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The BICM Financial Market Review provides analytical insights about the performance of the financial market in Bangladesh on a monthly basis.

“
Bangladesh became an exception among top remittance recipient countries amid the Covid-19 pandemic as expats sent USD 19.8 billion to the country in 2020, an 8% increase on the previous year’s.
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Economy
of Bangladesh

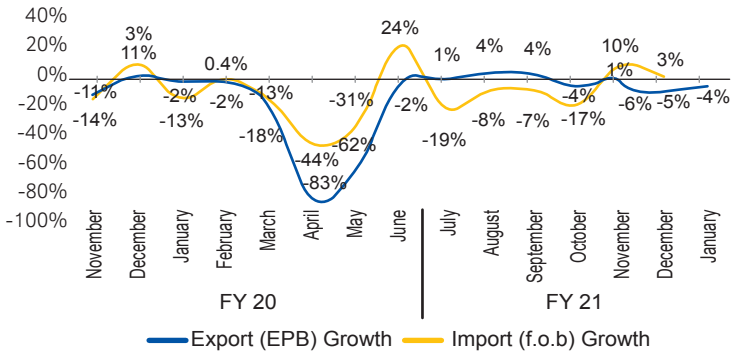
Main indicators at a glance

	Nominal GDP (as of Jan, '21) (USD in billion)	Real GDP Growth (as of Jan, '21) (yearly % Change)	Inflation Point to point (%) (as of Feb, '21)	Current Account Balance: (% of GDP)	Interest Rates (%) 10-years Treasury Bond	Currency Exchange Rates (per USD)
Bangladesh	330.1	5.24	5.02	-0.02	6.01	84.80
Emerging Economies						
India	2,935.6	-10.29	4.06	0.33	6.23	72.96
China	14,860.8	1.85	-0.30	1.30	3.28	6.47
Developed Economies						
United States	20,807.3	-4.27	1.40	-2.12	1.46	1.00
Britain	2,638.3	-9.76	0.70	-2.05	0.78	0.72

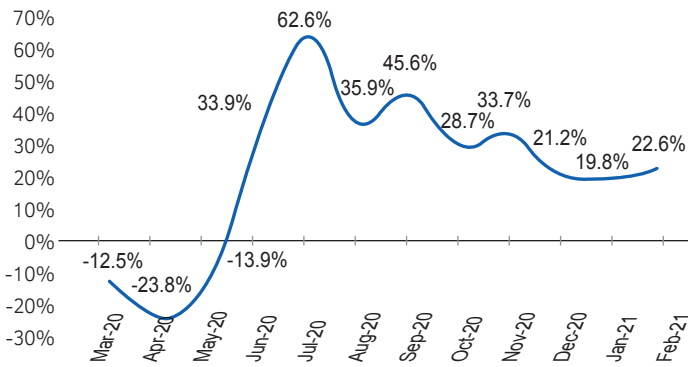
From the spectacles of the stakeholders

- ▶ The Bangladesh Bank issued a circular giving schedule banks one year to lower investments to their offshore banking units within 30 % of the banks' regulatory capital.
- ▶ Bangladesh Securities and Exchange Commission (BSEC) is working to widen the gap of corporate taxes between listed and non-listed companies in order to attract well-performing companies to the market.
- ▶ Bangladesh became an exception among top remittance recipient countries amid the Covid-19 pandemic as expats sent USD 19.8 billion to the country in 2020, an 8% increase on the previous year's.
- ▶ Revenue collection rose 4.55% year-on-year to BDT 132,165 crore in the July-January period of the current fiscal year, in line with the pace gained in economic and business activities, says the National Board of Revenue (NBR) data.
- ▶ Bangladesh Securities and Exchange Commission (BSEC) is undertaking serious initiatives to develop bond market. According to the authorities, possibility of introducing conventional and sukuk bonds are being explored as new areas of investments.
- ▶ Nine banks and five non-bank financial institutions (NBFIs) have signed deals with the central bank for loan disbursements to export-oriented industries from the technology up gradation fund.

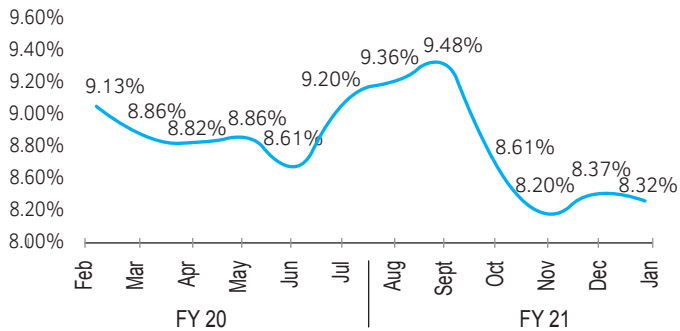
A visual tour of the key statistics



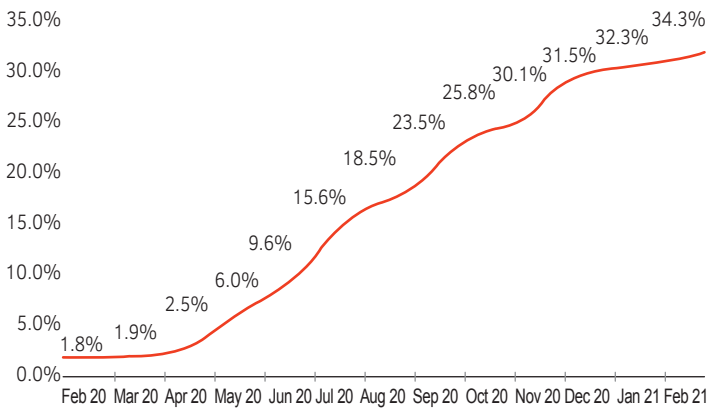
Export and Import Growth (Up to February, 2021)



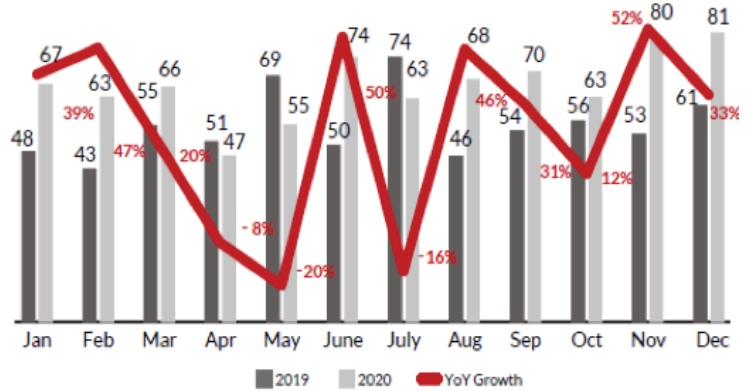
Remittance Growth (Up to February, 2021)



Private Sector Credit Growth (Up to January, 2020)



Foreign Exchange Reserve 2020 (Up to February, 2021)
(Year over year Growth)



Total Amount of Internet Banking Transaction in billion BDT
(Up to December, 2020)

Numbers to note

- Cottage, micro and small entrepreneurs would get credit guarantee from the Bangladesh Bank's BDT 2,000-crore credit guarantee scheme against all types of loans taken by them, paving the way for borrowers to receive collateral-free term loans.
- Earnings from merchandise exports fell 4.99% year-on-year to USD 3.43 billion in January because of slower recovery of garment shipment from the pandemic induced business slowdown.
- Bangladesh's banking sector faced a provision shortfall of BDT 123.49 crore last year, primarily for a lackluster performance of 11 banks.
- The implementation of a BDT 5,000-crore special refinance scheme for the country's agricultural sector has reached 67% in eight and a half months of its launch.

Economy-wide challenges ahead

- Successful implementation of stimulus packages, coupled with critical reforms in macro, trade and investment policies
- Institutional reforms in the banking sector, along with private-investment friendly taxation regime
- Efficient public investment in social and physical infrastructure, followed by faster and quality implementation of some Specialized Economic Zones to attract Foreign Direct Investment
- Improvement in the overall governance of the macroeconomic policy environment.
- Welfare programmes and job diversification for migrant workers and business in the informal sector.
- Implementation of expansionary monetary policies such as low interest rates and control damaging speculations using forward guidance.



DSE market indices demonstrated bearish nod comprising a 2.7% sharp fall in the DSEX index compared to the previous month of February. 107 issues were advanced, 139 issues were declined where the remaining 110 issues were unchanged. The prices of the majority issues declined as there were majority investors in the selling side. The deterioration of the Covid-19 pandemic and the selling attitude of the investors dampen the entire market.



Capital Market

It is evident by analyzing the capital market snapshot of March 2021, that the DSE market indices demonstrated bearish nod comprising a 2.7% sharp fall in the DSEX index compared to the previous month of February. 107 issues were advanced, 139 issues were declined where the remaining 110 issues were unchanged. The AD ratio compares the number of stocks that increased in value to the number of stocks that decreased in value. By shedding light on the AD ratio of this month, it is apparent that the 21-trading day indicated bearish trend in the market which ended at the bearish side. Again, the PE ratio is useful in assessing the relative attractiveness of a potential investment. A high PE could mean that a stock's price is high relative to earnings and possibly overvalued. Conversely, a low PE might indicate that the current stock

price is low relative to earnings. It is lucid in the analysis that market PE ratio was 16.85 and only one sector out of 19 were gainers whereas the remaining 18 sectors were losers. Furthermore, the prices of the majority issues declined as there were majority investors in the selling side. The deterioration of the Covid-19 pandemic and the selling attitude of the investors dampen the entire market. BEXIMCO was in the top position based on turnover; RAHIMAFood was the top gainer whereas BATBC was the top loser. Accumulatively, the average trade volume and the average market capital rosed slightly by .3% and .94% respectively along with a 9.3% plunge in the average traded value compared to the previous month.

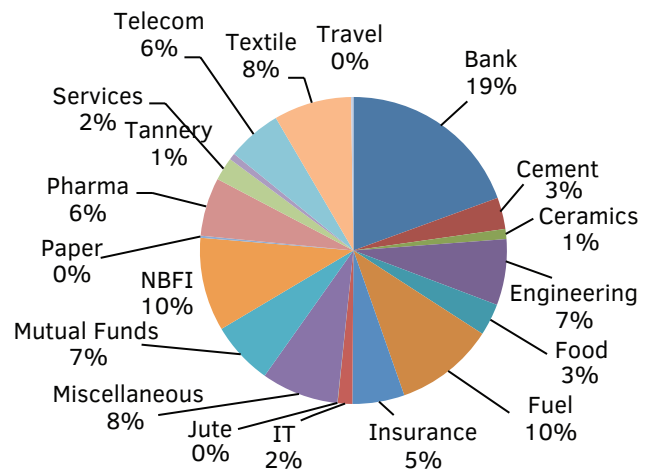
DSE Market Indices

	31-Mar-21	1-Mar-21	Change	% Change
DSEX	5,278.0	5,427.0	(149.0)	-2.7
DSES	1,994.4	2,069.4	(75.0)	-3.6
DS30	1,204.2	1,229.1	(24.9)	-2.0
CDSET	1,123.1	1,154.4	(31.3)	-2.7
Scripts Movement (Monthly Average)	Advance ↑ 107	Decline ↓ 139	Unchanged ↔ 110	

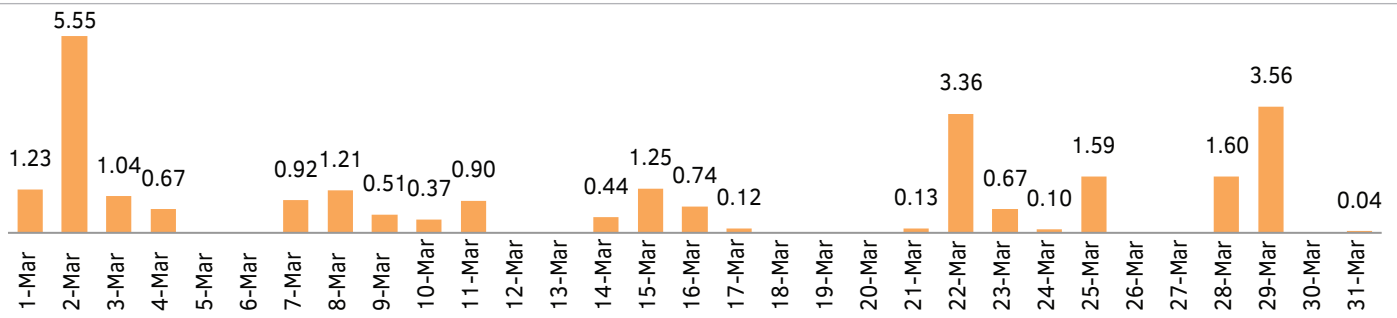
Market Aggregates

	Mar-21	Feb-21	Change	% Change
Avg. Mkt. Capital (Tk. MN)	4,731,289	4,687,310	43,980	0.94
Avg. Traded Value (Tk. MN)	6,895	7,605	(709)	-9.3
Avg. Number of Trades	142,603	135,922	6,681	4.9
Avg. Trade Volume	178,328,660	177,835,021	493,639	0.3

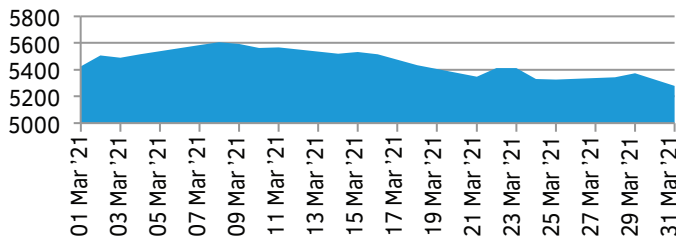
Sector Volume (%)



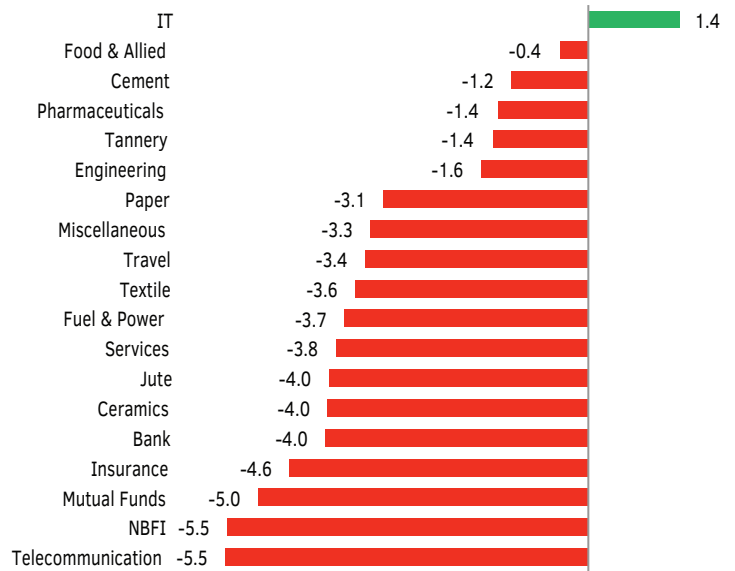
AD Ratio



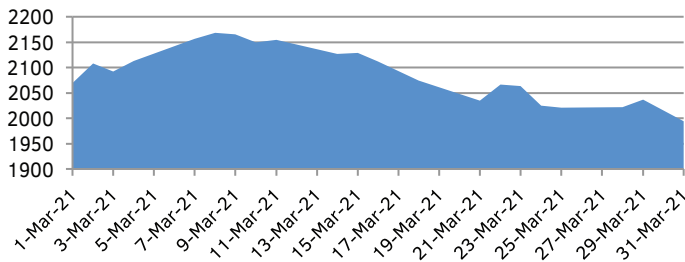
DSEX



Sector Returns (%)

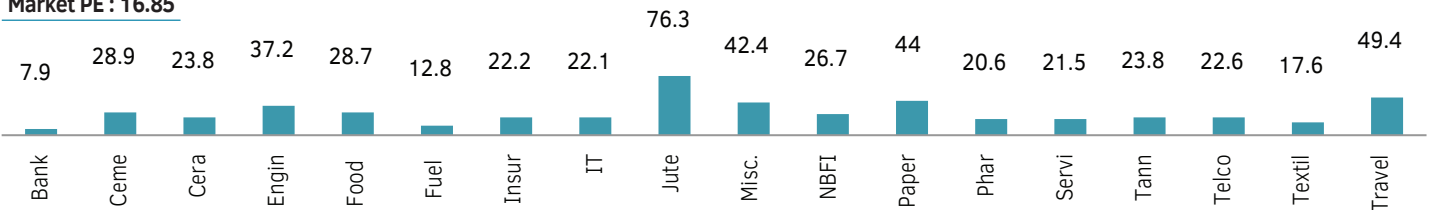


DS30



Sectoral PE Ratio

Market PE : 16.85



TOP 5

Turnover			Gainer		Loser	
Sl. Stock	Turnover (MN)	Total (%)	Sl. Stock	Return (%)	Sl. Stock	Return (%)
1. BEXIMCO	16,666.0	12.18	1. RAHIMAFOD	37.7	1. BATBC	-65.8
2. ROBI	9,095.7	6.65	2. BNICL	24.2	2. VAMLRBBF	-27.6
3. BXPHARMA	7,358.6	5.38	3. PREMIERBAN	21.6	3. BDTHAI	-20.8
4. LANKABAFIN	6,388.2	4.67	4. EMERALDOIL	20.9	4. DELTASPINN	-20.5
5. BATBC	6,049.6	4.42	5. CENTRALINS	15.5	5. GOLDENSON	-19.7



As the turnover of treasury bills and bonds expand, interest rates in the economy appears to have an upward bias, since the government tends to offer higher rates to pull in auctioneers.



Money Market

Deposits held in banks for January 2021 showed a negative trend compared to December 2020 and a positive trend compared to January 2020. It is apparent that bills as import and inlands bills for January 2021 showed a positive trend equated to December 2020 and a negative trend compared to January 2020. Again, Domestic credit recorded an increase in December, 2020. Focusing on the sectoral distribution of total liquid assets as of end January, 2021 in the form of cash in tills & balances with unencumbered approved securities was peak and it was 68.24%. Furthermore, a decline in call money rates makes it cheaper for banks to raise funds from the inter-bank market, which is complemented by a decline in the Cost of Funds for non-bank financial institutions.

It is realized that treasury bills stand apart as the single most ideal alternative security to use for both debt and liquidity management of the government. As the turnover of treasury bills and bonds expand, interest rates in the economy appears to have an upward bias, since the government tends to offer higher rates to pull in auctioneers.

Technology plays a big role in moving the financial market. As of the latest data (January 2021) most of the e-banking and e-commerce transactions (83.70%) originate from point-of-sale. Among the general population, male and female almost equally share the user portfolio of the Mobile Financial Services, while Agent Banking appears to be more popular in the rural areas.

Items	Taka in Millions			Percentage Change	
	January 2021	December 2020	January 2019	Jan'21 over Dec'20	Jan'21 over Jan'20
Deposits held in DMBs					
Demand Deposits*	1420761	1481722	1132317	-4.11	25.47
Time Deposits*	11441251	11423002	10246539	0.16	11.66
Total	12862012	12904724	11378856	-0.33	13.03
Bank Credit					
Advances	11211224	11228433	10298697	-0.15	8.86
Bills (Import & Inlands)	221822	220640	286752	0.54	-22.64
Investments	3049149	3036334	2372952	0.42	28.5
Total	14482195	14485407	12958401	-0.02	11.76

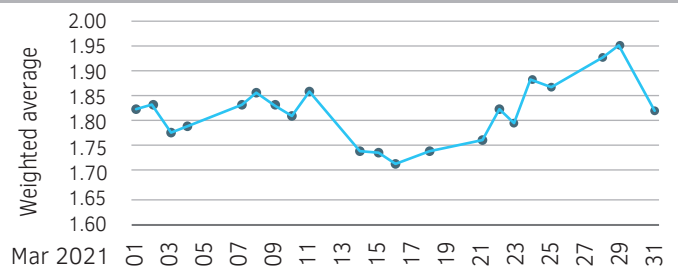
Current Bank Deposit and Credit

Source: Bangladesh Bank

Note:

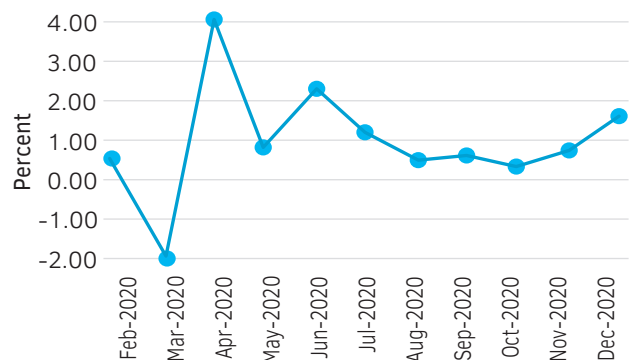
- * Excludes Inter bank Deposits and Government Deposits.
- Advances include Loans and Advance, Money at Call, Balances & R. Repo with NBFI's & Accrued Interest.
- Investments include Treasury Bills, Treasury Bonds, Share & Securities with accrued interest.

Call Money Rate



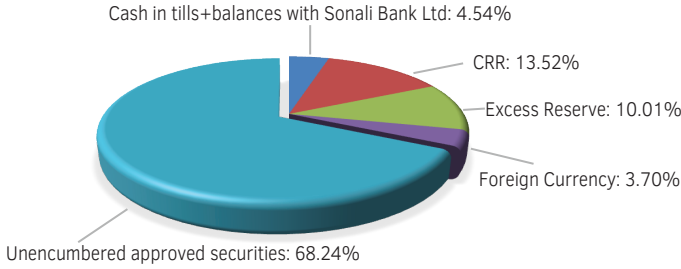
A decline in call money rate for banks makes banks to raise funds from call money procedure.

Growth of Domestic Credit



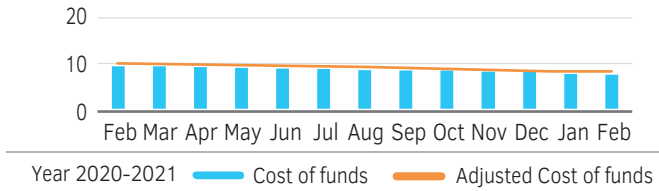
Domestic credit recorded an increase in December, 2020

Total Liquid Assets of Schedule Banks



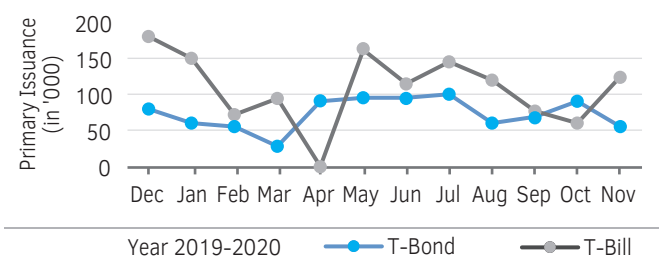
Source: Bangladesh Bank
Sectoral distribution of total liquid assets as of end January, 2021 in the form of cash in tills & balances with unencumbered approved securities was peak and it was 68.24%.

Cost of Funds Index of the Non Bank Financial Institutions



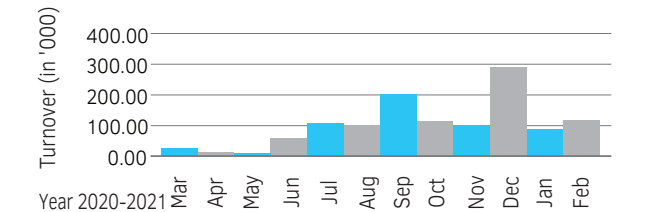
The non bank financial institutions are having a decreasing cost of funds.

Primary Issuance of Treasury Bills and Bonds



Treasury bills stand apart as the principal most ideal alternative security to use for both debt and liquidity management.

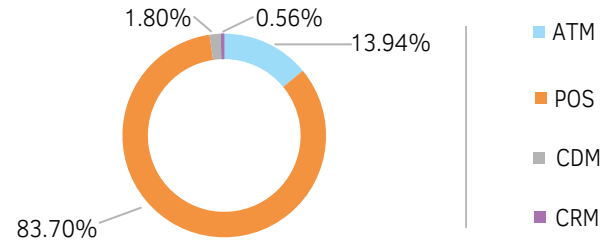
Secondary Trading of Treasury Bills and Bonds



At the point when treasury bills and bonds turnover expands, interest rates in the economy likewise increment since the government should pay higher interest rate to pull in more purchasers in future auction.

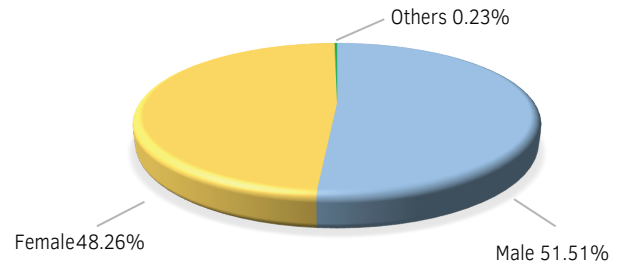
Trends in Financial Technology & Inclusion

e-Banking and e-Commerce



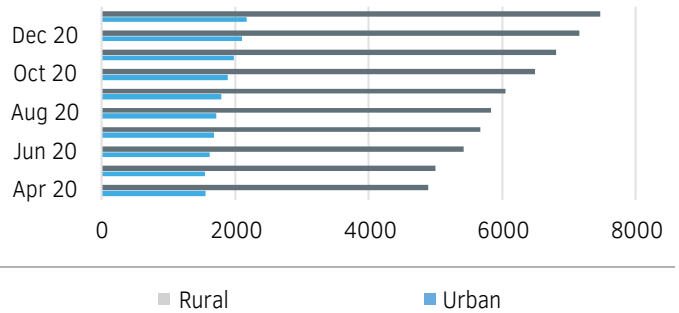
Sectoral distribution of e-banking and e-commerce as of end January, 2021 in the form of unit with POS was uppermost and it was 83.70%.

Mobile Financial Services



Male and Female almost equally share the user portfolio of Mobile Based Financial Services.

Agent Banking



Agent banking is far more popular in rural areas.

* The following acronyms have been used in this report:
ATM- Automated Teller Machine
POS- Point of Sale,
CDM- Cash Deposit Machine
CRM- Cash Recycling Machine
Data source: Bangladesh Bank website.



Kashfia Sharmeen

Looking deep into capital market intermediation by central depository systems in Bangladesh



Insights

“ Analysts and investors should consider rational level of perpetual growth rate with utmost professional care and due diligence as sensitivity to valuation is very high. ”

Introduction

Back to the old times, before the establishment of the Central Depository System (CDS), listed companies provided paper certificates to the shareholders as a proof of ownership and kept all the related information manually. With the innovation in technology and changing requirements in the regulatory system, the CDS has been introduced in the security market, where the system converts the physical-paper certificates into an electronic format. The CDS reduces the uncertainty of damaged, lost, transcribed, and corrupted share testimonials/certificates. Just like a bank, investors have to open an account with the depository where they keep all the securities there instead of money. So, investors can quickly stimulate securities and rectify their transactions of stock exchanges through updates in their accounts electronically.

In Bangladesh, the Central Depository Bangladesh Limited (CDBL) is the only securities depository of the Central Depository System, involved in the system's maneuvers. CDBL has been acting as an extensive capital market intermediary (CMI) in Bangladesh.

Depository Participants (DPs)

A Depository Participant (DP) is a connection or agency of the Depository. DP functions as a media between the Investors and the Depository. DP is accountable to the Depository for managing the investor's securities account. A DP operates the account as per the written instructions of the investor. A DP may be associated, on behalf of the lender, with a broker who deals/trades.

Depository Participant Categories

The participants can be classified into the categories below:

- TP- Trading Participants
- FP- Full-Service Participants
- CP- Custody Participants
- SP- Settlement Agent Participants

The number of Depository Participants (DPs) had increased by 6, from 405 DPs to 411 DPs during the financial year of 2018-2019. The details are as follows:

Types of Depository Participants admitted to CDBL	30 th June 2018	30 th June 2019
Stock Exchange(s)	2	2
Broker/Dealers/ FP (Full Service) DPs	325	328
Custodian DPs	78	81
Total	405	411

Source: CDBL Annual Report, 2019

Investors' Accounts

The numbers of investors' accounts in operation, increased by 43,467 during the year, as below:

Investors' Account	30 th June 2018	30 th June 2019
Company Accounts	10,485	11,863
Individual Accounts	1,747,406	1,769,329
Joint Accounts	1,007,065	1,027,223
Principal Accounts	486	490
Clearing Accounts	742	753
Omnibus Accounts	199	192
Total	2,766,383	2,809,850

Source: CDBL Annual Report, 2019

Fees and related payment issues

CDBL will not explicitly charge subscription fees or other fees to those account holders. CDBL will raise the annual account management bills on DPs on all its BO accounts in CDS activities as of 30 June, spanning the period from 1 July to the next year ending on 30 June. The intercept date for the closure and suspension of default BO accounts is 31 July per year, i.e., The DPs must close or suspend those BO accounts defaulted to pay the Annual BO Account Maintenance fees by 31 July of that year.

Central Depository System (CDS) Operations

In January 2004, CDBL started to Demat the equity market securities with Square Pharmaceuticals Limited. By December 2004, more than one lakh Beneficiary Owners (BO) Account had been set which became five times more within the next eight months. The overall operation of CDBL has been shown in Figure-1.

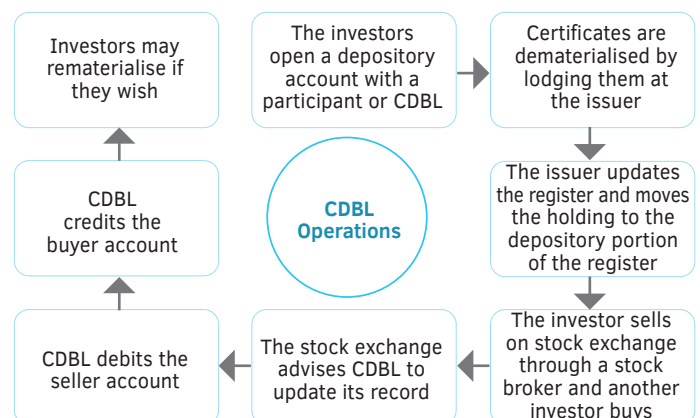


Figure-1: Operation of CDS

Legal and Regulatory Structure

In the original Bangladesh Securities and Exchange Commission Act 1993, under section 4, the CMI's include "Depository". The constitutional foundation for CDBL's operations is placed in the Depository Act, 1999, (published in the Gazette on 13.04.1999) and the CDBL Bye-Laws.

The Depositories Act, 1999 gives a legitimate premise to direct the depository bodies in Bangladesh and empowers the commission (BSEC) to create laws regarding the depository operation (the law by BSEC is attached at the end of the paper). BSEC approved a Certificate of Business Commencement toward CDBL to start its works.

Activities and Functions

CDBL's central organization cover account opening, the proficient offering, reimbursement, and transferal of instruments into the automated electronic book-entry framework, i.e., documentation and shielding the securities accounts and recordkeeping the exchange of securities; adjusting the possession (ownership) without any physical transfer of exchange instruments (Figure-2).

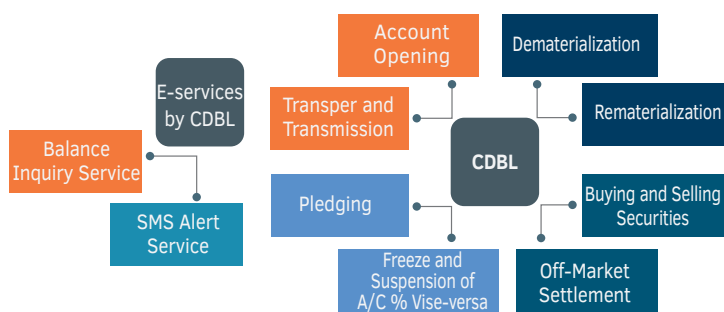


Figure-2: Activities, Functions, and E-services by CDBL

Role of CDBL in Bangladesh Capital Market

The central depository system affects the investors a lot (Carrado and Jordon, 2000). Investors can hold their share in CDBL in Demat form and can enjoy many related benefits as well. CDBL provides various benefits to its investor as follows-

- ▶ They remove the limitations of holding a physical certificate, bad deliveries, and other backdated manual processes once holding the certificate in Demat format.
- ▶ They eliminate all hazards belonging to physical certificates, such as risks of stealing shares, dissecting certificates, and loss of certificates, thus informing the investor of the cost of getting duplicate certificates.
- ▶ They transfer and register the securities immediately.

- ▶ They make the settlement cycle faster.
- ▶ They make possible the disbursement of non-cash and cash corporate benefits faster like rights shares, bonus shares, dividends, etc.
- ▶ They shorten the activities of vast volumes of paper management.
- ▶ They eliminate the obstacles related to editing the address of the investor. Now, all the investor has to do is to let the DP know the fact. The requisite adjustments are generated in the database of all the corporations, where the investor is recorded as the holder of securities.
- ▶ They do back-up of all data in the system where any technical issues fail will not lead to any data loss.

Conclusion

CDS in Bangladesh plays a very crucial role in the development of the capital market. The Commission continuously incorporating new rules and regulations through CDBL to diminish the discrepancy and fraud by any parties involved in the security market. For instance to protect the investors, on 15th May 2019, Bangladesh Securities and Exchange Commission directed that all the Asset Managers & Listed Companies are required to block or obstruct securities of their respective Mutual Fund Company held in the BO Accounts of their Directors/Sponsors/Placement share/unitholders through the 'BLOCK' module of Central Depository Bangladesh Limited (CDBL). To facilitating this regulation, CDBL provided training on the functionalities and operation of the Block Module to the concerned persons of the Companies. Followed by that to decrease the omnibus illegal BO accounts, on 20th June 2019, The BSEC issued a directive mentioning that the same NID, mobile number, and bank accounts cannot be used more than one BO account and to insert the email address of the investors to that valid BO account, if any, for smooth communication for all the details information related to the company or mutual funds.

To sum up, the number of BO accounts has seen a sizable incline as in the same for the increased number of available dematerializations for corporations, Demat custody, number of DPs, number of Demat securities. Depository System guarantees fast execution of a transaction, brings transparency, and has nearly disposed of the conventional script-based framework in Bangladesh capital market, particularly awful conveyance, delayed transfer of securities, fake signature, and loss of share certificate. □

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