

## **DIRECTIVE**

Whereas, the Securities and Exchange Commission (hereinafter referred to as the Commission) is satisfied that in the interest of investors and development of securities market the stock exchanges and their stock brokers registered with the Commission (hereinafter referred to as the stock broker) shall comply with certain requirements and obtain approval of the Commission prior to opening branch offices of the stock brokers;

Now, therefore, in exercise of power conferred by section 20A of the Securities and Exchange Ordinance, 1969 (XVII of 1969), the Securities and Exchange Commission hereby directs the Dhaka Stock Exchange Ltd and Chittagong Stock Exchange Limited and their stock brokers to comply with the following, namely:

1. **Requirement for approval of opening branch office.-** A stock broker shall not open and operate a branch office without obtaining approval from the Commission through the stock exchange concerned:

Provided that branches of the stock brokers that are in operation shall obtain the requisite approval of the Commission within four months of issuance of this directive.

2. **Eligibility for approval.-**

A stock broker intending to open a branch office shall be eligible for approval for opening the same under these directives if it fulfils or complies with the following requirements, namely:-

- (a) Board of the stock broker has taken decision to open branch office taking account of the priority fixed by its Exchange in respect of the location of the branch office.
- (b) The stock broker shall have a paid-up capital of at least **Tk. 75 (seventy five) lac** for opening upto **3 (three)** branch offices. For opening each additional branch, additional **Tk. 50 (fifty) lac** as paid-up capital shall be required for each additional branch:

Provided that net worth of the broker shall be fifty percent of the above paid up capital.

Provided further that a stock broker may open a maximum of 15 branch offices.

- (c) The stock broker shall have professional competence and capacity to deliver service at the proposed branch office, and for that it shall have at least two authorized representatives, a compliance officer and a branch manager at each branch. If more than two trading workstation (TWS) are maintained, one additional authorized representative must be assigned for each additional TWS.
- (d) The stock broker shall install at least two trading work station (TWS) in each branch.
- (e) The stock broker shall have adequate space for front office and back office. If the space is not owned by the stock broker, adequate arrangement is to be made by the broker for hiring the space for a minimum period of two years.
- (f) The stock broker shall have adequate logistic support, such as telephone line, fax, E-mail, photocopier etc so that functions of the branch office could be carried out smoothly.
- (g) The stock broker shall have to display a clear visible sign board of the stock broker mentioning the name of the stock broker company, registration number and name of the stock exchange(s) at the front of its branch office.
- (h) The stock broker shall have to display the copy of the registration certificate of the stock broker along with the approval of the Commission for opening the branch.

### **3. Approval for opening and operating a branch office.-**

- (1) A stock broker which is eligible for obtaining approval for opening and operating the branch office may make an application to the Commission through concerned stock exchange containing following information, namely:-
  - (a) Name of the stock broker company;
  - (b) Addresses of the registered office and branch office(s), if any;
  - (c) Address and telephone number of the proposed branch(es);
  - (d) Fax number and e-mail address of the proposed branch(es);
  - (e) Paid up capital;
  - (f) Net worth;
  - (g) Name(s) of the authorized representatives, branch manager and compliance officer.
- (2) The applicant shall furnish the following documents along with the said application, namely:-

- (a) Copy of the resolution of the board of directors of the stock broker company deciding to open the branch(es) duly authenticated by its chief executive officer.
- (b) Name, address and qualification of the authorized representatives, branch manager and compliance officer along with the copy of appointment letter duly attested by the chief executive officer of the stock exchange.
- (c) Agreement in case space and accommodation of the branch office is hired or taken on let out basis.
- (d) Evidence or proof of having connections of utilities, i.e. demand note, receipts from the authority from which connections were taken, etc.
- (e) Certificate of the stock exchange to the effect that the requisite logistics and staff resources and other prerequisites of the stock broker exist at the proposed branch office or will be made available prior to starting operation of the branch.

#### **4. Operation of branch office etc.-**

- (1) The stock broker shall have required back office software to handle its client service at branch office.
- (2) No short-sale shall be done from branch office.
- (3) No stock dealer shall execute trade from branch office.
- (4) Branch office shall remain open during trading hours so that customers could interact with the branch staff.
- (5) The stock broker shall make all payments through account payee cheque.
- (6) Stock broker shall maintain separate books and records of all transactions at branch offices.
- (7) Any change (address, authorized representative, compliance officer, branch manager etc.) of the branch office must be reported to the Exchange and the Commission three working days prior to said change(s).
- (8) Branch office can be closed after paying of all claims of the investors, subject to at least three months' prior information to the Commission, stock exchange and concerned customers of the stock broker.

**5. Supervision and reporting by stock exchanges.-**

- (1) Stock exchanges shall inspect on cause and on routine basis all branch offices of the stock brokers at least in every three months' and report to the Commission on regular basis.
- (2) Stock exchange shall collect a report within first week of the next month on its stock brokers' branch transactions and activities and shall furnish a summary report thereon to the Commission within seven days thereafter.
- (3) Stock exchange shall collect half-yearly report of individual stock broker highlighting the overall trading and asset liability position within the last day of the next month after completion of the half-year ending on 30<sup>th</sup> June and 31<sup>st</sup> December each year.

**6. Cancellation etc. of approval.-** The Commission may cancel or withhold its approval accorded under these directive at any time if it deems appropriate in the interest of the investors and capital market. However, prior to canceling on withholding the approval, the stock broker shall be provided an opportunity of being heard.

**7. Waiver.-** Notwithstanding anything contained hereinabove, the Commission may accord waiver to any stock broker all or any of the above requirements as the Commission may deem appropriate.

This directive shall have immediate effect.

By Order of the Securities and Exchange Commission

Faruq Ahmad Siddiqi  
Chairman.

Distribution:

Dhaka Stock Exchange Ltd.  
Chittagong Stock Exchange Ltd.