

## **“Investment in the Capital Market of Bangladesh”**

### **About Bangladesh:**

Bangladesh is considered as one of the very few emerging nations, who have enormous growth potential to become the future leader of global economy. Its favorable investment climate has been lauded by many around the world which are as follows:

- Bangladesh is listed in Goldman Sachs’ “Next 11” and JP Morgan’s “Frontier Five”.
- Standard and Poor as well as Moody’s have placed Bangladesh ahead of almost all the countries in South Asia.
- Recently The Guardian, an influential UK Daily, reported Bangladesh in eleven countries’ list often called as “New Wave Countries”.

Low labor cost and trade concessions are main competitive advantages. The main industry of Bangladesh is textiles where labor costs are attractive and there are also special concessions for the import of goods from this market like, Bangladeshi goods enjoy duty-free access to the EU. Moreover, macroeconomic stability has improved over the years and improving its rating in Global Happiness Index & Human Development Index. Bangladesh retains the growth momentum, placing the highest emphasis on augmenting investment which is recognized as the key drive for economic growth. In the medium term, we expect real GDP growth to remain strong at 6-8% p.a. at a time when developed market economies are still recovering from the financial crisis. Fast growth has enabled Bangladesh’s economic size to more than double since 2005, and it is projected to reach USD 200 billion by 2017.

The Key Economic Indicators are as follows –

<b>Indicators</b>	<b>Bangladesh (2012)</b>
Country Rating	Ba 3
Nominal GDP (Billion USD)	153.58
Real GDP Growth, % YOY	6.18
Per Capita Income (USD)	1044.0
Population (Million)	165.9
CPI, % YOY	7.4
Global Happiness Index	108
Human Development Index	118

**Bangladesh Capital Market:**

- The Bangladesh Securities & Exchange Commission (BSEC) is the supreme body to supervise the activities of the bourses and its members.
- Bangladesh Capital Market consists of the Dhaka Stock Exchange (DSE) & the Chittagong Stock Exchange which were incorporated in 1954 & 1995 respectively.
- Both the Exchanges are members of South ASIAN Federation of Exchanges (SAFE), a forum in South Asia to promote the development of securities markets in the region.
- Automated trading facilities available at both bourses since 1998.
- The total number of listed securities is 526 (Companies – 251, Mutual Fund – 43, Debentures – 08, Treasury Bond – 221 and Corporate Bond – 03)
- The total Market Capitalization is Tk. 2,602 billion.
- The Central Depository Bangladesh Limited (CDBL) is responsible for safekeeping of all instruments in electronic form.

**Investment in shares/securities by non-residents:**

- Non-residents are free to invest in shares / securities quoted in the stock exchanges, with foreign exchange sent or brought into Bangladesh.
- They may also invest in new, yet-to-be-listed public issues of Bangladeshi shares/securities. In such cases investors are not required to transact through any registered broker/member of stock exchange. 10% shares of Initial Public Offering (IPO) of a company are reserved for Non-Resident Bangladeshi (NRB). Non-Resident Bangladeshi (NRB) can purchase/subscribe securities in foreign currency through "Foreign Currency Account for IPO" opened for the purpose only by the issuing company. Over subscription can be repatriated after completion of formalities.
- Permission of Bangladesh Bank is not required for issue and transfer of shares in favour of nonresidents against their investments in joint ventures in Bangladesh.
- Non-resident share holders can freely transfer their shares to other non-residents.

**Requirements for NRBs & Foreign Investors to invest in Bangladesh**

- A Foreign Currency (FC) Account is needed for inward and outward remittance.
- A Non-resident Investor's Taka Account (NITA) is required for converting foreign currency into Taka and vice versa.
- All Capital Market investors are required to conduct trading through a Stock Brokerage Account maintained with any Stock Broker/Member of the respective Stock Exchange.
- In order to trade shares, listed with the Stock Exchanges, investors must have a Beneficiary Owners (BO) Account with CDBL.
- NRB & Foreign Investors may choose to appoint a Custodian to ensure trade execution and safe custody of shares

**Incentives for Non-Residential Bangladeshi Investors:**

Special incentives are provided to encourage non-resident Bangladeshis for investment in the country. Non-resident Bangladeshi investors will enjoy facilities similar to those of foreign investors. Moreover, they can buy newly issued shares/debentures of Bangladeshi companies. A quota of 10% has been fixed for non-resident Bangladeshis in primary public shares (IPO). Furthermore, they can maintain foreign currency deposits in the Non-resident Foreign Currency Deposit (NFCD) Account.

**Relaxation/Liberalization of Exchange Control Regulations:**

To promote and encourage foreign investment, prior approval of the Bangladesh Bank is no longer required for:

- Portfolio investment by non-residents including foreign individuals/enterprises in shares and securities through stock exchanges in Bangladesh.
- Remittance of dividend on portfolio investment by non-residents through stock exchanges in Bangladesh.
- Remittance of sale proceeds including capital gains of portfolio investments of non-residents through stock exchanges in Bangladesh.

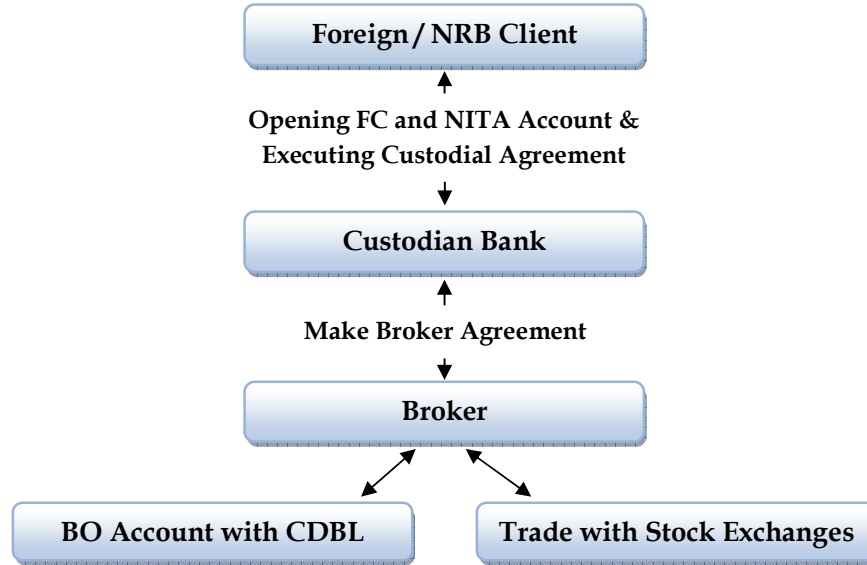
**Investment Guarantees by Protection Act:**

Foreign Private Investment (Promotion & Protection) Act 1980 ensures legal protection to foreign investment in Bangladesh against nationalization and expropriation. Moreover, it guarantees repatriation of capital and dividend and equitable treatment with local investors as well as foreign investors.

**Related Parties' Relationship in Capital Market:**

The NRBs or Foreign Investors must open a Foreign Currency (FC) Account and Non-resident Investor's Taka Account (NITA) with any Authorized Dealer (AD) in Bangladesh (i.e. an authorized commercial bank/ bank branch) before initiating agreement for stock trading. The FC account is needed for inward and outward remittance and the NITA is required for converting foreign currency into Taka.

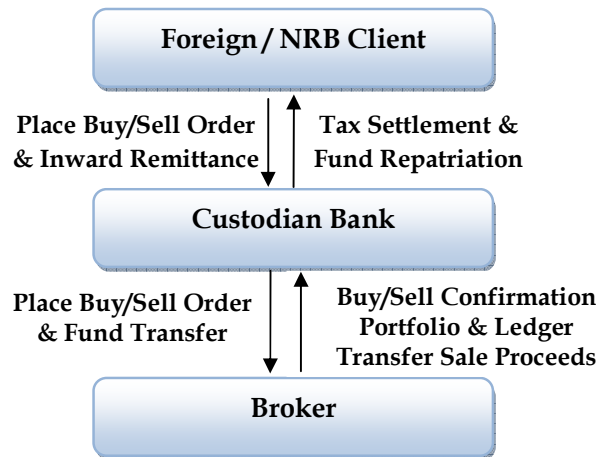
Flow chart of related parties in capital market:



Foreign Investors or Non-Residential Bangladeshi (NRB) investors can conduct trading through a Stock Brokerage Account maintained with any Stock Broker/Member of the respective Stock Exchange. The Investors may also appoint a Custodian to ensure trade execution and safe custody of shares. In this case, the client Open a Custodian Account with any of the SEC registered Securities Custodian and execute a Custodial Agreement. The Custodian will open a Stock Brokerage Account with any member of the Stock Exchange. The Custodian will act as an Operator of the client's Stock Brokerage Account. The Broker will open a Beneficiary Owners (BO) Account with CDBL in order to trade shares listed with the Stock Exchanges.

**Trade Execution & Repatriation of Proceeds:**

The investor can send securities trading instruction to the Custodian through e-mail or fax and remit foreign currency in the local FC Account from abroad with instruction to the Custodian for crediting NITA. The Custodian will place the buy/sell order to the broker with transfer of necessary fund. The broker will execute the transaction and transfer the sale proceeds as per agreement along with buy/sell confirmation, portfolio and ledger statement. The custodian will remit the fund to the foreign investor after required tax adjustment.



**Repatriation:**

There are facilities for repatriation of invested capital, profit & dividend for foreign investors in Bangladesh. In addition to fresh investment, re-investment of repatriable dividend is treated as new investment. The sales proceeds of investment are easily repatriated to the foreign investor after required tax adjustment. Remittance of sale proceeds of shares of companies not listed on a stock exchange requires prior permission of Bangladesh Bank.

**Exchange Control:**

The major aspects of exchange control include the followings-

**Convertibility of the Bangladesh Taka:**

The Taka is fully convertible for current account transactions. All current transactions may be conducted by individuals/firms through authorized dealers (banks) without prior permission of the central bank (Bangladesh Bank or BB).

**Bringing in cash from abroad by a foreign investor:**

A foreigner may bring in foreign exchange in any form, including cash, without limit. However, for amounts in excess of US\$5,000 a declaration at the time of entry is required.

**Transfer of profit and dividend accruing to a foreign investor:**

Post tax profit of branches and dividends of companies can be remitted through ADs. It is worth to notifying here that a foreign institution can repatriate sharing brokerage commission without prior permission of central bank (BB).

**Work Permit Requirement:**

A work permit for foreign nationals is a pre-requisite for employment in Bangladesh. Private sector industrial enterprises wishing to employ foreign nationals are required to apply in advance using the prescribed BOI form. For expatriate employment the following guidelines exist:

- Employment of foreign nationals is normally considered for jobs for which local experts/technicians are not available. Persons under 18 years of age are not eligible for employment.
- A copy of the decision of the board of directors of the company for new employment/extension must be provided.
- The number of foreign employees must not exceed 5% of the total employees, including top management personnel.
- Initially, employment of any foreign national is considered for a term of two years which may be extended on the basis of merit of the case.
- Necessary security clearance must be obtained from the Ministry of Home Affairs.

**Social Security System:**

Details of workers' wages, welfare and benefits, including Provident Fund and gratuity, protection of their rights, employers' liabilities etc, are provided in the Bangladesh Labour Act, 2006. Bangladesh missions in the foreign investor's/business person's country can be consulted on the above subject for detailed information.

**Taxation:**

- The applicable tax rate for an Individual tax payer, Partnership firm and Co-operatives etc. is as follows –

Particulars	Rate
On the first Tk. 2,20,000.00	0%
On the next Tk. 3,00,000.00	10%
On the next Tk. 4,00,000.00	15%
On the next Tk. 3,00,000.00	20%
Remaining Total Income	25%

- The tax rate for Foreign Investors is 25%. The existing rate for Bangladeshi individuals is also applicable for NRBs (0%, 10%, 15%, 20%, 25%).

- The prevailing corporate tax rate in Bangladesh is as follows –

Types of Company	Rate	Remarks
Non-Publicly Traded Company	37.5%	If the company transfers 20% of its paid up capital through Initial Public Offering (IPO) to capital market, it will enjoy 10% tax rebate on its payable tax in the relevant year.
Publicly Traded Company (Listed with Stock Exchange)	27.5%	* 37.5%, if less than 10% dividend is declared * 24.75%, if more than 20% dividend is declared
Bank, Insurance and Financial Institutions	42.5%	
Merchant Bank	37.5%	
Cigarette Company	45%	40%, if Publicly traded
Mobile Company	45%	40%, if the company transfers 10% of its shares to the capital market.
Inter-Corporate Dividend	20%	

- Capital Gain from the Transfer of Listed Shares:
  - Capital gains arising on the sale or transfer of non-government securities, including stock and shares of public companies listed on the Bangladesh stock exchanges are exempted from income tax in the case of individual.
  - Capital gain shall be taxed @ 10% in the case of capital gain earned by a Company;
  - Tax shall be imposed on Capital gain@ 5% if the transferor is a sponsor, shareholder or director of a bank, financial institution, merchant bank, insurance company, leasing company, portfolio management company, stock dealer or stock broker company;
  - Capital gain earned by a shareholder who holds shares more than 10% in the listed company at any time during the income year shall be taxed @ 5%;
- Bilateral agreements have been concluded by the Bangladesh government with the following countries for avoidance of double taxation: Japan, Italy, Singapore, Sweden, Republic of Korea, United Kingdom (including Northern Ireland), Canada, Malaysia, Romania, Sri Lanka, France, Germany, India and Pakistan. Negotiations are going on for similar agreements with Belgium, the Netherlands and the USA.



## **DBL Securities Limited - Corporate Profile**

DBL Securities Limited (DBSL) is a Private Limited Company and a wholly owned subsidiary company of Dhaka Bank Limited, one of the leading private banks of the country. The authorized and paid up capital of the company is Tk. 500.00 Crore and Tk. 150.00 Crore respectively.

DBSL is a member of both the premier bourses of Bangladesh namely Dhaka Stock Exchange Limited & Chittagong Stock Exchange Limited. We have dynamic and well qualified professionals with six branches around the country with full support of real time internet trading. We have the arrangement of dedicated trading floor and trader for foreign investors. We have also Research and Development Unit to conduct regular capital market research and provide valuable analysis on the market movement to our valued client. In addition to that our parent company namely Dhaka Bank Limited (latest rating AA3 long term and ST-2 short term) has 71 online well equipped branches around the country with state of the art technology that directly support us in all financial transactions.

Being your One-Stop Capital Market service provider, you can avail the following services from DBL Securities Limited (DBSL) under One-Umbrella:

1. NITA & FC Account opening through our Parent Company Dhaka Bank Limited (DBL)
2. Stock Brokerage Account opening with DBSL
3. BO Account opening
4. Custodian Account opening with DBL
5. Easy repatriation of capital gain/investment/share brokerage commission

### **Contact:**

For any further query please contact **Mr. Mohammad Ali, FCA**, Vice President & Chief Operating Officer (Contact No. +8801755620795, 7124715 or 7116670, 7115063, Ext: 101) and e-mail: [helpdesk.cms@dhakabank.com.bd](mailto:helpdesk.cms@dhakabank.com.bd)



**Appendix:**

**Required Documents:**

**For NRBs:**

<b>Particulars</b>	<b>NITA &amp; FC Account</b>	<b>Stock Brokerage &amp; BO Account</b>	<b>Custodian Account</b>
Photocopy of passport	Bangladeshi Passport	Bangladeshi Passport (with valid visa), Foreign passport (with no obligations seal from Bangladesh Embassy)	Bangladeshi Passport
Photographs (Account Holder)	4 copies PP size (Attested by introducer)	3 copies PP size (Attested by introducer)	3 copies PP size (Attested by Introducer)
Photographs (Authorized Person)	N/A	2 copies PP size (Attested by Account holder)	2 copies PP size (Attested by Account holder)
Power of Attorney (Photographs of POA)	N/A	2 copies PP size (Attested by Account holder)	N/A
Photographs (Nominee)	2 copies PP size (Attested by Account holder)	2 copies PP size (Attested by Account holder)	2 copies PP size (Attested by Account)
Bank Account Certificate/Statement	N/A	FC Account	FC Account & NITA
Employee Statement/ Business Document	Required	N/A	N/A
Work Permit	N/A	N/A	Required
Resident Permit	Required	N/A	N/A

**For Foreign Nationals:**

<b>Particulars</b>	<b>NITA &amp; FC Account</b>	<b>Stock Brokerage &amp; BO Account</b>	<b>Custodian Account</b>
Photocopy of passport	Foreign Passport	Foreign Passport	Foreign Passport
Photographs (Account Holder)	4 copies PP size (Attested by introducer)	3 copies PP size (Attested by introducer)	3 copies PP size (Attested by introducer)
Photographs (Authorized Person)	N/A	2 copies PP size (Attested by Account holder)	2 copies PP size (Attested by Account holder)
Photographs (Nominee)	2 copies PP size (Attested by Account holder)	2 copies PP size (Attested by Account holder)	2 copies PP size (Attested by Account holder)
Bank Account Certificate/Statement	N/A	FC account & NITA	FC account & NITA
Employee Statement/ Business Document	Required	N/A	N/A

**For Foreign Institutions:**

<b>Particulars</b>	<b>NITA &amp; FC Account</b>	<b>Stock Brokerage &amp; BO Account</b>	<b>Custodian Account</b>
Photocopy of passport	Passport of the CEO	Passport of the Authorized person	Passport of the Authorized person
Photographs (Account Holder)	4 copies PP size photos of all signatories & authorized persons	N/A	N/A
Photographs (Authorized Person)	N/A	3 copies PP size (authorized person by board)	3 copies PP size (authorized person by board)
Bank Account Certificate/Statement		FC account & NITA	FC account & NITA
Approval from the Board of Directors for Investment & Authorized Person	Required	Required	Required
Memorandum & Article of Association, Tax Certificate & Trade License	Required	Required	Required



Note: Any documents produced from outside of the country must be attested by the Embassy / High Commission of Bangladesh in respective country.