiate general meeting subsequently each two years to evaluate the performance of associated parties, there will be a possibility of altering parties having participation with fund management constructed on the decision of unit holders, if the AMCs be unsuccessful to issue dividends the condition for reducing the management fees would be incorporated and at the same time if they could give cash dividends above specified rates the AMCs will be entitled to acquire performance bonus, for non-listed MFs stock exchanges will have to introduce trading platform, the term of all closed-end MFs will be ten years and extension of term or conversion of the funds will be implemented based on the votes cast by unit holders, the chief executive officer (CEO) of an AMC was also supposed to be chosen with prior permission by the BSEC, for the greater interest of the investors a compulsory provision of circulating complete information about the funds.

Concerning conduct of eligible investors (EIs) while taking part in price bidding process of book building method the securities regulator brought change in rules in January 2018. The BSEC accepted DSE’s offer for selling its 25% stake to the Chinese consortium of Shenzhen Stock Exchange (SZSE) and the Shanghai Stock Exchange (SSE) on May 03, 2018. After that, the DSE signed a memorandum of understanding (MoU) with Chinese consortium to sell 25% of DSE’s shares to the consortium to create it a strategic partner of the bourse on May 14, 2018. Conferring to the Share Purchase Agreement (SPA) the consortium will hold 25% equivalent to 450,944,125 ordinary shares of DSE at Tk 21 each with a view to partner with the bourse. Furthermore, the consortium has offered nearly $37 million for infrastructure and technological development, in addition to Tk 947 crore for the DSE shares. Agreeing to the Stock Exchange Demutualization Act 2013, 40% of DSE shares are credited to DSE member accounts, whereas the remaining 60% has been retained in a blocked account. In fact, after selling 25% of its shares from the blocked account to the Chinese strategic investor, the bourse shall float the remaining 35% through an initial public offering (IPO). SZSE Deputy Director General Xie Wenhai was appointed as a director of the DSE Board after the deal was made. Moreover, the Chinese consortium also offered to develop a SME market, assist in product diversification, and jointly operate the V-Next alliance program in Bangladesh. Additionally, with a view to developing the DSE portfolio they proposed to assist the DSE in mapping information disclosure and investor service automation framework, developing human resources, and providing technological support. DSE anticipated for huge investment from the consortium.

The Securities regulator distributed letter to the 35 banks, plus four non-listed ones and demanded on February 10, 2020 and June 28, 2020 under the section 11(2) of the Securities and Exchange Ordinance, 1969 to inform the commission concerning the status of formation of special fund and its investments in the capital market. On February 10 last, Bangladesh Bank (BB) delivered a circular permitting all the scheduled banks to generate a Tk 2.0 billion special fund each for a period of five years for investment in the capital market. To funding the cash-hungry capital market the BB’s step arose following the merchant banks’ request for creating a Tk 100 billion fund. A bank can generate such a special fund with its own resources or with any fund received from the BB through the repo or refinancing mechanism according to the BB’s circular. Janata Bank and the City Bank have previously taken Tk 800 million and Tk 500 million respectively from the central bank through repo. In the meantime, Premier Bank and Exim Bank also had taken the initiative of the job of creating the special fund. Side by side other private commercial banks (PCBs), United Commercial Bank, Shahjalal Islami Bank, and Islami Bank Bangladesh ltd formerly notify the central bank about creation of their special fund for the capital market. As well as in line with the BB circular the state-owned commercial banks (SCBs), the Rupali Bank previously made a Tk 850 million (85 crore) fund with their own resources. Sonali Bank, the biggest state-owned commercial bank made a Tk 2.0 billion fund with its own resources. More specifically, the circular announced the special fund will be permitted to be invested in equity shares, mutual funds, bonds or debentures, and special purpose funds keeping the prescribed criteria. And significantly according to that circular the banks will not require making any provision for a reduction in market value of their investments.

On May 17, 2020 BSEC has started its journey under the leadership of Professor Shibli Rubayat Ul Islam and Dr M Khairul Hossain has finished his tenure on May 14, 2020. New leadership of BSEC has taken some significant initiatives to boost up the investor’s confidence, among others they found on July 2020, 61 directors of 22 listed companies had not minimum 2.0 per cent shares. The BSEC directed those directors to hold a minimum 2.0 per cent shares in their own companies within 45 days to continue their director's post. In addition to that the securities regulator has also focused within 60 working days from July 29, 2020 the listed companies and their board of directors to comply with the directive concerning holding minimum 30 percent shares jointly by the directors, other than independent ones. Or else, as per securities laws the commission will take necessary measures. For being enabling the companies in holding 30 percent shares, the securities regulator has excused all existing sponsors, directors and proposed directors from the sub-rule (2) of rule 4 of Securities and Exchange Commission (Prohibition of Insider trading) Rules, 1995. As per the BSEC statistics, 42 listed companies have not yet act in accordance with the directive of holding minimum 30 percent shares by their directors jointly. Furthermore, on July 30, 2020 BSEC approved 37 panel auditors’ for BSEC. Actually, Covid-19 has created an impression upon the capital market everywhere of the world; nonetheless the essence of the market will get back its place with regularity in industrialization as well as economic development. Nevertheless, Investors require preserving perseverance and thoughtful, amongst others, the good and bad times of the economy.

The Bull Market of Bangladesh

In relation to the bull market of Bangladesh the huge speeding up of share prices since July 2009, soaring volatility, elevated PER can be recognized to a number of factors, together with:

(i) The high level of excited demand;

(ii) Structural weaknesses in the market; and
(iii) Pre and post 1996 rectification policies for instance Initial Public Offering (IPO) pricing and market liquidity policies.

The subsequent section discusses those in order to acquire an enhanced understanding of the capital market as it stands today.

High-spirited Demand
Especially when the capital market has a bullish tendency it is a very not easy task to evaluate the existence and size of high-spirited demand because of the nonappearance of whole information about economic basics and their impact on prices. On the contrary, analyzing investors' views concerning over valuation and performance of specific market and economic indicators could facilitate to evaluate the level of high-spirited demand in the Bangladesh capital market, particularly throughout boom periods (episode I: 1995 to 1996 and episode II: 2007 to June 2010). Virtually, the capital market indicators that describe the enthusiastic demand of stocks are:
i) Quick climb in the price index;
ii) Feeble correlation between the price and economic value of stocks as calculated by valuation indicators;
iii) Soaring price volatility;
iv) Considerable increase of velocity in money and credit spreading out and intense use of margin lending;
v) Progressively more narrow market control in line with soaring price earnings ratios of the stocks where price climb are concerted in a few stocks; and
vi) Large IPO schedule.

A Sharp Increase in the Price Index
Regarding a sharp increase in price index has happened during bubble episode in 1996 it had been witnessed that the price index improved at a quick rate. More specifically, on November 5th, 1996 the share price index of DSE, the DGENI touched its peak point at 3649. Surprisingly, the index was only 770 just nine months before of the peak period. From the time when early January 1996 maximum listed security prices in the DSE improved suddenly as reflected by the DGENI to procedure a bubble. The General Price index improved by 288 percent in the nine months leading to the bubble. The recently elected government of that time primarily misjudged this growth in the capital market as important power of the economy and the materialization of people's assurance in the new government. But, the policymakers' enthusiasm was small existed since the bubble burst and the market crashed. Surprisingly, during October 1996 the price index improved from 1890 on 5th October to 2986 by the end of the month October. Even though, by the time efforts were concentrating to become stable the market, it was too little too late. On the 5th of November 1996 within five days the DGENI of DSE touched it's topmost at 3649, basically swelling by 22 percent in the progression. Unfortunately, in an unexpected turn of proceedings after that day, maximum securities prices drooping and this directed to the beginning of a sinking trend in both the securities prices and the index. Unluckily, at that time no active mechanism could be planned so that the decline could be controlled. As a consequence, Bangladesh met its first capital market crash in its history. Eventually, indication of the severity of the crash can be found by briefly observing at the consequences from September 1997 when the DGENI crashed to 761 approximately at the same level it was nine months back. Admittedly, in general it lost nearby 2888 points or a 79 percent fall from its top.

It follows that the dull confidence of the investors it took a very long time for the markets to bounce back. Ultimately, the price index was nearby the 1000 point mark from the end of September 1997 to the first quarter of 2004. Rather, in the second quarter of 2004 the markets disclosed signs of recovery as it cross over the 1100 marked point in April 2004 for the first time since July 1996. The price index began to follow a rising pattern from April 2004. In particular, by the end of 2007 relative to 2006 the DGENI nearly doubled. Likewise, the market crossed the 3000 point in December 2007 for the first time in 10 years of post-market crash of 1996. In February 10th 2010, the DGENI jumped suddenly to 5746 points this was a enormous rise of 135 percent from March 2009. On the other hand, there was a little of a slowdown mainly due to a cautionary approach by investors and subsequent market corrections in the period in between March April 2010. However, from May June 2010 the DGENI once more took off, in June 2010 it touched 6154; this was an intensification of ten percent from March 2010. In November 2009 the launch of Grameen Phone Limited (GP) enhanced the pace of DGENI although the DGENI overstates the price rise because of the unsuitable way in which the consequence of GP was reflected in the index. According to the discussed above all other index of DSE and CSE progressed in the similar trend.

Weak Correlation between Price and Economic values' of securities
Generally, the greatest corporate approach to compute the economic values of the securities is through the present value of the dividends that investors obtain. Whether the securities are overpriced, and dividend return

of the securities is the sign of economic value of the securities' Price Earnings Ratios (PER) is a standard valuation sign to calculate. As a result the rise in the PER beyond what could be justified as a predictable growth in future earnings is measured a clear indication of overvaluation of the securities and market beyond fundamental. The bullish trends of securities prices have been revealed in PER during January June 2010. PER produced promptly and extended levels considerably greater than their past levels. The PER was in the range of 11 to 18,with the exception of the period between June 2004 June 2007, rather it was regularly below 10 up till April 2004. To illustrate the PER of DSE was 10.7 in June 2006 but it climbed to 24.8 by May 2008, the markets weighted PER of the listed securities in DSE improved slowly from June 2006; in February2010 the weighted average market PER of DSE improved considerably to the level of 30.64 from 15.6 in March 2009; but the PER dropped marginally and raised at 24.1 by the end of June 2010.

On the contrary, as the PER improved, the market Dividend Yield Ratio (DY) decreased gradually to its chronological low level. In December 2007, the market DY ratio of DSE was 2.1 percent while PER was 23.6. But in December 2009 the DY ratio dropped to 1.8 percent and additionally to 1.4 percent in June 2010 whereas PER were 25.7 and 24.1 respectively. Admittedly, these big dissimilarity between PER and DY ratios signify that there is a feeble correlation between securities' prices and their economic value. In individual analysis from the third quarter of 2009 the securities of 55 companies that were being dynamically traded had a PER of 60 with an amazing PER of 1234 for Niloy cement. Moreover, GP's PER was very high from the commencement of its start in the DSE. And also the first month of trade, it's PER was 81.5 during November 2009. More specifically, within three month the PER of GP was evidenced to be 165 with a market price of Taka 395 per share against a face value of Taka 10per share. Furthermore, in May 2010 the PER of GP, the only listed company of the telecommunications sector placed at 112.4. Eventually, GP declared a 60 percent cash dividend for the year 2009, because of the market corrections its market price knock down to Taka 235.7 per share by the end of June 2010, PER turn down to 19.5. Particularly, it has been noticed that there are basically no real economic grounds behind the price climb and the soaring level PER of GP's securities. Actually, the tentative performance and high-spirited demand amongst investors fueled the raise in market price and the consequence of this was revealed in the PER.

Fundamentally, when the stock prices illustrate a propensity of a bubble then, PER have a tendency to be elevated, as a result demonstrating that the overpricing of stocks is a general phenomenon in the markets. Usually, the high PER levels explain a widespread overpricing of all industrial and promising markets. In February 2006, at the peak of the Saudi capital market bubble, the markets average PER was 47.3. In 2000, additionally, the PER of the Saudi market move toward the average PER level of 61 which was also the level that the NASDAQ reached at the peak of the NASDAQ bubble. Hence, at the top of their bubble, the average PER during those incidents in the case of other countries were: the average PER of the Bombay Stock Exchange was 20.3 and the PER for the Shanghai Stock Exchange was 18.3. Surprisingly both were fairly close to the average PER of DSE. Likewise, the Dividend Yield (DY) measured less constructively both traditionally and when measured up to other markets' levels. Beside this, it has been well-known that DY declined considerably throughout bubble incidents. The market situation were alike to the countries that faced bubble incident at a variety of points in time, even if the data of market PER and DY of the DSE are not obtainable for the period of the bubble of 1996. Similarly, it is established that the securities of nearly 30 companies had a PER of over 60 and dividend yield of under 1.5 percent for that period.

Volatility in High Price

Regarding the volatility in high price the standard deviation of share price index is a regular calculated of securities market volatility. Hence, it needs to be mentioned here that in this study, the Bangladesh capital market volatility has been calculated based on monthly standard deviation and standard error of the DGENI. Early in May 1996 when securities' prices commenced to get higher during the bubble episode of 1996, the market observes a considerable raise in volatility of the DGENI. More specifically, the raise in standard deviation of DGENI was mainly acute prior and instantaneously following the peak on November 5th, 1996. On November 5^{th} 1996 the value of standard deviation of DGENI improved from 87 in the end of September to 574. Significantly, this was well beyond the 376 standard deviation revealed at the NASDAQ price index at the peak of the US market bubble in March 2000, and it was nearly one fourth of TASI of Saudi Arabian market's bubble in February 2006.Up to June 1996 the values of standard deviations of DGENI were below 50 but enhanced it during the bubble in 1996. The value of standard deviation noted down a high value in November 1996 when the DGENI was at its top. Admittedly, when price index dropped and was at a nearly constant level, the value of standard deviation also dropped. Following the 1996 stock market crash, the DGENI drooping and along with the crash in the DGENI the standard deviation also dropped significantly to inferior levels. The DGNI enhanced from June 2009 and along with it the standard deviation also initiated to increase and follow a cyclical pattern. In addition to the market indications turn into volatile during the latest episode. The high value standard deviations attended by improved incidences is revealing of the great volatility of securities prices in the market. The long spikes and regular cyclical movement display this phenomenon noticeably. But, in the first half of 2010 the volatility amplified considerably to the levels which have been seen in the price of securities as well as in the volume.

Sizable Acceleration in Money and Credit Expansion and Heavy Use of Margin Lending

In relation to the above money is inserted into capital market through various channels. Basically, liquidity is inserted into the market through the directing of monetary policy by swelling M2. Virtually, this in turn is demonstrated through speeding up of credit to the private sector, consumer credit, provision of margin loans by commercial banks and NBFIs, and through foreign investments. In addition to that, fresh investment by the general public also introduces liquidity into the market. Actually, the speedy progress of these variables contributes significantly to nurturing the securities prices by pushing up the demand of the securities.

Speeding up in Money Supply and Credit to the Private Sector

There is money market, money supply and banks' credit extended quickly in continuation with the development of the market, and in the process powered lively demand in securities in Bangladesh. In particularly, the speeding up in money growth, during 1993 to 1996 the 14 percent compound annual growth rate (CAGR), was recognized essentially to the robust advance of credit to the private sector, which raised by 19 percent (CAGR) in the similar time. Admittedly, in addition to that during the bubble episode of 1996, credit growth was noticeably beyond the rate witnessed at 6 percent (CAGR) in 1993. Particularly, the amount of credit to private sector improved considerably due to investment friendly monetary policy accompanied by Bangladesh Bank at present. More specifically, throughout the time 2006 to 2009, M2 raised by 18 percent (CAGR) and this was a rise from 15 percent (CAGR) of 2005. Eventually, the quickening in money development is credited mostly to a rise of 19 percent (CAGR) in credit to private sector throughout that period. Basically, a major portion of the rise in credit to private sector was concentrated into the capital market, as referred to by the use of margin loan and personal amenities.

Extraordinary Progress of Margin Lending

There are margin loan providing institutions for instance banks, non-bank financial institutions (NBFIs), alliance financial institutions and legitimate brokerage houses are providing margin loan to retail investors for buying securities from the secondary market in Bangladesh's capital market. In the meantime, market has been initiating expanded and in December 2009 the total amount of margin loan provided by banks and NBFIs considerably improved by 164.41 percent (CAGR) to Taka 77.82 billion from Taka 4.21 billion in 2006. From this figure, Taka 59.87 billion was borrowed by banks and it raised by 180.71 percent (CAGR) and Taka 17.95 billion by NBFIs raised by 128.80 percent (CAGR) throughout the time. At present time, against margin loans banks made profits amounting to Taka 3.94 billion which is 3.04 percent of total profit and NBFIs earned profit amounting to Taka 2.17 billion which is 21.77percent of total profit in 2009 in relation to 2006 when profits amounted to Taka 0.22 billion and 0.16 billion respectively. Margin loan business of banks and NBFIs are more profitable and measured less risky linked to the term loan distribution. Because of this, investment in margin loan business improved considerably in current time.

Investment of Institutions

For being liquidity position, in December 2009, surplus liquidity, the idle money of banks recorded at Taka 334.27 billion calculated a growth of 57.17 percent (CAGR) from Taka 86.10 billion in December 2006. Actually, this huge amount of surplus money in the banking sector conventionally could not be utilized in the capital market by banks and NBFIs. But at current time, this trend of investment in capital market business by banks and NBFIs has improved. Basically, the total investment by banks and NBFIs moved up by 87.30 percent (CAGR) to Taka 43.58 billion in 2009 from Taka 6.63 billion in 2006 in Bangladesh capital markets. Particularly from this figure investment by banks improved considerably by 97.55 percent (CAGR) to Taka 36.91 billion in 2009 from Taka 4.79 billion in 2006 and investments by NBFIs went up to Taka 6.66 billion, a development of 53.46 percent (CAGR) from Taka 1.84 billion in 2006. Specially, the banking sector earned a substantial profit from investment in the capital market during the present episode. In 2009, a profit of Taka 15.96 billion was made by banks and NBFIs beside investments in the capital market; these accounts for 10.89 percent of total profit of this sector, a development of 131.91 percent (CAGR) from Taka 1.28 billion in 2006. In addition to in 2009, the banking sector made profits amounting to Taka 12.69 billion which is 9.28 percent of total profit and NBFIs made Taka 3.28 billion which is also 32.86 percent of total profit from the market.

Financial sector's Earnings and Profitability

In fact, the extraordinary progress in profit made from investments in the capital market is revealed in the earnings and profitability of banks and NBFIs. In this context, earnings as calculated by return on assets (ROA) and return on equity (ROE) were very huge within the banking industry. In 2005, ROA and ROE were 0.6 percent and 12.4 percent correspondingly in the banking sector and in 2009 increased to 1.4 percent and 21.7

percent. Individually, analysis of these indicators discloses that bearing in mind massive provision shortfall, the ROA of the state owned commercial banks (SCBs) have been less than one percent. Private commercial banks (PCBs) are at an acceptable level and foreign commercial banks' (FCBs) ROA ratio has been constantly solid at present time. In 2001, SCBs' ROE ratio was 2.4 percent but it increased to 26.2 in 2009.

Extreme Demand in IPO

Each year, on an average 13 companies has been registered in the capital market by issuing public subscriptions in Bangladesh Capital Market. More specifically, the average size of each company's issued capital or equity portion Taka 0.42 billion, of which 56 percent ownership remained under the entrepreneur, 13 percent maintained by sponsors and 31 percent preserved by public. As a result, new issues raised up their capital amount to Taka 5.3 billion each year which is the yearly average. Specifically, amongst the new issues, Taka 0.7 billion was upraised through private placement and Taka 1.7 billion was raised up through Initial Public Offering (IPOs). Ultimately, the IPOs were oversubscribed by ten times standing at nearly Taka 16.5 billion. Indeed, the large amount of public subscriptions is the output of the confidence of augmented investors. To add, these massive amounts of public subscription from demand side can be inferred as an indication of robust liquidity flow in the market. In fact, the extreme demand of equities and the high growing of liquidity hit the market via the overshooting of the prices of the securities. Meanwhile, the market mechanism transported the demand and supply to their balance level by hitting prices to considerably advanced levels. In current time various fundamental public limited companies and state owned enterprises with solid financial records offloaded their shares in the capital market because of the constructive initiatives and capital market strengthening actions commenced by the regulatory authority BSEC. In the meantime, twenty one new companies including 8 mutual funds offloaded their shares amounting to Taka 33.8 billion through public subscription. Additionally, among the new issues Taka 9.7 billion was upraised through public offerings and Taka 4.7 billion was raised up through private placement. Furthermore, against IPOs, Taka 109.2 billion was oversubscribed which is nearly twelve times greater than the IPO subscriptions. In particular, in case of GP, against IPOs amounting Taka 0.69 billion, Taka 16.88 billion was oversubscribed and this is nearly 25 times upper than subscription amount.

During FY07 to FY10, in this bullish episodes, 60 companies offloaded shares amounting to Taka 18.7 billion for public (IPOs) and Taka7.8 billion for private placement against total equity that amounted to Taka 56.1 billion, where Taka 202.4 billion has been oversubscribed against public offering which is nearly eleven times greater than IPOs. Seventy four companies offered shares amounting to Taka 4.4 billion for the public through IPOs during FY95 to FY98, against a total share capital amount of Taka 11.5 billion; Taka 24.9 billion was oversubscribed against public offering during that period which was nearly six times higher than subscription offered. In that time among the listed companies, the sizes of most of the companies were very small and the proportion of public ownership of securities was lower than 30 percent and totaled in Taka 40.0 million. More specifically, this generates the chance for the entrepreneurs or market gamblers to effortlessly manipulate the market to grab their own advantage as obvious from what materialized in 1996.

Foreign Portfolio Investment

In the capital market of Bangladesh foreign portfolio investment is an important aspect. Basically, it shows the assimilation of the domestic economy with the international marketplace. And also the gravity and growth of a capital market similarly be influenced by on the size of the foreign portfolio investment. In 1996 in the capital market of Bangladesh foreign portfolio investment move toward to a discussion fact as the market collapsed. In the recent withdrawal and repatriation of a large volume of funds have raised up some signs of concern although foreign portfolio investments are not significant. In April, 1992 foreign investment in the capital market was first announced through the Nonresident Taka Account (NITA). There was a flow in portfolio investment which appeared to exceed sales from FY93 through to FY95. There had been an investment of Taka 6.5 Billion linked to a sales figure of Taka 2.4 Billion during this period. The tendency had been upturned in anticipation of a major market correction in the commencement of FY96. Gross outflow of repatriation of sale proceeds was Taka 9.3 billion during FY96 to FY99 which is 5.3 percent of total turnover in the DSE against gross investment inflow into the market at Taka 1.9 billion which is also 1.1 percent of total turnover in DSE. Virtually, the net disinvestment inflow rose at Taka 7.4 billion at that period. Specifically, because of the major market rectifications after the bubble episode of 1996, and foreign investors moving back from the market, outflows as sending home exceeded the investment inflows.

There was a huge outflow of foreign investment as Taka 6.3 billion was send back by achieving a profit of Taka 2.9 billion against Taka 0.5 billion in investment inflow in FY97. In the beginning of FY06, as Bangladesh capital market saved the country had observed a most important injection of foreign investment. During the recent global market recession the capital market of Bangladesh has performed well. The market became inflated as foreign investment increased in stocks during this time. In the capital market of Bangladesh in FY08

Taka 11.3 billion was invested through NITA. Taka 9.3 billion was sends back against an investment inflow of Taka 5.8 billion in FY10. The gross sending home outflow raised at Taka 43.9 billion from FY93 to FY10 which was 1.6 percent of total market capitalization against the gross investment inflow in to the capital market of Taka 39.9 billion, linked to Taka 12.3 billion and Taka 8.56 billion at the end of FY99 respectively. The portfolio size of foreign investment in the Bangladesh capital market which at well below 3 percent of the market capitalization, in spite of remarkable improvements of present years remains very small, as well as development in the capital market, although the foreign portfolio investment in equity and debt securities directs a level of capital market combination with the capital markets of other countries.

Contracted Market Leadership

During the bubble episode of 1996 market witnesses displayed that there were exact and repetitive indications of contracted market leadership in the capital market of Bangladesh. Specifically, the small group of speculative securities has exposed a pattern of conduct dependable with this cautioning indication. Immediately prior to and after the bubble in 1996 the increase and decrease of prices of these speculative securities also happened. Particularly, the bubble shaped and burst since of the increasing force of demand of these speculative securities in that year. Basically, a very small number of listed securities generated the environment contributing to for speculation. Originally, investor confidence was boost up by the re-establishment of political stability, however later they turn into extremely speculative. Actually, the occurrence of a vast kerb market where number of small investors reached over 25,000 delivered a widespread possibility for rumors to influence share prices through penetration into the kerb market by agents of the sponsors and member brokers. There were immense of causes to the collapse the 1996 capital market such as an inadequate infrastructure; a weak settlement system; insufficient distribution of information system; lack of reliability and transparency of the authorities of the listed companies; and weak policies by regulatory authorities contributed to manipulations in the market, creating an artificially hyped demand for speculative securities.

Rumors pushing a profitable capital market climate spread all over Bangladesh in July 1996 and lots of new retailed investors, many of whom had no previous knowledge of investment, moved in into the market. More specifically, it was reported that even maid servants, rickshaw pullers and villagers sold their meager assets or borrowed from relatives, to obtain speculative securities in hopes of an instant success. And also, along with this quick growth, there was substantial trading in the speculative securities that did not relate to their small market shares. Moreover, most of this trade left oral at the end of the 1996 boom. The market was so speculative that the panic went beyond the range of the regulatory authorities during September November 1996. Additionally, there were questions about the transparency of the capital market members, mainly brokerage houses and sellers. At large, all in all, this phenomenon was a contributing issue behindhand the price bubble of 1996. In mid-November 1996, prices of speculative stocks slumped drastically and the bubble burst, when market speculators left the market after realizing their profit. However, in comparison, the present market is broader; the regulatory bodies are more focused; there are developed information and settlement systems in place; and issuer companies are more apparent with regular financial statement compliances. In the second half of 2010 throughout the period most important up to the rectification nevertheless a comparable occurrence was witnessed.

DSE's Development with its Strategic Partner

The Bangladesh Securities and Exchange Commission (BSEC) on May 3, 2018 approved the DSE's proposal for selling the shares to the Chinese consortium after five years of the exchange's demutualization. DSE engaged a Share Purchase Agreement with the Chinese consortium to sell 25% of DSE's shares to the consortium on May 14, 2018, to make them strategic partners of the bourse. On September 04, 2018, the Chinese consortium legitimately became the strategic partner of Bangladesh's premier bourse by through transferring DSE's 25% shares to SZSE & SSE consortium. On September 3, the Chinese group deposited Tk 947 crore, however the sum could have not been posted to the DSE members before relaxing the capital gain tax matter on transfer of share to strategic investors. By all means of, when National Board of Revenue (NBR) delivered a circular lowering the bourse's members' capital gains tax to 5% from 15% DSE began to distribute the sale proceeds in November 2018. More specifically, at last, in September 2018 the strategic partner including procedure has come to a conclusion. Logically, the exchange officially progressive to the mutually advance agenda the consortium committed in the bid documents. Soon after, on 29th October 2018, at the end of the partnership procedure, the consortium visited Dhaka with a business team to have a B2B meeting among Chinese and Bangladeshi companies. In no time, DSE prearranged the meeting and in that program the sixteen members delegation arranged one-to-one meeting with various companies of Bangladesh. They were considering for the investment opportunities in Bangladesh particularly FDI Opportunities. Virtually, DSE has designed a committed team for implementing strategic initiatives under Share Purchase Agreement (SPA) with Shenzhen Stock Exchange (SZSE).

Actually, DSE and its strategic partner both have formed a separate team for business and technological cooperation and advancement. On September 24-26, 2019 for being assessing the strength and weaknesses of the present ICT system of DSE, SZSE IT team visited DSE IT with a view to surveying DSE IT infrastructure and to arrange for required support for upcoming improvement. DSE IT Team lead by Chief Technology Officer (CTO) of DSE visited SZSE to acquire knowledge on the whole competence of their technological predominance on April 09, 2019. Ultimately, after that SZSE business team stayed DSE to share the useful knowledge of the Chinese consortium on business development issue that would make stronger Bangladesh and China cooperation. Depending on to the proposal of the SZSE consortium to mutually operate the V-Next Alliance program in Bangladesh, DSE business team is being work to tie ambitious growth companies with capital in Bangladesh and China. Undoubtedly, the aim is to construct an ecosystem across the two countries to assimilate financial intermediary services, institutional investors and projects. On May 6, 2019, a seminar started in the name'2nd China-Bangladesh Capital Market Co-operation Seminar' between China the SZSE and the DSE in Bangladesh Window on the V-Next Platform. More specifically, V-Next Alliance Platform is intended to expedite Chinese investment into potential companies in Bangladesh through information dissemination, online live road shows and directly facing business seminars.

DSE attended the 2nd China-South Asia Cooperation Forum on June 10, 2019. DSE business team headed by CFO of DSE visited SZSE for plotting the improvement of our capital market in line with the strategic value addition initiative on June 12, 2019.Actually, DSE and the Chinese consortium are very much devotedly functioning for the anticipated result of strategic investment. Particularly, business development initiative in capital market is a long term process linked to traditional business growth initiative. Obviously, DSE is progressing with essence of team work, devotion and decent relation amongst all shareholders to settle long-term maintainable business improvement of the exchange. Finally, DSE has board acknowledged business plan with comprehensive action plan for each and every value addition business suggestion of strategic investors. It needs to be mentioned here that, DSE robustly consider that strategic partnership will carry appreciated sustainable business improvement to make certain jointly advantageous business connection within the two partners.

Investors ‘Proposals to the Board

At the 917th board meeting of the Board of Directors of the Dhaka Stock Exchange, on January 29, 2019, DSE's strategic investors, consortium of Shenzhen Stock Exchange and Shanghai Stock Exchange offered a variety of proposal for business and technical collaboration. Business collaboration includes a variety of proposal like capital formation, development of SME board, diversification of products etc. More specifically, technical collaboration includes building prevailing independent R&D potential, establishment of centralized trading system, accelerating improvement of business management stage and improves automation level of information exposé, construction of data center, intensification communication system and improving effectiveness etc.

Market Scenario 2018-19

Particularly, DSE starts new fiscal year with the attainment of strategic partnership with consortium of the world's top two stock exchanges; to finalize the policy by the regulatory body to form the Clearing and Settlement Company; to draft market maker rules, alternative trading arrangement and alternative trading board; application for purchase of shares of institutional investors in IPO move to the electronic platform; adding new features and security features to the DSE Mobile App and DSE's contribution in the UN Sustainable Stock Exchange throughout these achievements of important developments new fiscal year begun, next to the permanent Government’s improvement actions and steady political circumstances. In fact, this year, the country's most important stock market entered a new episode. Virtually, world's two important exchanges Shenzhen and Shanghai Stock Exchange shared the ownership of DSE. Due to this, Dhaka Stock Exchange concludes a significant episode of demutualization by transferring a 25% stake of DSE to the strategic partner. At present, the market is also a bit more active in it and logically, the volume of transaction also exceeds thousand crore tk. However it didn't continue. In fact, the current government formed the government for the third time by voting held on the last day of the first six months of the financial year 2018-19. Basically, the continuance of the government is back to the nation, adds an outstanding episode to political history. The next six months of the financial year jumps with optimistic situation of all areas of country’s economy with the continuance of the government. Financial year 2018-19 departs from the pages of history with a most important qualitative transformation in the capital market, even though a slowdown in the market. Actually, infrastructure of the country’s capital markets has touched an innovative level. Thus, Dhaka Stock Exchange is intense to establish new markets for development of capital market of Bangladesh.

At present, DSE is only equity-based market. Moreover, to the prevailing equity-based market, the procedure of initiating the alternative trading Board in DSE is in the last phase. For being convey product divergence, SME platform has already initiated. More specifically, there are plans to inauguration ETF, open end mutual fund, derivatives in the future. ETF will be introduced predominantly for professional stockbrokers. Because of this, they will be capable to draw foreign investors. Moreover, the initiative of the Alternative Trading Board will permit non-listed companies to confirm their share price and market value through trading. In the meantime, Bangladesh Securities and Exchange Commission (Alternative Trading Board) Rules, 2018 have circulated on the BSEC website for public views. Indeed, DSE conveyed positivity for a wide-ranging improvement of trading platform, surveillance system and internal management with the essential technical support from the strategic partners of the Consortium of China.

More specifically, in joint venture with DSE, CSE and CDBL to prepare a clearing and settlement company is in process under the Bangladesh Securities and Exchange Commission (Clearing and Settlement) Rules, 2017. In fact, registration of the company in the name of Central Counterparty Bangladesh Ltd. has been finalized. Thus, with the start of CCBL, new standard for capital market will be recognized, with which foreign investment containing multi-asset trading will be uplifted. Ultimately, it will aid to achieve investor confidence and overcome the liquidity disaster in the capital market. By all means of, the Finance Minister told in a budget statement for the fiscal year 2019-20 that a well-built economy needs a well-built capital market. Basically, by way of the economy of a country turn into stronger; the capital market of that country will continue robust as natural. Logically, the government desires a solid economy for the country. In this regards, capital market is the perfect medium for long-term capital collection for industrial investment. But, the propensity for long-term loaning in contradiction of short-term deposits from the banking sector of Bangladesh is alarming, which is not perceived in other countries. In fact, this generates an imbalance position. Ultimately, then the apprehensive banks and borrower are exaggerated. Therefore, the government would take real actions to inspire borrowers to collect long-term capital from capital market.
DSE settled with the anticipation of the Finance Minister proclaimed in the budget. The Finance Minister was the Chairman of the Standing Committee of Finance Ministry in the past. Since then, he has taken and executed multifaceted developing measures to improvement the country's capital market and logically this improvement will remain in the upcoming days. Truly, the government has a strong role in the improvement of the capital market through policy support, direct-indirect involvement and Dhaka Stock Exchange contemplates it has such a role in the proclaimed budget. For long-term capital collection the country's capital market is one of the major sources. In this context, as part of the economic growth plan in the future, the government will move the capital market to the anticipated goal. It is very significant that Dhaka Stock Exchange anticipates that the government's plans for capital market in the budget of financial year 2019-20 will generate a promising situation for investment in the market and the national economy will be more vibrant. More specifically, the private sector will be robust and progress to generate an investment-friendly environment in the country which will draw more foreign investors.

Raising Fund through IPO
In response to raising fund through IPO it can be said that in FY 2018-19, the entrepreneurs have enjoyed capital of Tk. 571 crore through 14 (fourteen) securities IPO containing 01 (one) mutual fund, among them 02 (two) companies upraised taka 201.17 crore as premium. On the contrary, in FY 2017-18, entrepreneurs enjoyed capital of Tk. 541.25 crore through 11 (eleven) IPO containing 02 (two) mutual fund, amongst them 02 (two) companies upraised taka 274.33 crore as premium.

Listing
In case of listing in FY 2018-19, a total of 14 securities containing one mutual fund already listed in DSE with a paid up capital of Tk.1641.28 crore and same as in the preceding fiscal year a total of 7 securities containing two mutual funds has been listed in DSE with a paid up capital of Tk. 675.69 crore.

Right Issue
With regards to right issue in FY 2018-19, one (01) company declared to enjoyed the capital of Tk. 98.55 crore through allotting a total of 8.86 crore right share. On the contrary, in FY 2017-18 three (03) companies received capital of Tk. 330.71 crore through distributing a total of 33.07 crore right share. One (01) company upraised capital of Tk. 62.19 crore as premium.

Capital Enhancement through Bonus Share
In the same way amongst the listed companies of DSE, in FY 2018-19, a total of 152 companies collected Tk. 3,557.60 crore through distributing 330.51 crore bonus share. From these companies 19 companies were of banking sector, 9 of financial sector, 24 of engineering sector, 7 of food and beverage sector, 7 of fuel & power sector, 28 of textile sector, 14 of Pharmaceuticals & Chemicals, 01 of Services & Real Estate, 02 of cement sector, 04 of IT, 02 of tannery, 03 of ceramics, 25 of insurance and 07 of miscellaneous. On the contrary, in FY 2017-18, total 148 companies upraised capital of Taka 4277.20 crore by allotting 427.90 crore bonus share.

Turnover – Value
Similarly, in case of turnover in the year 2018-19, the total transaction of Dhaka Stock Exchange Limited raised at Tk. 146,193.05 crore noticing a decline of Tk. 12,892 crore or 8.10% than that of preceding year. On the other hand, in 238 working days of the year 2018-19, the average transaction was Tk. 614.26 crore and in 2017-18 total turnover was Tk. 159,085.19 crore whereas the average turnover was Tk. 646.69 crore in 246 working days.

DSE Indices
DSE Broad Index (DSEX)
In course of time, in FY 2018-19, DSE Broad Index (DSEX) or the benchmark index has greater than before by 16.16 point or 0.30% than that of the previous FY 2017-18 to touch at 5421.62 point. On the contrary in 2018-19 the highest point of DSE Broad Index (DSEX) was 5950.01 and the lowest point was 5175.47. Basically, this index began from 4090.47 point on the 28th January 2013.

DSE30 Index (DS30)
In FY 2018-19 in case of DSE30 index, it has lessened by 30.85 point or 1.57% than that of the preceding FY 2017-18 to stand at 1929.09 point at the end of the present fiscal year. However, in FY 2018-19, the maximum point of DSE 30 was 2049.00 and the lowermost point was 1812.82. Actually, this index began with 1473.01 point on the 28th January 2013.

DSE Shariah Index (DSES)
In this case, In FY 2018-19, the uppermost point of DSES was 1331.63 and the lowermost point was 1189.09, this DSES has diminished by 19.10 point or 1.51% than that of the FY 2017-18 and raised at 1244.69 point. Virtually, this index initiated with 941.28 point on the 20th January 2014.

Market Capitalization
In this connection, in FY 2018-19 the market capital has improved by Tk. 15081 crore i.e. 3.92% higher from the last fiscal year and raised at Tk. 3 lac 99 thousand crore. In addition to that, in 2018-19, the uppermost market cap was Tk. 4 lac 21 thousand crore and the lowermost amount of market cap was Tk. 3 lac 78 thousand crore.

Market P/E
More specifically, in the last trading day of FY 2018-19, the market P/E of listed securities of DSE was 14.25 which were also 14.25 in FY 2017-18. Additionally, if we consider at the sector-wise price earnings ratio we can understand that P/E of Mutual Funds 7.32, Banking sector 8.26, Insurance sector 14.42, Engineering sector 14.56, Telecommunications sector 14.59, Financial sector 14.66, Fuel & Power sector 14.72, service and real estate 15.42, textile sector 16.79, paper & printing 17.69, Pharmaceutical 19.10, Tannery 20.31, Travel and Leisure 23.85, Ceramics sector 23.95, IT sector 24.37, Food and Allied 25.08, cement 28.64, Jute 30.5 and Miscellaneous 27.09 and the overall market price earnings ratio was 14.25.

Market Capitalization to GDP Ratio
At a glance, at the end of FY 2018-19, the ratio of DSE equity market cap to GDP raised at 17.77%, considerably lesser than neighboring country. For instance, it can be said that the ratio of Market Capitalization to GDP of Thailand (SET) 102.90%, India (BSE) 74.56%, Pakistan (KSE) 216.15%, Srilanka (CSE) 16.95%, Philippine Stock Exchange 78.87%, Shanghai 32.43%, Shenzhen Stock Exchange 20.85%, Japan Exchange group 105.17% and Malaysia (Bursa Malaysia) 106.68%. Finally it can be concluded that the listing of companies with good fundamental, Govt. owned enterprises are necessary for swelling Market Capitalization to GDP.

Activities of listed Securities
In this case, in FY2018-19, Annual General Meetings of 288 companies were held - among them 108 companies announced cash dividend, 68 companies announced both cash and stock dividend and 84 companies announced only bonus share. The announced dividend ranges from 2% to 700%. On the contrary, in the previous year, Annual General Meetings of 290 companies were held - amongst them 175 companies announced cash dividend from 2% to 790%.

Sector Wise Transaction
Particularly, textile sector continued in the top situation in FY 2018-19. Overall trade of this sector was Tk. 22,848 crore, which is 15.65% of the overall trade. Engineering sector raised at second position with trade of Tk. 21,043 crore and 14.42% of the overall trade, Fuel and power sector raised at third position with trade of Tk. 17,209 crore and 11.79% of the overall trade, Pharmaceuticals & Chemicals sector raised at fourth position with

trade of Tk. 15,880 crore and 10.88% of the overall trade, Bank sector raised at fifth position with trade of Tk. 13,875 crore and 9.52% of the overall trades.

Foreign Transaction
In case of foreign transaction, the total investment of foreign investors in FY 2018-19 was Tk. 8,219.33 which is 5.62% of the total trade. Additionally, in FY 2018-19 the overall securities purchased were of Tk. 4,017.81 crore and overall securities sold were of Tk. 4,201.52 crore. On the contrary, in FY 2017-18, the total foreign trade raised at Tk. 11,729.17 crore of which total securities purchased was of Tk. 5,900.47 crore and overall securities sold was of Tk. 5,828.70 crore.

Contribution to National Revenue
As a rule, the role of DSE is admirable in case of revenue earning of the Government. Indeed, in the fiscal year 2018-19, DSE has contributed Tk. 320.15 crore in government treasury. Agreeing to the section 53BBB of the Income Tax Ordinance 1984, tax deducted at source on transaction of brokerage companies was Tk. 145.95 crore tax from the sale or transfer of sponsor and placement shares under section 53M of the Income Tax Ordinance, 1984 was Tk. 104.73 crore. According to section 53N of the Income Tax Ordinance, 1984 Tk. 56.60 crore has been subtracted from the capital gain of strategic share sale and as per the section 54 of the Income Tax Ordinance, 1984 Tk. 12.86 crore has been subtracted from dividend income of the shareholder. On the contrary, in FY 2017-18, DSE contributed Tk. 272.27 crore to government fund. In line with the section 53BB of the Income Tax Ordinance, 1984, tax at source on trade of brokerage companies is Tk. 159.3 crore and tax from the sale or transfer of sponsor and placement shares under section 53M of the Income Tax Ordinance, 1984 is Tk. 74.12. According to the section 53N of the Income Tax Ordinance, 1984 Tk. 4.34 crore has been subtracted from the capital gain of strategic share sale and as per the section 54 of the Income Tax Ordinance, 1984 Tk. 34.77 crore has been subtracted from dividend income of the shareholder.

Trading through DSE-Mobile App
Hence in fact currently, virtually all the stock exchanges of the world are favored with the recent technology. Ultimately, Dhaka Stock Exchange Limited is an obvious instance of using the advantage of technological development. DSE has paved the easiest way of conducting the trade through some excellent apps and DSE-Mobile is one of them because of its persistent venture of technological improvement. On March 09, 2016 being successful beginning of mobile app, the number of registered users is increasing and at the end of 2018-19 the number raised at 46,283.On the other hand, in 2017-18, the total number of order through mobile was 69.69 lac from which 47.93 lac orders has been performed. In the meantime, DSE is going through a massive infrastructural improvement for fruitful adaptation of future technological advancement. Actually, DSE is always ready to adapt future technological development for the final improvement of the investors and other stakeholders.

OTC market
Particularly, in FY 2018-19, the trade of OTC market has been improved by 117.77% than that of the earlier year. Moreover, in 2018-19, total share traded in OTC market was 3 crore share valued Tk. 65.58 crore in the preceding year total share traded in OTC market was 1.37 crore valued Tk. 79,95,80,851.

Sukuk
In relation to sukuk Dhaka Stock Exchange is functioning for the lunch of Sukuk framework directing its progress objective to simplify the formation of an encouraging eco-system for investors and issuers of home and abroad to be in line with the increasing inclination of Islamic bonds. More specifically, Bursa Malaysia has by this time commercialized sukuk worldwide to expedite and encourage maintainable and accountable investing. Indeed combined with Malaysia's prominent position in the worldwide sukuk market, DSE has taken initiative to sign a Memorandum of Understanding (MoU) with Bursa Malaysia to have co-operation in respect to build up framework to additional improve the exchange's value proposition as a center of Islamic finance and sustainable investment in this region.

Platform for Open-End Mutual Funds
At present, Bangladesh has a great number of Open-end Mutual Fund which can contribute to make possible revenue as well as can contribute to the improvement of the capital market. Besides the trading prospect of Open-end Mutual Funds will generate a variety of trading and will make available them the prospect to regulate the uncertainty.

Modernization and Value Addition to our Capital Market

Truly, capital markets play a dynamic role in global economy where the financial markets create finance for the economic development. In view of to encourage the country to an international financial sector, the involvement of DSE is countless. Generally, DSE, through accepting new technologies and captivating measures to confirm that the markets are reasonable for all participants, is motivating capital market advancing to the topmost of modernization. Additionally, DSE is dedicated to create employment and increasing investment, in the country. To add DSE's international partners are backing to the improvement of technology, to convey new platform like SME platform and V-next platform. Moreover, DSE is performing as the engine of economic fortune. And also DSE is dealing with itself with the prompt and dramatic escalation of new technology. Actually, DSE holds new technology, preserves healthy IPO market, and highlights sustainability issues to turn into one of the prominent exchanges of this region.

Investors' Protection Fund

In this context Investors' Protection Fund (IPF) was mainly formed in accordance with the provisions of the Dhaka Stock Exchange (Investors' Protection Fund) Regulations, 1999. In 2014, these Regulations have been substituted by the Dhaka Stock Exchange (Investors' Protection Fund Regulations), 2014. The purpose of this IPF is to safeguard the interest of the investors in case of defaulting by the TREC Holders as per Regulation 3. Usually, it makes available DSE with the power to set off the security deposit if there are any unsettled payments by a TREC holder to its customers. On August 14, 2000 the IPF was first generated with an amount of BDT 1 million only as well as the total deposit of this fund reached at Tk. 113.35 mn on June 30, 2019.

Settlement of Guarantee Fund

Basically, a Settlement Guarantee Fund (SGF) has been formed as per the Dhaka Stock Exchange (Settlement Guarantee Fund) Regulations 2013. Indeed, the objective of the SGF is to lessen the settlement risk in case of trades in the exchange and safeguard settlement of the trades in the manner prescribed in the Dhaka Stock Exchange (Settlement of Transactions) Regulations 2013 as per Regulation 3. On June 22, 2014 SGF was initiated with an amount of BDT 25,000 only side by side the total deposit of this fund reached at Tk. 17.21 mm as on June 30, 2019.

Dividend

On June 30, 2019 the Board of Directors of DSE suggested the appropriation of income for the year ended. In view of the performance, after using funds for retained earnings of the company and the current liquidity position, the Board recommended 05% (Five percent) cash dividend for year ended on June 30, 2019.

Appointment of Auditor

As per obligation of the Companies Act, 1994, the existing statutory auditor A. Qasem & Co. Chartered Accountants, will retire at the 58th Annual General Meeting. But they have conveyed their willingness to be reappointed for the FY 2019-20 and the Board has endorsed for the re-appointment of the auditor as they complied with the terms and conditions for confirmation.

Rotation and Election of Directors

Director: Sharif Ataur Rahman and Md. Hanif Bhuiya will retire from the Board of Directors of DSE at the 58th Annual General Meeting according the provision of Article 140 of the Articles of Association of Dhaka Stock Exchange Limited. In pursuant to the relevant provisions of the Articles of Association of DSE the positions will be confirmed through election directed by the Election Commission of DSE. On May 27, 2019 the position of Brigadier General Naquib Ahmed Chowdhury, BSP, NDC, PSC and Independent Director of DSE had turn into empty due to resignation. On September 13, 2018 he was selected as an Independent Director of DSE. In addition to that on June 26, 2019 the position was confirmed by Brigadier General Md. Mostafizur Rahman, hdmc, afwc, psc, Ph.D, Commander, 46 Independent Infantry Brigade, Dhaka Cantonment upon recommendation of DSE Board and approval of BSEC. The replacement was happened because Brigadier Naquib was the Commander of 46 Independent Infantry Brigade and was not able to remain with DSE for transfer to another place.

Contribution to National Exchequer

For the FY 2018-19 the involvement of DSE to the National Exchequer of BDT 3,073.53 mm which denotes 29.41% advanced as relate to that of FY 2017-18. From that amount BDT 1,460.21 mm, BDT 1,047.33 million and BDT 565.99 mm paid under section 53BBB, 53M and 53N of the Income Tax Ordinance, 1984 respectively.

CONCLUSION

Logically, a solid capital market shows that trigger in economic growth through focusing long term funds from savers to entrepreneurs. Basically, to create sustainable and comprehensive economic growth, a sound managed and energetic capital market is of massive significance for a country similar to Bangladesh. Generally, banks have been playing major role of financing long term capital intensive projects in our country, which should have been supported through capital market. Admittedly, this demand can be seen through issuance of some of financial devices similar to Sukuk bonds, debentures and derivative devices. Justifiably, capital market requires playing dynamic role to draw funds both from home and abroad, to upgrade the position of the country from lower middle income to higher middle income country. Ultimately, to do this, capital market additionally requires familiarizing with ongoing financial devices presented effectively by other countries and equipped for forthcoming devices will be familiarized in the international market. Obviously, the regulatory body of capital market, Bangladesh Security and Exchange Commission (BSEC) may carry out selected required realistic steps with suitable regulatory support to generate enthusiasm of the fund owners to create investments in capital markets. Actually, to this end, BSEC may confirm good corporate governance, encourage good companies for issuing shares or bonds and sukuk providing by way of additional striking encouragements. In recent time BSEC has taken lots of significant steps to increase the gravity of the capital market of Bangladesh.

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