DIRECTIVE

Whereas, the Bangladesh Securities and Exchange Commission (hereinafter referred to as 'the Commission') has introduced book building method to ensure justified or fair value of the securities offered for public subscriptions by determining the offer price of the securities based on demand from the eligible investors (hereinafter referred to as EIs);

And whereas, all EIs are expected to participate in the bidding process and quote prices with their own justification to enable the process successful, fair and transparent;

And whereas, in the interest of investors and securities market, it is expected that EIs should act properly and with responsibility, and abide by the securities laws in all aspects of their business, which is essential to ensure discipline and integrity in the securities market;

Now, therefore, the Commission hereby directs the EIs under section 20A of the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969) to adhere to the following code of conduct in respect of participating in the bidding process under the book building method of public issue of securities under the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015, namely:-

1. The EIs shall form a Bidding Recommendation Committee comprising of at least 2(two) members having relevant knowledge, skill, qualification and experience. The Committee, upon detailed analysis of value and prospects of the securities, shall recommend participating in the electronic bidding and shall also mention the bidding quantity and price based on the following valuation methods for bidding of the ordinary shares:

   (i) Net Assets Method: To calculate the value of an ordinary share equal to the value of net assets available for ordinary shareholders (excluding fictitious assets, bad debt, preference shareholders' claim and proposed dividend or any dividend payable) divided by the number of outstanding ordinary shares;

   (ii) Yield Method: To calculate the value of an ordinary share equal to expected rate of earnings divided by normal rate of earnings (10% or more) multiplying by par value or face value of an ordinary share;

   [Expected Rate of Earnings = Profit available for ordinary shareholders (simple average of last five years of profit after tax) / Paid up ordinary share capital (including share premium) * 100.]

   (iii) Fair Value Method: To calculate the value of an ordinary share equal to simple average of the value determined by net assets method and yield method:
Provided that the bidder shall not bid exceeding 1.2 (one point two) times of the fair value as determined in clause (iii) above.

(2) The EIs shall, on the basis of recommendation of the Bidding Recommendation Committee, take decision about participation in the bidding. Decision of the EIs and proceeding of the Committee along with workings shall be preserved for inspection by the Commission or the exchange(s).

(3) The EIs and the Committee shall exercise due diligence and independent professional judgment, and ensure proper care in order to maintain objectivity, transparency and independence in the decision making for bidding.

(4) While analyzing, EIs shall take into consideration all aspects including financial, technical, managerial, commercial, economic, ownership, governance etc. of the securities offered and its issuer and review all documents and prospectus in details.

(5) The EIs shall act fairly, neutrally, honestly and shall be independent in analysis and making decision without any influence, interference or pressure. They must not disclose any information related to the valuation with the issuer, issue manager, other eligible investors or any other person. The analysis, recommendation and decision shall be kept confidential till completion of the bidding period.

(6) The EIs shall submit their valuation reports duly signed along with the workings and calculations to the exchange(s) conducting the bidding, within 2 (two) working days of completion of the bidding period.

(7) The exchange(s) conducting the bidding shall report to the Commission, within 7(seven) working days of completion of the bidding period, if they have any observation or find any discrepancy regarding the valuation reports.

Any violation of this directive by the EIs or the Committee members shall attract relevant provisions of the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969).

The Directive No. BSEC/CMRRCD/2009-193/204 dated 20 February 2018 is hereby repealed.

This directive shall have immediate effect.

By order of the Bangladesh Securities and Exchange Commission

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Chairman

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