

# Bangladesh Securities and Exchange Commission (Alternative Investment) Rules, 2015



বাংলাদেশ

গেজেট

অতিরিক্ত সংখ্যা

কর্তৃপক্ষ কর্তৃক প্রকাশিত

সোমবার, জুন ২২, ২০১৫

[বেসরকারী ব্যক্তি এবং কর্পোরেশন কর্তৃক অর্থের বিনিময়ে জারীকৃত বিজ্ঞাপন ও নোটিশসমূহ]

**BANGLADESH SECURITIES AND EXCHANGE COMMISSION**

## NOTIFICATION

June 22, 2015

No. BSEC/CMRRCD/2015-343/171/Admin/59- In exercise of the power conferred by section 24(1) of the বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন আইন, ১৯৯৩ (১৯৯৩ সনের ১৫ নং আইন) read with section 33 of the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969) and in pursuance of section 32 of the said Ordinance, the Bangladesh Securities and Exchange Commission hereby makes, after prior publication, the following Rules, namely: -

### CHAPTER I PRELIMINARY

#### 1. Short title and commencement. –

- (1) These Rules may be called the “Bangladesh Securities and Exchange Commission (Alternative Investment) Rules, 2015”.

- (2) These Rules shall be applicable for the registration and regulation of alternative investment funds, fund managers and Trustees of such funds and for matters connected therewith and incidental thereto.
- (3) These Rules shall come into force on the date of publication in the official Gazette.

## **2. Definitions. -**

(1) In these Rules, unless there is anything repugnant in the context or subject-

- (1) “Act” means the বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন আইন, ১৯৯৩ (১৯৯৩ সনের ১৫ নং আইন);
- (2) “alternative investment fund” or “fund” means any fund established or constituted in Bangladesh in the form of a trust which,-
  - i. is a “private equity fund” or a “venture capital fund” or an “impact fund” or any other type of fund as declared by the Commission as alternative investment fund from time to time;
  - ii. is a privately pooled investment vehicle which collects funds from eligible investors for investing in accordance with a defined investment policy for the benefit of its investors;
  - iii. is a closed end fund with specific tenure;
  - iv. collect subscription by way of private placement only and does not offer its units for public subscription; and

- v. is not covered under the সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন (মিউচুয়াল ফান্ড) বিধিমালা, ২০০১, or any other Rules of the Commission to regulate fund formation and management activities;
- (3) “asset manager” means a ‘সম্পদ ব্যবস্থাপক’ as defined in the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচুয়াল ফান্ড) বিধিমালা, ২০০১;
- (4) “buyout” means such investment of an alternative investment fund by which the ownership equity of a company, or majority of outstanding equity shares of the company is acquired by the fund;
- (5) “capital call” means the demand made by a fund manager for payment of all or part of the remaining amount of the subscription committed by the investors of a fund;
- (6) “Commission” means the Bangladesh Securities and Exchange Commission established under section 3 of the বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন আইন, ১৯৯৩ (১৯৯৩ সনের ১৫ নং আইন);
- (7) “committed fund” means the total amount of commitments received from the investors to invest in the fund when being called-up;
- (8) “connected person” means in relation to a natural person, spouse or any person dependant on such person, a partner of an undertaking of which such person is also a partner, company or body corporate in which such person is a substantial shareholder or director; and in relation to a legal person, an undertaking, company or body corporate which is a holding, subsidiary or associate company of such legal person;

- (9) “constitutive documents” means the principal documents and agreements governing the formation of a fund including the trust deed, placement memorandum, subscription agreement, investment management agreement and all other related material documents;
- (10) “corpus” or “fund corpus” means the total amount realized from and committed by the investors to an alternative investment fund as on a particular date;
- (11) “depository” means any depository established under the ডিপজিটরি আইন, ১৯৯৯ (১৯৯৯ সনের ৬ নং আইন);
- (12) “eligible investors” or “investors” means participants eligible and competent to understand the risk & return potentials to invest and commit capital to any alternative investment fund and be either a registered local or foreign fund manager or a company incorporated in Bangladesh or abroad or a statutory body or a local government authority or a bank or a financial institution or an insurance company or a merchant banker or a stock dealer or an asset manager or an alternative investment fund managed by another fund manager or a registered pension fund or a registered provident fund or a registered trust fund or a registered super annuation fund or a foreign fund or a foreign individual or a high net worth resident or non-resident Bangladeshi individual;
- (13) “equity linked instruments” means quasi-equities like fully or partly convertible or redeemable preference shares and debt securities with convertible features;

- (14) “foreign fund” means a fund established and registered outside Bangladesh and engaged in the business of an alternative investment fund by whatever name called;
- (15) “fund manager” or “fund management company” means any person who is entrusted to operate, manage and advice an alternative investment fund;
- (16) “high net worth individual” or “HNI” means a natural person having minimum net worth of taka 20 (twenty) million certified by the concerned tax authority;
- (17) “hurdle rate” means a reference annual rate of return on investment of a fund as disclosed in the constitutive documents;
- (18) “impact fund” means an alternative investment fund which invests in equity and equity linked instruments of such companies, organizations, and funds which are engaged in activities with the intention to generate a measurable and beneficial social or environmental impact in addition to financial returns, as justified with internationally recognized criteria;
- (19) “investible fund” means realized fund at a given time net of estimated administrative and management expenses for of the fund;
- (20) “investment management agreement” or “IMA” means an agreement between fund manager and Trustee depicting details procedure of management of an alternative investment fund;

- (21) “investment committee” means a committee to approve investments of the fund comprising 03 (three) to 05 (five) members;
- (22) “Islamic fund” means a fund which invests in Shariah compliant securities/companies/instruments, in response to the needs of investors who want to make Shariah compatible investments;
- (23) “NAV per unit” means NAV of a fund divided by total number of units outstanding at a given time;
- (24) “net asset value” or “NAV” means total assets of a fund excluding total liabilities at a given time;
- (25) “Ordinance” means the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969);
- (26) “person” means any company, partnership business or firm or any club or association of more than one persons whether incorporated or not, as well as a natural person;
- (27) “placement memorandum” means a document, containing information and disclosures specified in Schedule ‘C’ of these Rules, inviting eligible investors to invest in units of the fund;
- (28) “portfolio company” or “investee” means any company or any other fund in which an alternative investment fund makes an investment;
- (29) “private equity fund” means an alternative investment fund which invests primarily in equity and equity linked instruments of potentially high growth non-listed portfolio companies with minimum 02 (two) years’ operational

history or to conduct buyouts of companies according to the stated objectives of the fund;

- (30) “private placement” means offer of units to the eligible investors in a way other than public offering;
- (31) “realized fund” means the total amount of fund paid-up by the unit holders out of the fund corpus;
- (32) “register” means the register recording the details information of the units and unit holders of the fund;
- (33) “securities” means securities as defined in sub-section (1) of section 2 of the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969) and units of any alternative investment fund;
- (34) “Schedule” means the Schedule annexed to these Rules;
- (35) “Shariah council” means a council which certifies the Islamic financial products and companies as being Shariah-compliant. A Shariah council performs the following responsibilities:
  - a) prepares guidelines and methodologies for selecting/screening of companies/ securities/ instruments to be acceptable as per Shariah principles;
  - b) recommends companies/securities/instruments for investment, consistent with the guidelines and methodologies;
  - c) certifies/approves the criteria of identifying prohibited incomes and recommending distribution of those income to any charitable organization;

- d) certifies at the end of each accounting year that all investments and incomes accounted for are Shariah compliant;
- (36) “sponsor” means one or more eligible investors subscribing initially, jointly or solely, to form a fund;
- (37) “subscription agreement” means an agreement, between the fund manager and the eligible investors for subscribing to the fund;
- (38) “trust” means a trust established under the Trust Act, 1882 (Act No. II of 1882) for the purpose to constitute an alternative investment fund;
- (39) “Trustee” means a Trustee, appointed and registered in respect of any fund established under these Rules;
- (40) “trust deed” means the deed executed between the sponsor(s) and the Trustee in respect to the fund;
- (41) “unit” means beneficial interest of the investors in the alternative investment fund;
- (42) “unit holder” means one or more eligible investors including the sponsors who is the legal owner of one or more units of the fund and whose name appears in the register;
- (43) “venture capital fund” means an alternative investment fund which invests primarily in non-listed equity and equity linked securities of start-ups with less than 02 (two) years’ operational history or green field companies or emerging early-stage undertakings mainly involved in new products,



services, technologies or intellectual property rights based activities or new business models.

- (2) Unless otherwise repugnant for any purpose, words and expressions used herein and not defined, but defined in the Trust Act, 1882 (Act No. II of 1882), the Registration Act, 1908 (Act No. XVI of 1908), the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969), ব্যাংক-কোম্পানী আইন, ১৯৯১ (১৯৯১ সনের ১৪ নং আইন), বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন আইন, ১৯৯৩ (১৯৯৩ সনের ১৫ নং আইন), আর্থিক প্রতিষ্ঠান আইন, ১৯৯৩ (১৯৯৩ সনের ২৭ নং আইন), কোম্পানী আইন, ১৯৯৪ (১৯৯৪ সনের ১৮ নং আইন), ডিপজিটরি আইন, ১৯৯৯ (১৯৯৯ সনের ৬ নং আইন), বীমা আইন, ২০১০ (২০১০ সনের ১৩ নং আইন) and Rules and Regulations made under the above Acts and Ordinances shall have the same meanings respectively assigned to them in the said Acts and Ordinances.

## **CHAPTER II FUND MANAGER**

### **3. Registration of a fund manager.-**

- (1) A fund management company shall be registered by the Commission under these Rules and no person shall act as the fund manager to any alternative investment fund without such registration:

provided that, an existing fund management company, which is not registered with the Commission, shall submit application for registration under these Rules within 01 (one) year from commencement of these Rules fulfilling the requirements, and may continue to operate till disposal of such application:

further provided that, if a foreign entity or foreign fund management company intends to act as fund manager in Bangladesh, it shall form a fund management company incorporated in Bangladesh and such company shall thereafter get registration under these Rules.

- (2) A fund management company shall apply for registration to the Commission as per Schedule 'A' along with required information and documents and application fee of Tk.50,000.00 (taka fifty thousand) only through a bank draft or payment order issued in favour of the Bangladesh Securities and Exchange Commission.
- (3) The applicant shall have the following eligibility criteria to apply for registration, namely:-
  - (a) be a company or statutory body;
  - (b) it is stated in its memorandum of association that its object is to provide alternative investment fund management services;
  - (c) has a paid up capital of at least taka 50 (fifty) million:

provided that, if an asset manager intends to get registration as a fund manager under these Rules, it shall have a paid up capital of taka 50 (fifty) million in addition to its paid-up capital requirements to operate as an asset manager and distinctively separate team with required expertise and capacity to carry out fund management activities:

further provided that, if a foreign entity or foreign fund management company applies for registration of a fund manager under these Rules through a wholly owned subsidiary company, the applicant shall have a paid up capital of at least taka 150 (one hundred fifty) million:

further provided that, if a foreign entity or foreign fund management company applies for registration of a fund manager under these Rules through a partially owned subsidiary company, the applicant shall have a paid up capital of at least taka 100 (one hundred) million;

- (d) has minimum net worth of 75% (seventy five percent) of its total paid up capital:

provided that if the net-worth of a fund manager, at any time, goes down below 75% (seventy five percent) of its total paid-up capital, it shall increase it up to the required level within the next accounting year;

- (e) maintains adequate financial, technical, infrastructural and organizational facilities and human resources, and employ appropriate systems, procedures, technologies, processes and personnel to discharge alternative investment fund management services in a proper and efficient manner on an ongoing basis;

- (f) prepares its financial statements as per International Accounting Standards (IAS) and International Financial Reporting System (IFRS) as applicable in Bangladesh, and audited as per Bangladesh Standards of Auditing (BSA);
  - (g) appoints a Chief Executive Officer (CEO) and/or a Chief Investment Officer (CIO) and a compliance officer each having a relevant academic background and at least 07 (seven) years relevant professional experience;
  - (h) neither the applicant, nor any of its directors is a loan defaulter;
  - (i) neither the fund management company, nor any of its affiliates or directors has any relation with a Trustee to any alternative investment fund or mutual fund;
  - (j) has no track record of default, negligence or non-compliance with any of the securities laws for discharging its duties, if it is in any way connected with the securities market;
  - (k) maintains satisfactory internal controls and written compliance and risk management procedures addressing all applicable regulatory requirements.
- (4) On receipt of the application under rule 3(2), the Commission shall examine it, and if it is satisfied that all the requirements of these Rules are fulfilled, the Commission may accord registration as per Schedule 'F' to the fund manager, as sought for, within 30 (thirty) days of receipt of the application.
- (5) If the Commission finds that the applicant does not fulfil all the requirements of these Rules or any additional submission is required, it may, within 25 (twenty five) days of receipt of the application, direct the applicant to fulfil the requirements within such time as the Commission may determine, and the Commission may accord registration as prayed for within 30 (thirty) days of such fulfilment.

- (6) If the Commission finds that the applicant does not fulfil all the requirements of these Rules, or where a direction to fulfil certain requirements was given under rule 3(5) and the applicant fails to fulfil such requirements, the Commission may reject the application, stating the reasons thereof.
- (7) If the Commission decides to award registration to the applicant, it shall pay, within fifteen days of such decision, registration fee of Tk. 100,000.00 (taka one hundred thousand) only through a bank draft or payment order issued in favour of the Bangladesh Securities and Exchange Commission.

#### **4. Annual Fee.-**

- (1) The fund manager registered under these Rules shall pay an annual fee of Tk. 50,000.00 (taka fifty thousand) only to the Commission through a bank draft or payment order issued in favour of the Bangladesh Securities and Exchange Commission within 1(one) month of end of each financial year.
- (2) If any fund manager fails to pay the annual fee within the stipulated time, it shall be liable to pay a penalty of Tk.25,000.00 (taka twenty five thousand) for each month of default or part thereof.

#### **5. Transfer of management of the funds and surrender of license of a fund manager.-**

- (1) The fund manager or the Trustee or the unit holders, if think necessary to do so, may transfer the management of a fund to another licensed fund manager, subject to approval of at least  $\frac{2}{3}$ rd (two-third) majority of the unit holders by value of their investment in the fund in a general meeting, and thereafter approval of the Commission;

- (2) A fund manager shall apply to the Commission for cancellation of its registration, if it transfers the management of all the funds managed by it to other fund manager(s), within 06 (six) months of the last transfer.

**6. Duties and responsibilities of a fund manager.-**A fund manager shall:

- (1) manage the fund in accordance with the constitutive documents and all applicable laws including notifications, circulars, guidelines and directives issued under those in the interest of unit holders, without gaining any undue advantage for itself or any of its connected persons;
- (2) ensure that in case of a capital call, the investors are given at least two weeks time in writing to make the payments against such calls;
- (3) carry out all transactions involving the fund on an arm's length basis;
- (4) ensure that the fund manager, its directors and employees and members of the investment committee do not have any material interest in any portfolio company;
- (5) ensure collection of KYC and other documents from the eligible investors;
- (6) collect undertakings from the investors to the effect that they have understood the constitutive documents and fully aware of the risk & return potentials of the investment in the fund;
- (7) prepare an 'investment and fund management guidelines' with approval of the Trustee and ensure strict compliance of the said guidelines;
- (8) prepare code of conduct for its directors and employees to mitigate conflict of interests;
- (9) ensure that the investments made are properly identified and held for the benefit of the unit holders in accordance

- with the provisions of the constitutive documents, these Rules and all other applicable laws;
- (10) ensure that all investments are made as per the investment guidelines and approved by the investment committee and the Trustee before disbursement;
  - (11) closely monitor the activities of portfolio companies and if necessary, participate in the management and represent in the board of directors of such companies with approval of the Trustee;
  - (12) not delegate its fund management functions to any other person;
  - (13) maintain at its registered office, proper books and records of account and activities undertaken in connection with the fund in order to enable forming a true and fair view of the:
    - (a) assets and liabilities of the fund;
    - (b) profits and losses accruing out of the operation of the fund;
    - (c) transactions undertaken with respect to the fund;
    - (d) amounts received in respect of issue of units;
    - (e) analysis of portfolio companies;
    - (f) investments made out of the investible fund; and
    - (g) pay-outs, if any, by way of distributions to the unit holders ;
  - (14) maintain books and following records of the fund till five years after winding up of the fund:
    - (a) the assets under the fund;
    - (b) valuation policies and practices;
    - (c) investment strategies;
    - (d) particulars of investors and their contribution;
    - (e) rationale for the investments made;
    - (f) settlement of the fund and payment made to the unit holders ; and
    - (g) all constitutive documents of the fund.

- (15) within 90 (ninety) days of closing of the accounting year of the fund, prepare financial statements of each fund as per International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as applicable in Bangladesh and get those audited as per Bangladesh Standards of Auditing (BSA).
- (16) within 15 (fifteen) days of completion of the audit, hold annual general meeting of the unit holders and within 07 (seven) days of the AGM, transmit the following documents certified by the Trustee to the unit holders and the Commission:
- (a) annual report;
  - (b) balance sheet stating details of investments depicting cost and realizable value of such investments;
  - (c) income statement;
  - (d) cash flow statement;
  - (e) auditors' report to the unit holders on the accounts including comments on the investments made by the fund; and
  - (f) statement of movement in NAV per unit of the fund.
- (17) also provide with the annual report, a report to the investors including the following information, as may be applicable to the fund:-
- (a) financial information of the portfolio companies;
  - (b) investments made to each portfolio company/ securities and return on such investments;
  - (c) material risks and how they are managed which shall include, among others:
    - i. concentration risk at fund level;
    - ii. foreign exchange risk at fund level;
    - iii. leverage risk at portfolio company levels;



- iv. realization risk (i.e. change in exit environment) at fund and portfolio company levels;
  - v. strategy risk (i.e. change in or divergence from business strategy) at portfolio company level;
  - vi. reputation risk at portfolio company level; and
  - vii. extra-financial risks, including environmental, social and corporate governance risks, at fund and portfolio company level.
- (18) transmit half yearly unaudited financial statements and report of the fund to the unit holders , the Trustee and the Commission in electronic form;
  - (19) invest and manage the investible funds in accordance with the investment and fund management guidelines and objectives depicted in the constitutive documents;
  - (20) ensure that no material change in the investment policy or objectives of the fund is made without the approval of the unit holders through a special resolution and the Trustee;
  - (21) undertake valuation of investments of the fund as per the valuation methodology, at least semi-annually, by an independent valuer appointed by the Trustee, other than statutory auditors of the fund, fund manager and the Trustee;
  - (22) disseminate NAV per unit of the fund semi-annually to the unit holders, the Trustee and the Commission;
  - (23) ensure that the valuation methodology of the fund is prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines as updated from time to time, approved by the Trustee and published in the constitutive documents and annual reports of the fund;
  - (24) immediately inform the Commission of any special resolution passed by the unit holders ;

- (25) ensure that after the extinguishment of the trust, the fund is dissolved and the proceeds are distributed amongst the unit holders ;
- (26) provide copies of the constitutive documents to the eligible investors;
- (27) immediately inform the Commission in writing if any information or particulars previously submitted to the Commission are later found to be false or misleading in any material particular or if there is any change in the information already submitted;
- (28) review policies and procedures, and their implementation, on a regular basis, or as a result of business developments, to ensure their continued appropriateness;
- (29) act responsibly in a fiduciary capacity towards the investors and shall disclose to the investors, all conflicts of interests as and when they arise or seem likely to arise;
- (30) establish and implement written policies and procedures to identify, monitor and appropriately mitigate conflicts of interest throughout the scope of business;
- (31) maintain high level principles on avoidance of conflicts of interest with connected persons;
- (32) ensure transparency and disclosure of information to investors, among others, on the following:
  - (a) financial, risk management, operational, portfolio, and transactional information regarding fund investments;
  - (b) any fees ascribed to the fund manager or Trustee; and any expenses charged to the fund;
  - (c) any inquiries/legal actions by legal or regulatory bodies of any jurisdiction, as and when occurred;
  - (d) any material liability arising during the fund's tenure, as and when occurred;
  - (e) any breach of provision of the placement memorandum or agreements or any other constitutive documents, as and when occurred; and

- (f) change in control of the Trustee, sponsors, fund manager and portfolio companies.
- (33) ensure that any loss or expense resulted from negligence of the fund manager, its officers or appointed persons is not charged to the fund;
- (34) address all investor complains;
- (35) provide any information sought by the Commission;
- (36) maintain all records as may be specified by the Commission;
- (37) take all reasonable steps to address all sorts of conflict of interests;
- (38) ensure transparency and disclosures as specified in these Rules and the constitutive documents; and
- (39) lay down procedure for settlement of disputes between the investors, fund, fund manager, Trustee or sponsor through arbitration or any such other mechanism as mutually decided between the investors, the Trustee and the fund manager.

**7. Fund management fee.-**

- (1) The fund manager shall be entitled to an annual fund management fee up to 4% (four percent) of NAV of the fund for managing an impact fund, up to 3% (three percent) of NAV of the fund for managing a venture capital fund and up to 2% (two percent) of NAV of the fund for managing a private equity fund.
- (2) The fund manager may share up to 20% of the net annual profit of a fund, if the fund can achieve the hurdle rate as per terms and conditions disclosed in the Constitutive document.

**CHAPTER III**  
**ALTERNATIVE INVESTMENT FUNDS**

**8. Formation and Types of Funds.-**

- (1) An alternative investment fund shall be constituted in the form of a trust under the Trust Act, 1882 (Act No. II of 1882) and registered under the Registration Act, 1908 (Act No. XVI of 1908).
- (2) Before registration of the trust, the draft trust deed shall be approved by the Commission.
- (3) A fund shall be formed to make a particular type of investment and operate entirely in its respective investment arena only.
- (4) A fund may be operated as a general fund or an Islamic fund.
- (5) An alternative investment fund shall have the following criteria:
  - (a) minimum fund corpus shall be at least Tk.10,00,00,000.00 (taka one hundred million) and subscription by the sponsor(s) is not less than 10% (ten percent) of the corpus:

provided that, the sponsors shall subscribe at least 20% of its total subscription to the fund before registration of the fund;
  - (b) minimum investment by the fund manager shall be at least 2% (two percent) of the fund corpus:

provided that, if the fund manager also acts as sponsor of a fund, this investment shall be made in addition to its investment as sponsor of the fund;
  - (c) along with its connected persons, the fund manager shall not hold more than 25% (twenty five) percent of the units of a fund at any point of time.

- (6) The sponsor(s) shall maintain a continuous investment of not less than 2.5% (two and half percent) of the fund corpus.
- (7) An alternative investment fund shall declare, to the unit holders, cash dividends only.
- (8) All investments in a fund shall be locked in for a period of 03 (three) years from the date of issuance of units.
- (9) The fund manager and sponsors shall disclose their investment in the alternative investment fund to the Trustee when the investment is made and to the investors through annual reports.

**9. Registration of alternative investment funds.-**

- (1) On and from the commencement of these Rules, no alternative investment fund shall be formed or operate unless it has obtained registration from the Commission:

provided that a fund already in operation on the date of commencement of these Rules and falling within the definition of alternative investment fund which is not registered with the Commission, may continue to operate, without having registration under these Rules, to complete its agreed tenure but shall not raise any fresh money other than realization of commitments already received and shall be liable to adhere to all other requirements of these Rules and notifications/orders made there under including submission of information and reports on its activities to the Commission:

further provided that, if a foreign fund intends to operate as an alternative investment fund in Bangladesh, it shall get registration or invest through a fund registered under these Rules.

- (2) The fund manager and Trustee shall jointly apply for registration of the fund to the Commission as per Schedule 'B' along with a draft placement memorandum, other required information and documents, and an application fee of Tk. 50,000.00 (taka fifty thousand) only through a bank draft or payment order issued in favour of the Bangladesh Securities and Exchange Commission.
- (3) The fund shall have the following eligibility criteria for registration, namely:-
- (a) the fund is formed as a trust;
  - (b) the trust deed permits it to carry on the activities of an alternative investment fund;
  - (c) the fund is prohibited by the trust deed from making an invitation to the public to subscribe to its units;
  - (d) the trust deed is prepared in accordance with Schedule 'D';
  - (e) the key investment team of the fund manager have adequate experience, with at least one key personnel having not less than five years experience in advising or managing pools of capital or fund or asset or wealth or portfolio management or in the business of buying, selling and dealing of securities or other financial assets and has relevant professional qualification;
  - (f) the fund manager and the Trustee are registered by the Commission under these Rules;
  - (g) the fund manager has necessary infrastructure and manpower to effectively discharge its duties;
  - (h) the investment objective, the target investors, proposed corpus, investment style or strategy and proposed tenure of the fund are clearly described in the application; and
  - (i) the sole object of the fund is to carry out activities in furtherance of the interest of the unit holders, in

accordance with the strategy stated in the constitutive documents.

- (4) On receipt of the application under rule 9(2), the Commission shall examine it, and if it is satisfied that all the requirements of these Rules are fulfilled, may accord registration to the fund and issue a registration certificate as per Schedule 'F', as sought for, within 30 (thirty) days of receipt of the application.
- (5) If the Commission finds that the applicant does not fulfil all the requirements of these Rules or any additional submission is required, it may, within 25 (twenty five) days of receipt of the application, direct the applicant to fulfil the requirements within such time as the Commission may determine, and the Commission may accord registration, as prayed for, within 30 (thirty) days of such fulfilment.
- (6) If the Commission finds that the applicant does not fulfil all the requirements of these Rules or where a direction to fulfil such requirements was given under rule 9(5) and the applicant fails to fulfil such requirements, the Commission may reject the application, stating the reasons thereof.
- (7) If the Commission decides to award registration to the fund, the fund manager shall pay, within 15 (fifteen) days of such decision, registration fee @ 0.1% of the fund corpus only through a bank draft or payment order issued in favour of the Bangladesh Securities and Exchange Commission.

#### **10. Conditions of certificate.**

- (1) The registration certificate granted under these Rules shall, inter-alia, be subject to the following conditions:-
  - (a) the alternative investment fund shall abide by the provisions of these Rules and other applicable laws;
  - (b) the fund shall not carry on any other activity other than its permitted activities;
  - (c) the fund shall forthwith inform the Commission in writing, if any information or particulars previously

submitted to the Commission are found to be false or misleading in any material particular or if there is any material change in the information already submitted.

- (2) An alternative investment fund which has been granted registration for a particular category of investment, cannot change its category subsequent to registration.
- (3) A fund shall collect commitments from the investors up-to a period of 03 (three) years from the date of its registration and declare the final fund size, which shall not be increased after the said period.
- (4) A fund shall collect 5% of the committed amount from the investors at the time of commitment which may be forfeited by the fund if the committed amount is not paid-up by any investor upon call.
- (5) A fund shall realize and invest at least 50% (fifty percent) of the fund corpus within a period of 05 (five) years from the date of registration, in the event of failure to which, the fund manager shall refund the amounts realized from the investors within 06(six) months of expiry of the said period along with such interests as disclosed in the constitutive documents.

#### **11. Annual fee.-**

- (1) The fund registered under these Rules shall pay an annual fee @ of 0.05% of NAV of the fund to the Commission through a bank draft or payment order issued in favour of the Bangladesh Securities and Exchange Commission within 01(one) month of end of each financial year.
- (2) If any fund manager fails to pay the annual fee within the stipulated time, it shall be liable to pay, from the fund manager's own account, penalty of Tk.50,000.00 (taka fifty thousand) only for each month of default or part thereof.



**12. Cancellation of registration of a fund.-** The Commission, if thinks fit, may cancel the registration of a fund after informing the Trustee and providing the fund manager and the Trustee an opportunity of being heard if:

- (1) the Commission determines that such action is necessary in the interest of the unit holders;
- (2) the unit holders , through a special resolution, request the Commission on reasonable grounds to cancel the registration of the fund; or
- (3) the Trustee satisfies the Commission, on reasonable grounds that continuation of the fund may be detrimental to the interest of its unit holders .

**13. Effect of cancellation of registration of a fund.-**

- (1) Where the Commission decides to cancel the registration of a fund, the Commission shall instruct the Trustee to proceed for winding-up of the fund in terms of these Rules.
- (2) The liquidation of assets and distribution of the fund upon revocation of the trust shall be made by the Trustee in accordance with the winding-up procedure.
- (3) The trust shall stand extinguished after disposal of all assets and distribution of proceeds to the unit holders.

## CHAPTER IV TRUSTEE

- 14. Registration of the Trustee.** – (1) The Trustee of an alternative investment fund shall be registered by the Commission under these Rules and no person shall act as Trustee to a fund without such registration.
- (2) The Trustee shall apply for registration to the Commission as per Schedule ‘E’ along with required information and documents and application fee of Tk. 10,000.00 (taka ten thousand) only.
- (3) The Trustee shall have the following eligibility criteria to apply for registration, namely:-
- (a) be a bank as defined in the ব্যাংক কোম্পানি আইন, ১৯৯১ (১৯৯১ সনের ১৪ নম্বর আইন) or a financial institution as defined in the আর্থিক প্রতিষ্ঠান আইন, ১৯৯৩ (১৯৯৩ সনের ২৭ নম্বর আইন) or an insurance company as defined in the বীমা আইন, ২০১০ (২০১০ সনের ১৩ নং আইন);
  - (b) has minimum paid up capital of Tk.50,00,00,000.00 (taka five hundred million);
  - (c) has adequate manpower and logistic support to discharge its duties as a Trustee;
  - (d) has appointed a compliance officer for the trust having a minimum of five years service experience in the financial market;
  - (e) neither the Trustee, nor any of its affiliates or directors have any relation with the fund manager;
  - (f) neither the Trustee, nor any of its directors is a loan defaulter;
  - (g) do not act as arranger or advisor of the fund nor pursue any investor to or not to invest; and
  - (h) has no track record of default, negligence or non-compliance with any of the securities laws for discharging

its duties, if it is in any way connected with the securities market.

- (4) On receipt of the application under sub-rule (2), the Commission shall examine it, and if satisfied that all the requirements of these Rules are fulfilled, the Commission may accord registration to the Trustee as per Schedule 'F' to act as Trustee to the fund, as sought for, within 30 (thirty) days of receipt of the application.
- (5) If the Commission finds that the applicant does not fulfil all the requirements of these Rules or any additional submission is required, it may, within 25 (twenty five) days of receipt of the application, direct the applicant to fulfil the requirements within such time as the Commission may determine, and the Commission may accord registration, as prayed for, within 30 (thirty) days of such fulfilment.
- (6) If the Commission finds that the applicant does not fulfil all the requirements of these Rules, or where a direction to fulfil certain requirements was given under sub-rule (5) and the applicant fails to fulfil such requirements, the Commission may reject the application, stating the reasons thereof.
- (7) If the Commission decides to award registration to the Trustee, it shall pay, within fifteen days of such decision, registration fee of Tk.25,000.00 (taka twenty five thousand) only through a bank draft or payment order issued in favour of the Bangladesh Securities and Exchange Commission.

#### **15. Duties and responsibilities of the Trustee. –**

- (1) The Trustee shall have to perform the following duties and responsibilities in addition to those described in the trust deed concerned, namely:-
  - (a) shall act on behalf and for the exclusive interest of the investors;

- (b) shall ensure compliance of all the requirements of these Rules;
- (c) shall issue units to the investors upon receiving full payment against such units;
- (d) shall ensure that the issuance of units is carried out in accordance with the provisions of these Rules, the constitutive documents and any directions, guidelines or orders if issued by the Commission;
- (e) shall maintain the register of unit holders ;
- (f) shall preserve the trust deed in its office for observation of the investors;
- (g) shall call the unit holders' meeting and enforce the decisions thereof;
- (h) shall take adequate steps to redress grievances of the investors within one month from the date of receipt of any complaint and shall keep the Commission informed about the number, nature and other particulars of the complaints received and the manner in which such complaints have been redressed;
- (i) shall sue or to be sued on behalf of the unit holders;
- (j) shall exercise due diligence and vigilance in carrying out its functions and duties under the constitutive documents, these Rules and all other applicable laws;
- (k) shall ensure that the title to all assets of the fund is lawfully vested in the trust;
- (l) shall hold the assets of the fund in its custody on behalf of the unit holders in accordance with the provisions of the constitutive documents, these Rules and all other applicable laws;
- (m) shall not delegate any of its duties;
- (n) shall not legally or beneficially own units of the fund;
- (o) shall receive payments from eligible investors for subscription of units and deposit the money received

by the fund in a scheduled bank account maintained entirely for this purpose;

- (p) shall appoint auditors of the Fund upon its establishment or in the event of any vacancy:

provided that the auditors so appointed shall be from amongst the list of auditors approved by the Commission and shall not be the auditors of the fund manager or the Trustee and shall not be appointed for more than 03 (three) consecutive years;

- (q) shall appoint an independent valuer for valuation of the fund's investment;
- (r) shall appoint a Shariah council for an Islamic fund;
- (s) shall monitor the activities of the fund manager in respect of investments out of the investible fund in accordance with the constitutive documents, these Rules or any other applicable law;
- (t) shall approve an investment committee for the fund upon recommendation of the fund manager;
- (u) shall form an advisory committee for the fund from amongst the unit holders and hold meeting of the committee at a reasonable interval;
- (v) shall submit quarterly reports to the Commission on the following matters:
  - i. information on investments and investee companies;
  - ii. information of income and expenses of the fund and returns paid to investors;
  - iii. information of lock-in;
  - iv. information and status of complaints lodged by the unit holders ; and
  - v. any other information as the Commission may require from time to time.

- (w) shall authorize the fund manager including signatories to open bank accounts, BO accounts and securities trading accounts in the name of the fund;
  - (x) shall approve person(s) of fund manager to represent in the board of directors of portfolio companies upon recommendation of the fund manager; and
  - (y) shall immediately inform the Commission regarding any action of the fund manager that contravenes any provision of the constitutive documents, these Rules or any other applicable laws.
- (2) the trust deed or appointment of the Trustee cannot be varied or modified without prior approval of the Commission.
  - (3) the Trustee shall enter into an investment management agreement with the fund manager.
  - (4) The Trustee shall be entitled to an annual Trustee fee of maximum 0.25% of the realized fund.

**16. Cancellation of registration of the Trustee and appointment of a new Trustee.—**

- (1) The Commission may, considering the appeal of at least  $\frac{2}{3}$ rd (two-third) majority of the unit holders by value of their investment in the fund or in the event of negligence of duties of the Trustee or in the public interest, if it thinks fit, cancel registration of the Trustee and replace the Trustee by a new Trustee:  
provided that before cancellation of registration, the Trustee shall be given an opportunity of being heard.
- (2) A Trustee can resign with prior approval of the Commission which shall not be effective until appointment

of a new Trustee and handing over charges by the resigning Trustee.

- (3) A Trustee shall cease to exist as Trustee of a fund upon full and final redemption of all the units at end of operational life of the fund.
- (4) To replace the Trustee, the unit holders shall appoint a new Trustee by a resolution passed by all unit holders as per the Trust Act, 1882 and submit for approval of the Commission.
- (5) The new Trustee shall meet the qualification requirements of these Rules and get registration from the Commission.
- (6) The Trustee who is replaced shall handover its charges to the new Trustee after it gets registration from the Commission and up to that period the existing Trustee shall carry on its responsibilities as Trustee to the fund.

## **CHAPTER V**

### **INVESTMENT CONDITIONS AND RESTRICTIONS**

**17. Investment in a fund.-** The fund manager may raise capital for a fund from eligible investors through issuance of units in accordance with the following conditions:

- (1) the funds shall be raised from eligible investors only whether resident or non-resident Bangladeshi or foreign by way of issuance of units upon realization of the subscription;
- (2) the proposed fund corpus shall be disclosed in the constitutive documents;
- (3) the minimum subscription to the units of a fund shall be Tk.50,00,000.00 (taka five million) by each investor;
- (4) only the eligible investors shall be approached to subscribe to the fund;
- (5) the offer shall be made through a placement memorandum to subscribe through private placement only; no public offer shall be allowed;
- (6) every eligible investor shall be provided with copies of the placement memorandum and other constitutive documents; and
- (7) no alternative investment fund shall be subscribed by more than 200 (two hundred) investors.

**18. Investment conditions and restrictions.-** All investments from the investible fund shall be made subject to the following conditions:-

- (1) the fund manager shall make such investments which are in conformity with the investment and fund management guidelines;



- (2) the investible fund shall not be invested with a connected person of the fund manager or the Trustee;
- (3) Investment parameters:
  - (a) at least 75% (seventy five percent) of the fund corpus shall be invested in non-listed securities of portfolio companies:

provided that, in case of delay of such investment, the unused portion of realized fund may be invested in money market instruments up-to a period of maximum 01 (one) year;
  - (b) maximum 25% (twenty five percent) of the fund corpus may be invested in listed securities and units of alternative investment funds managed by other fund managers, of which maximum 10% (ten percent) of the fund corpus may be invested in money market instruments:

provided that, investment in a single listed securities shall not exceed 5% (five percent) of the fund corpus;
  - (c) no alternative investment fund shall invest more than 25% (twenty five percent) of the fund corpus in a single non-listed portfolio company;
  - (d) The above investment restrictions shall not be applicable in case of buyouts by a private equity fund;
- (4) investment of an alternative investment fund in non-listed portfolio companies shall be made only in equity and equity linked instruments but shall not invest in pure debt securities nor provide any loan;
- (5) no alternative investment fund shall borrow funds directly or indirectly and engage in leverage activities;

- (6) in case of an Islamic fund, the activities of the investees must be Shariah compliant. In determining the Shariah compliance status of the investee and investments, the fund manager shall disclose the Shariah screening methodology prepared by the Shariah council in the constitutive documents;
- (7) investment by an Islamic fund shall be made only in the securities/companies classified as Shariah compliant as per the screening methodology and declared as Shariah compliant by the Shariah Council.

**19. Prohibition on listing.-**

- (1) The units of a fund shall not be listed on any Exchange.
- (2) A non-listed portfolio company in which any alternative investment fund invests shall not apply for listing with any exchange within 02(two) years from the date of last investment made in it by an alternative investment fund.

**20. Life of the fund.-** (1) A fund shall be established for a specific period from 05(five) to 15 (fifteen) years which shall be disclosed in the constitutive documents.

- (2) If allowed by the constitutive documents, the life of the fund may be extended for a period of up to 02 (two) years beyond its disclosed life subject to approval of at least  $\frac{2}{3}$ rd (two-third) majority of the unit holders by value of their investment in the fund, in a general meeting to be held at least 6 (six) months before maturity of the fund and thereafter approval of the Commission.

**CHAPTER VI**  
**MISCELLANEOUS**

**21. Enquiry and inspection.-**

- (1) The Commission may, on its own motion or upon receipt of any information or complaint, appoint one or more persons as enquiry or inspection authority to undertake enquiry on any matter or inspection of the books of account, records and documents relating to an alternative investment fund, the fund manager, the Trustee or any other person for any of the following reasons, namely:-
  - (a) to ensure that the books of accounts, records and documents are being maintained in the manner specified in these Rules;
  - (b) to enquire or inspect complaints received from unit holders, investors or any other person, on any matter having a bearing on the activities of the alternative investment fund or any other person related to it;
  - (c) to ascertain whether the provisions of the Act, the Ordinance and these Rules are being complied with by the alternative investment fund, the fund manager and the Trustee;
  - (d) to enquire or inspect the affairs of an alternative investment fund, the fund manager and the Trustee in the interest of the securities market or the investors.
  
- (2) The enquiry or inspection shall be made in accordance with the relevant provisions of the Act.

**22. Contravention.**— If any alternative investment fund, fund manager or Trustee or any other person violates any of the provisions of these Rules, the Act or the Ordinance or furnishes false, incorrect

or misleading information or suppresses any information, the Commission may take appropriate actions under the বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন আইন, ১৯৯৩ (১৯৯৩ সনের ১৫ নং আইন) or the Securities and Exchange Ordinance, 1969.

**23. Power to call for information and documents.-**

- (1) The Commission may at any time call for any information and documents from an alternative investment fund or fund manager or sponsor or Trustee or unit holders with respect to any matter relating to the fund or for the assessment of risk or prevention of fraud.
- (2) Where information and documents are called for under sub-rule (1) it shall be furnished within the time specified by the Commission.

**24. Submission of reports to the Commission.-**The Commission may at any time call upon the alternative investment fund, the fund manager or the Trustee to file such reports, as the Commission may think fit, with respect to the activities of the alternative investment fund and the concerned person shall submit such reports as called upon.

**25. Allowable expenses.-**

- (1) The fund manager is entitled to charge the following expenses to the fund:
  - (a) Expenses relating to formation and floatation of the fund;
  - (b) Fees payable to the Commission;
  - (c) Trustee fee;
  - (d) Fund management fee;
  - (e) Auditors' fee;
  - (f) Valuers' fee; and
  - (g) Other fees related to the fund.

- (2) The expenses charged shall be approved by the Trustee and clearly disclosed in the constitutive documents and annual reports of the fund with head wise break-up.

## **26. Winding up of the fund.-**

- (1) **Conditions of winding up:** An alternative investment fund formed as a trust shall be wound up:
  - (a) when the tenure of the fund as mentioned in the constitutive documents comes to an end; or
  - (b) in the opinion of the Trustee, winding up of the fund is necessary in the interests of the unit holders; or
  - (c) if 66% (sixty six percent) of the unit holders by value of their investment in the fund pass a resolution at a meeting that the fund be wound up; or
  - (d) if the Commission so directs in the interests of the investors; or
  - (e) by order of a competent court.
- (2) **Intimation and notice:**
  - (a) the Trustee of the alternative investment fund shall inform the Commission of the circumstances leading to the winding up of the fund as soon as those arise;
  - (b) the Commission shall examine the information and if thinks appropriate, instruct the Trustee to proceed for winding-up;
  - (c) the Trustee and fund manager shall separately send notices intimating investors of the circumstances leading to the winding up of the fund and publish the same in at least one Bangla and one English newspaper.

- (3) **Consequences of the notice:** On and from the date of publication of the notice under sub-rule (2),
- (a) no further investments shall be made out of the alternative investment fund;
  - (b) no business activities of the fund shall be carried out;
  - (c) no further fund shall be raised;
  - (d) no further units shall be issued; and
  - (e) no payment shall be made.

(4) **Process of winding up:**

- (a) within 30 (thirty) days from the date of publication of notice under sub-rule (2), the Trustee shall hold a meeting of unit holders where authorization of 75% (seventy five percent) of the investors present by value of their investment in the fund shall be required to empower the Trustee to take necessary actions for winding up:

provided that in the events mentioned in sub-rule (a), (c), (d) or (e) of rule 26(1), the said meeting shall not be required;

- (b) the Trustee, if empowered under sub-rule (a), shall proceed for liquidation of the assets of the fund in the best interest of the unit holders, and the proceeds accruing to the unit holders shall be distributed to them in proportion to their respective interest in the assets of the fund as on the date when the decision for winding up was taken, through bank drafts or payment orders, after satisfying all liabilities due under the fund and making appropriate provisions for meeting the expenses in respect of the winding up.

**(5) Reporting regarding winding up:**

- (a) within thirty days from the completion of the winding up, the Trustee shall forward to the Commission and the unit holders, a report on the winding up certified by the auditors of the fund containing particulars such as circumstances leading to the winding up, the steps taken for liquidations of assets of the fund, expenses of winding up, net assets available for distribution to the unit holders, payments made to the unit holders etc.;
- (b) upon receiving the report under sub-rule (a), the Commission shall, if satisfied that all the procedures have been observed appropriately, cancel the registration of the fund.

**27. Clarification, instructions.-**

- (1) The Commission may provide clarifications of any provision of these Rules in case of arising any confusion; and
- (2) The Commission may issue instructions and guidelines under these Rules.

**SCHEDULE – A**  
**[See Rule 3(2)]**

**Application for Registration of a Fund Manager**

**A. Information to be furnished:**

- (1) Name:
- (2) Addresses of the registered office and corporate head office with telephone number(s), fax number(s), e-mail address:
- (3) Name, designation, telephone and cell phone numbers and e-mail address of the contact person(s):
- (4) Legal status of the fund manager (whether company/statutory body):
- (5) Date and place of incorporation/ establishment and date of commencement of business, which applicable:
- (6) Short description of business:
- (7) Other business activities of the fund manager:
- (8) Capital and shareholding structure:
- (9) Net worth as per latest audited financial statements:
- (10) Names and addresses of the fund manager's auditors:
- (11) Loan status of the fund manager and its directors:
- (12) Whether fund manager or any of its directors has any relation with the capital market, if any, details:
- (13) Name, educational qualification and experience of the CEO and compliance officer:
- (14) Name, experience, educational qualification and profession of the directors of the fund manager:
- (15) Name and experience of other key executives of the fund manager:
- (16) Organizational structure:
- (17) Description of necessary infrastructure for rendering fund management services:



- (18) Names and addresses of subsidiary or associate companies of the fund manager, if any;
- (19) Brief description of funds already managed or formed by the fund manager with present status, if any;

**B. Documents to be submitted:**

- (1) Memorandum and Articles of Association or such other constitutive documents;
- (2) Certificate of Incorporation;
- (3) Certificate of Commencement of Business, if applicable;
- (4) Audited financial statements for the latest accounting year;
- (5) Board resolution deciding to work as a fund manager;
- (6) Bankers' certificate and bank statements evidencing share money deposited against paid-up capital;
- (7) Organizational structure;
- (8) Brief profile of CEO, compliance officer and other key executives;
- (9) Office layout; and
- (10) CIB Undertakings of the fund manager and its directors.

For and on behalf of the fund manager

(Name, signature with date and stamp of the applicant)

**SCHEDULE – B**  
**[See Rule 9(2)]**

**Application for registration of an Alternative Investment Fund**

**A. Information to be furnished:**

- (1) Name of the fund:
- (2) Type of the fund (whether private equity/venture capital/Impact fund and General/Islamic):
- (3) Size and tenure of the fund:
- (4) Name and brief description of the sponsor(s) along with amount and percentage of contribution to be made by each of them:
- (5) Name of the fund manager with registration number & date:
- (6) Name of the Trustee with registration number & date:
- (7) Name of the auditors;
- (8) Description of Shariah council, in case of Islamic funds;
- (9) Name of the Valuer:
- (10) Names of the prospective investors, if any:
- (11) Names of the prospective investees, if any:
- (12) Names of the sectors/industries where the fund intends to invest:

**B. Documents to be submitted:**

- (1) Structure of the fund;
- (2) Draft Placement Memorandum;
- (3) Draft Trust Deed;
- (4) Draft Subscription Agreement;
- (5) Draft Investment Management Agreement;
- (6) Due Diligence Certificate of the fund manager (as per Schedule 'G');
- (7) Due Diligence Certificate of the Trustee (as per Schedule 'H');

- (8) Copies of appointment letter and registration certificate of the Trustee;
- (9) Copies of appointment letter and registration certificate of the fund manager;
- (10) Brief profile of members of the key investment team of the fund manager;
- (11) Brief profile of members of the investment committee for the fund;
- (12) Brief description of the Shariah council, if applicable;
- (13) Draft valuation methodology; and
- (14) Draft Investment and Fund Management Guidelines.

(Name, signature with date and stamp of the Fund manager)

(Name, signature with date and stamp of the Trustee)

**SCHEDULE – C**  
**[See Rule 2(27)]**

**Format and contents of the Placement Memorandum**

*(Notice: - This is not an exhaustive list. The fund manager is obliged to disclose any other information that may be necessary to enable the eligible investors to make informed decision.)*

**A. Material Information:**

- (1) In addition to the information specifically required by these rules, the placement memorandum shall contain all material information necessary to enable the investors to make an informed assessment of the fund, the investment, the fund manager, the Trustee, the units being offered, the rights and obligations of the unit holders, the fund manager, the Trustee and all other parties attaching to the fund.
- (2) The Commission may require disclosure of additional information in the placement memorandum as it considers appropriate for a particular fund, which shall be complied with.
- (3) If the Commission requires such disclosure, it shall inform the fund manager of the additional information in writing.

**B. Information to be included in the Placement Memorandum-**

- (1) Cover Page of the placement memorandum: On the cover page of the placement memorandum, the following information shall be furnished, namely:-
  - (a) Name and address of the fund manager:
  - (b) Name and address of the Trustee:
  - (c) Issue date of the placement memorandum:
  - (d) The following statement: “If you have any query about this document, you may consult the fund manager and the Trustee”:
  - (e) The following statement in bold type:

“APPROVAL OF THE BANGLADESH SECURITIES AND EXCHANGE COMMISSION HAS BEEN OBTAINED TO THE OFFER OF UNITS OF THIS FUND UNDER THE BANGLADESH SECURITIES AND EXCHANGE COMMISSION (ALTERNATIVE INVESTMENT) RULES, 2015. IT MUST BE DISTINCTLY UNDERSTOOD THAT IN GIVING THIS APPROVAL THE COMMISSION DOES NOT TAKE ANY RESPONSIBILITY FOR THE CORRECTNESS OF ANY OF THE INFORMATION AND STATEMENTS MADE OR OPINION EXPRESSED IN THE PLACEMENT MEMORANDUM AND OTHER CONSTITUTIVE DOCUMENTS. SUCH RESPONSIBILITY LIES WITH THE FUND MANAGER, ITS DIRECTORS AND OFFICERS, AND THE TRUSTEE. THIS PLACEMENT MEMORANDUM IS APPROVED TO OFFER THE UNITS ONLY THROUGH PRIVATE PLACEMENT TO THE ELIGIBLE INVESTORS WHO ARE ELIGIBLE AND COMPETENT TO UNDERSTAND THE RISK & RETURN POTENTIALS TO INVEST AND COMMIT CAPITAL TO THE FUND AND NOT TO MAKE ANY PUBLIC OFFER. THIS APPROVAL DOES NOT MAKE ANY GUARANTEE FOR THE POTENTIAL PUBLIC ISSUE OR LISTING OF THE PORTFOLIO COMPANIES NOR THE FINANCIAL SOUNDNESS AND PROSPECTIVE RETURNS FROM THOSE. INVESTORS ARE ADVISED TO MAKE THEIR OWN ANALYSIS REGARDING THE INVESTMENT BEFORE MAKING THE INVESTMENT DECISION.”

- (f) A statement that the fund manager accepts the responsibility for the accurateness and correctness of information contained in the placement memorandum at the date of publication.

- (2) Table of contents.
- (3) Report to the unit holders.
- (4) Due diligence certificates.
- (5) Risk factors and the fund manager's perception about all risks likely to arise in respect of the fund, the Investments, management of the fund, portfolio companies and sectors thereof, business environments, national and international policies and all other related factors are to be clearly disclosed.
- (6) Details of the fund manager.
- (7) Details of the investment committee.
- (8) Details of the Trustee.
- (9) Description of Valuer to the fund.
- (10) Description of Shaiah council, if applicable.
- (11) Summary of the material clauses of the trust deed.
- (12) Investment opportunities and investment strategy of the fund.
- (13) Manner of investment to the units of the fund with terms and conditions.
- (14) Obligations and rights of the Trustee, fund manager and eligible investors.
- (15) Dividend policy and hurdle rate.
- (16) Details of fees and charges to be paid by the fund.
- (17) Description of Auditors to the fund.
- (18) Accounting year of the fund.
- (19) Particulars and frequency of the financial reports to be sent to the unit holders.
- (20) An overview of the applicable regulatory and legal framework.
- (21) Circumstances and procedure for the revocation of the trust and mechanism for the distribution of assets of fund, upon the extinction or revocation of the trust.
- (22) Retirement or removal of the Trustee.
- (23) Circumstances and procedure for the change of fund manager upon the request of the unit holders.
- (24) Exit procedure of the unit holders.
- (25) Meetings of the unit holders.

- (26) Complaints and settlement procedure.
- (27) Disclosures and declarations required under these Rules.
- (28) Details of the utilization of proceeds of the fund.
- (29) Features of the fund, namely:-
  - (a) Basic features of the units;
  - (b) Transferability/Liquidity;
  - (c) Returns to investors.
- (30) Description of the portfolio companies, if ascertained any, among others including the following:-
  - (a) Capital structure;
  - (b) Brief financial information;
  - (c) Business;
  - (d) Business prospects;
  - (e) Management;
  - (f) Profile of Directors/Owners of the portfolio company;
  - (g) Description of assets and liabilities/financial position;
- (31) Details of the sectors/industry where the fund is likely to invest, among others, the following factors:
  - (a) SWOT Analysis;
  - (b) Details of the key industry players;
  - (c) Entry or exit barriers;
  - (d) Future potentials of the industry; and
  - (e) Government support or fiscal policies about the sector/industry.
- (32) Modus Operandi of the fund including:
  - (a) Application procedure;
  - (b) Issuance of unit certificate.
- (33) Any other information that the Commission may specify.
- (34) Application form for allotment of units with KYC of the applicants.

Each page of the draft placement memorandum to be duly signed and stamped by the chief executive officers of the issuer and the Trustee.

## **SCHEDULE –D**

**[See Rule 9(3)]**

### **Format and contents of the Trust Deed**

The Trust Deed must contain *inter alia* the following clauses:

- (1) Date and place of execution:
- (2) Name and legal status of the parties concerned:
- (3) Objectives of the fund:
- (4) Definitions:
- (5) Relation between the parties:
- (6) Governing Laws:
- (7) Registered address of the Trustee:
- (8) Commencement and termination of the trust :
- (9) Costs involved with the fund and by whom the costs are to be assumed:
- (10) Description of the parties:
- (11) Description of the fund:
- (12) Modus operandi of the fund:
- (13) Rights, duties and obligations of the Trustee:
- (14) Rights and obligations of the sponsors:
- (15) Rights and obligations of the unit holders:
- (16) Accounts and audit thereof:
- (17) Valuation policy of the investments:
- (18) Retirement of the Trustee and appointment of a new Trustee:
- (19) Meetings of unit holders of the fund with power, scope and quorum of the meetings:
- (20) Amendment provisions of the trust deed:
- (21) Any other clauses:

Each page of the trust deed to be duly signed and stamped by the authorized persons of the sponsors and the Trustee.



**Schedule – E**  
**[See Rule 14(2)]**

**Application for registration of Trustee to a fund**

**A. Information to be contained :-**

- (1) Name of the applicant:
- (2) Legal status and core business of the applicant:
- (3) Registered address and telephone numbers of the applicant:
- (4) Name, address and telephone number of the compliance officer for the fund:
- (5) Date of incorporation:
- (6) Date of commencement of business:
- (7) Authorized capital:
- (8) Paid-up capital:
- (9) Net worth:

**B. Documents to be submitted:-**

- (1) Certified copy of memorandum and articles of association;
- (2) Certified copy of certificate of incorporation and certificate of commencement of business;
- (3) Certified copy of particulars of directors;
- (4) Certified copy of return of allotment of shares, or annual summary of share capital;
- (5) Copies of licenses for the applicant's core business;
- (6) Latest audited financial statements;
- (7) Resolution of the board of directors deciding to act as Trustee to the fund;
- (8) An affidavit containing the declarations of rules 14(3)(e),(g) and (h);
- (9) Description of manpower and logistic support/infrastructure to discharge its duties as a trustee;
- (10) Bio-data of the Chief Executive Officer and Compliance Officer;

- (11) CIB undertakings; and
- (12) Draft trust deed.

(Name, signature with date and stamp of the Chief Executive Officer)

**Schedule – F**  
**[See Rule 3(4), 9(4) and 14(4)]**

**Certificate of Alternative Investment Fund/Fund Manager/Trustee**

In exercise of the powers conferred by section 10 of the বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন আইন, ১৯৯৩ (১৯৯৩ সনের ১৫ নং আইন) read with rule 3(4)/9(4)/14(4) of the Bangladesh Securities and Exchange Commission (Alternative Investment) Rules, 2015, the Commission hereby grants a certificate of registration to \_\_\_\_\_, to act as an Alternative Investment Fund/Fund Manager/Trustee to (name of the fund) subject to the conditions specified in the Act and the Rules or as may be imposed hereafter by the Commission.

Category of the Alternative Investment Fund shall be Private Equity (PE)/Venture Capital (VC)/Impact Fund.

Registration number of the Alternative Investment Fund/Fund Manager/Trustee is \_\_\_\_\_.

For and on behalf of  
BANGLADESH SECURITIES AND EXCHANGE COMMISSION

-----  
Authorized Officer

**Schedule – G**  
**[See Schedule B]**

**Due Diligence Certificate of the Fund Manager**

Chairman  
Bangladesh Securities and Exchange Commission

**Sub: .....(Name of the proposed fund)**

We, the under-noted manager to the above mentioned forthcoming alternative investment fund, state as follows:

1. We, while act as fund manager to the above mentioned alternative investment fund, declare and certify that the information provided in the application, including that provided in the attached sheets and documents enclosed, is complete and true in all respects;
2. We further certify that we shall inform the Bangladesh Securities and Exchange Commission immediately of any change in the information provided in the application and the documents attached with that; and
3. We warrant that we shall comply with and be bound by the Securities and Exchange Ordinance, 1969, বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন আইন, ১৯৯৩ (১৯৯৩ সনের ১৫ নং আইন), কোম্পানী আইন, ১৯৯৪ (১৯৯৪ সনের ১৮ নং আইন), the Bangladesh Securities and Exchange Commission (Alternative Investment Funds) Rules, 2015, and the Rules, guidelines, circulars, orders and directions that may be issued by the Bangladesh Securities and Exchange Commission from time to time in this respect.

**WE CONFIRM THAT:**

- a) the draft placement memorandum forwarded to the Commission is in conformity with the documents, materials and papers relevant to the fund;

- b) all the legal requirements connected with the said fund have been duly complied with; and
- c) the disclosures made in the draft placement memorandum are true, fair and adequate to enable the investors to make a well informed decision for investment in the proposed fund.

**For the Fund Manager**

(Name, signature with date and stamp of the Chief Executive Officer)

**Schedule – H**  
**[See Schedule B]**

**Due Diligence Certificate of the Trustee**

Chairman  
Bangladesh Securities and Exchange Commission

**Sub: ..... (Name of the proposed fund)**

We, the under-noted trustee to the above-mentioned forthcoming fund, state as follows:

1. We, while act as trustee to the above mentioned fund on behalf of the investors, have examined the draft placement memorandum, legal and other documents and materials as relevant to our decision; and
2. On the basis of such examination and the discussions with the fund manager and it's officers, and other agencies; independent verification of the statements concerning objects of the fund and the contents of the documents and other materials furnished by the fund manager: -

**WE CONFIRM THAT:**

- (a) all information and documents as are relevant to the issue have been received and examined by us and the draft placement memorandum, draft trust deed and other constitutive documents forwarded to the Commission have been approved by us;
- (b) we have also collected and examined all other documents relating to the fund;
- (c) while examining the above documents, we find that all the requirements of the Bangladesh Securities and Exchange Commission (Alternative Investment) Rules, 2015 have been complied with;
- (d) we shall act as trustee to the issue as mentioned above as per provisions of the trust deed to be executed with the sponsors and shall assume the duties and responsibilities as described in the trust deed and other constitutive documents;
- (e) we shall also abide by the Bangladesh Securities and Exchange Commission (Alternative Investment) Rules, 2015 and conditions imposed by the Commission as regards of the fund;
- (f) we shall act to our best for the benefit and sole interests of the unit holders of the fund; and
- (g) the above declarations are unequivocal and irrevocable.

**For Trustee**

(Name, signature with date and stamp of the Chief Executive Officer)

By order of the Bangladesh Securities and Exchange Commission

PROF. DR. M. KHAIRUL HOSSAIN  
Chairman.