

# Bangladesh Securities and Exchange Commission

Securities Commission Bhaban  
E-6/C Agargaon  
Sher-e-Bangla Nagar Administrative Area  
Dhaka-1207, Bangladesh

## DIRECTIVE

10 December 2018

No.BSEC/CMRRCD/2009-193/212: Whereas, the Bangladesh Securities and Exchange Commission (BSEC), in exercise of the power conferred by section 20A of the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969), hereby directs all the registered Merchant Bankers to comply with the following instructions regarding the maintenance of provision against unrealized losses arising from investment in mutual fund units:

### A. For Close- end Mutual Funds

1. Merchant Bankers need not to maintain any provision when the average cost price (CP) of a mutual fund is lower than or equal to the fair value (FV) i.e.  $CP \leq FV$ ; or lower than or equal to 85% of the net asset value at current market price ((NAVcmp) i.e.  $CP \leq NAVcmp * 85\%$ ); which one is applicable.
2. If the average cost price (CP) of a mutual fund unit is greater than fair value (FV) i.e. ( $CP > FV$ ); or greater than 85% of net asset value at current market price (NAVcmp) i.e. ( $CP > NAVcmp * 85\%$ ); which one is applicable, Merchant Bankers shall have to maintain the provision as following:
  - a. when  $FV \geq NAVcmp * 85\%$ , then -  
Required Provision (RP) = Average cost price (CP) - Fair value (FV)
  - b. when  $FV < NAVcmp * 85\%$ , then -  
Required Provision (RP) = Average cost price (CP) -  $NAVcmp * 85\%$ .

In order to assess the fair value of the mutual funds, the Merchant Bankers shall follow the BAS, BFRS along with the সিকিউরিটিজ ও একচেঞ্জ কমিশন (মিউচুয়ালফান্ড) বিধিমালা, ২০০১.



## **B. For Open- end Mutual Funds**

1. Merchant Bankers need not to maintain any provision when the average cost price (CP) of a mutual fund is lower than or equal to the latest repurchase price (RP)/ surrender value (SV) of the open-end funds.
2. Merchant Bankers shall maintain provision when the average cost price (CP) of a mutual fund is greater than the latest repurchase price (RP)/ surrender value (SV) of the open-end funds.

i.e. Required Provision (RP) = Average cost price (CP) – Latest Surrender Value (SV) (i.e. Not over 5% discount of NAVcmp)

Merchant Bankers shall have to consider the latest NAVcmp calculated and disclosed by mutual funds as per বিধি ৬০ and বিধি ৬১ of the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচুয়ালফান্ড) বিধিমালা, ২০০১ and further instructions thereof.

This Directive shall come into effect immediately.

By order of the Bangladesh Securities and Exchange Commission



Dr. M. Khairul Hossain  
Chairman.