



## **An Introductory Startup Guide for NRB**

Who are NRB?

A Bangladeshi citizen living abroad with valid status

- ✳ Either as foreign country's permanent resident or with valid work permit
- ✳ In case of a foreign passport holder an endorsement either from the relevant Bangladeshi embassy or from Bangladesh foreign ministry stating that "No visa is required" for traveling to Bangladesh – as a proof of dual citizenship

What are the benefits for Investing as NRB?

- ✳ 10% of all issued IPO are reserved for NRB – may be increased very soon for at least very large issues
- ✳ No Capital Gains tax
- ✳ Minimum 60% of ICB NRB Mutual Funds are reserved for NRB's (Last one advertised on 11th April, 2008)
- ✳ Can also trade in the secondary capital market while abroad through Nominee in local currency. Availing custodian services for individuals are difficult and expensive. So investment amount should be transferred either to Nominee or Brokers trading account and then trade on secondary market either by nominee or personally by phone calls, fax, email etc. – remember, the buy sale order will have to be faxed in within 24 hours in account is operated personally.

How to start?

- ✳ Open a BO Account and a Trading Account as an NRB with any brokerage house
- ✳ Assign a Nominee/Power of Attorney (POA) – optional
- ✳ A nominee for inheritance/transmission, in case something happens to investor, is required to be assigned. Remember that this nominee and the POA may or may not be the same person.
- ✳ Start

What is a BO Account?

BO Account stands for Beneficiary Owners Account. This is the account that holds your shares like an inbox holding all your emails.

- ✳ All shares from new IPO's and most of secondary market shares are in electronic form and a BO account, owned by the investor, hold the electronic shares
- ✳ All NRB are requested to open a BO account through any one of the Brokerage houses of DSE by filling required forms and submitting required documents



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What are required to open BO Account?

- ✳ Photocopy of Passport / Social Security Card / Resident Card etc duly attested (if you are situated in a foreign country then attestation needs to be done the respective Bangladesh Embassy or High Commission)
- ✳ An FC account with any Bank with branch in Bangladesh
- ✳ Passport size photographs duly attested
- ✳ A Nominee – beneficiary in case of death of the investor. His/her signature and photo (duly attested by the investor) on the prescribed form provided by the brokerage house
- ✳ Employment certificate / trade license copy / work permit or Pay slip / tax return document as a proof of earning status of the NRB
- ✳ A nominated person with POA (Power of Attorney) who will sign trading documents on behalf of the NRB while he is abroad. His/her photo (attested by the NRB) and signature in a prescribed form by the brokerage house (POA can be any adult person of legal age residing in Bangladesh)
- ✳ If the broker is a bank then an extra form of KYC (Know your customer will also have to be filled)
- ✳ Initial fund will have to be a cheque or pay order or other allowed form drawn from the FC account

What is a Trading Account?

- ✳ Trading account is an account, with the broker, in which the NRB will deposit his/her initial investment from which the broker will credit or debit fund for buy/sell
- ✳ All earnings from the investment can be first transferred to a local currency account of the NRB and then to the trading account through help of the POA
- ✳ Trading account will allow the NRB to allocate fund for investment in the secondary market
- ✳ Sales proceeds will be issued by Account Payee cheque in favor of the NRB Investor. As such a local account or a NITA account is needed.

What is a NITA Account?

- ✳ Non-resident Investment Taka Account (NITA) is an account for channeling foreign currency in as well as repatriation of earnings from investment
- ✳ All earnings from investments (e.g. Cash Dividends) are credited to the NITA account
- ✳ An audited statement, certifying that all proper taxes are already withheld from the earnings
- ✳ Upon issuance of the auditors certificate the earnings can be repatriated to the NRB in foreign currency
- ✳ If an investors intention is not to repatriate any foreign currency then NITA account is not mandatory



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From where should an NRB open his accounts? Home or Abroad!

#### Home

- ✦ Its easiest if the NRB is in Bangladesh to open the BO account for investment. All he/she have to do is to visit a preffered brokerage house and fill some forms and get the Nominee and the POA to sign
- ✦ From then the NRB can go back abroad and continue applying for IPO's or continue trading in the secondary market

#### Abroad

- ✦ If you are abroad and intend to open the BO from there then you need the following steps:
  - Collect the relevant forms from your preffered brokerage house via mail. Fill it up and get the introducer part attested by the local Bangladeshi Embassy as a proof of the NRB status by providing to them the required documents.
  - Get your photos attested by the local Bangladesh Embassy as well
  - Send the forms back to the brokerage house with the Nominee and POA part filled in. Send the POA to the brokerage house.

#### How to Buy or Sell?

- ✦ IPO application needs to be filled on a prescribed form. Such forms can be obtained through mail, website of issuing company, or through broker etc.
- ✦ Trading in secondary market is done by Buy/Sell order forms.
  - If POA (Nominee) is assigned then the POA need to sign the Buy/Sell order form within 24 hours of order placement
  - If NRB wishes not to assign a POA then orders can be placed via phone or email (broker approval required) and then a signed Buy/Sell order form needs to be faxed to broker within 24 hours
- ✦ Trading will be carried out within prevailing market guidelines
- ✦ Shares will be credited or debited to the BO account accordingly

#### What happens to Dividends, Bonus etc?

- ✦ Cash Dividend warrants will be issued to the NRB. These are usually account payee cheques. So this can either be deposited to NRB's local Bank Account, FC Account or to NITA accounts then may be to the trading account to be reinvested in the secondary market through the broker, if the POA follows the proper procedures
- ✦ All Bonus Shares will be credited to the BO account
- ✦ Earnings can be withdrawn from the investments by placing a request to the broker
  - The broker will issue an account payee cheque in local currency in the name of the NRB



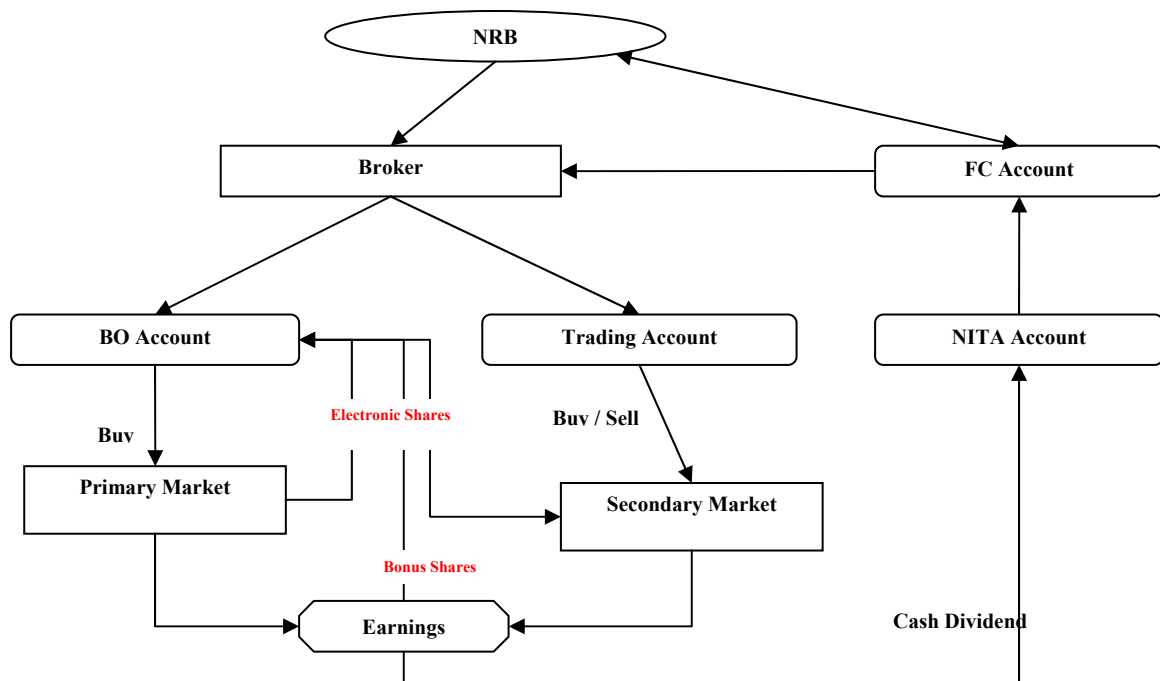
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- How to redeem the cheque is up to the NRB – e.g. he/she can deposit it to a local account or NITA (Non-resident Investment Taka Account) account
- Repatriation of earnings can be done through NITA accounts by following proper guidelines

What are the Tax rates for NRB?

- ✳ There are no Capital Gains Tax
- ✳ Individual Income Tax assessment is similar to any other Resident Bangladeshi. Please go to <http://www.nbr-bd.org/incometax.html> for details of rates. NRB can submit tax return to local Bangladesh Embassy
- ✳ Individual Income tax will not be more than 15%
- ✳ 10% at source is deducted by issuer in case of cash dividend

Flow Chart of Investment?





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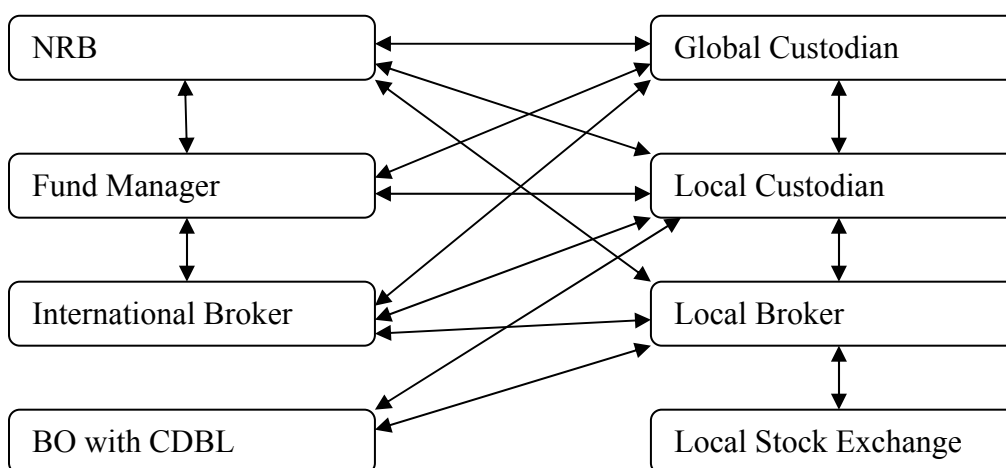
Note:

If NRB is interested to avail custodian service then it is advisable to try to avail the service collectively. The custodial service provided by the local Custodians in Bangladesh (HSBC Limited, SCB Limited, Dhaka Bank Limited, South East Bank Limited, AB Bank Limited and Citi NA) is done through whole sale window not retail. As such they are not comfortable to provide custodial service to individual in a cost effective manner. The way to get collective custodial service is to contact any find manager or international broker or global custody service provider in your locality and contact a custodian in Bangladesh through them. In this way you are free to have individual level BO and order placement without any problem through the intermediary. This process will easily enable you to take part in the secondary market with proper legal channels for foreign currency in and out.

Common services provided by a custodian are:

- ✳ Account Services
- ✳ Trade settlement Services
- ✳ Registration services
- ✳ Safe keeping services
- ✳ Corporate Action services
- ✳ Foreign Exchange Services
- ✳ Cash management services
- ✳ Market expertise
- ✳ Escrow Services

The flow of Investment activity may take place in the following form:



The NRB may take any of the possible routes outlined above to link to the local broker and custodian. Putting in more intermediaries increases cost but may provide more safety and/or single point communication for the Foreign Investor.



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Trading: Custodian ↔ Broker

- ✦ Custodian usually receives orders via SWIFT or any other acceptable standard
- ✦ Custodian carries out share and monetary transactions with the local broker
  - ✦ **DVP** (Delivery versus Payment): Delivers shares from NRB's specified BO to Brokers BO upon Receiving Payment only. DVP is applicable for sale orders
  - ✦ **RVP** (Receive versus Payment): Receives shares to NRB's BO account of any other Omnibus BO as specified by NRB's collective representative (fund manager or international broker or global custody) and makes payment. RVP is applicable for buy orders
- ✦ For DVP the broker sends **sale** confirmation to NRB's representative which in turn is communicated by NRB to custodian through the representative. Then Broker confirms payment amount and quantity of shares involved with custodian. Then broker pays the custodian to receive the shares.
- ✦ For RVP the broker sends **buy** confirmation to NRB's representative which in turn is communicated by NRB to custodian through representative. Then Broker confirms amount and quantity of shares involved with custodian for the transaction. After settlement with the Exchange (after prevailing settlement periods) the broker delivers the shares to the custodian to receive payment for the shares
- ✦ NRB send buy/sale order notice to custodian and broker separately through fund manager/global custodian/international broker
- ✦ After execution of order the broker communicates with custodian to match the order
- ✦ Once the orders are matched the settlement between broker and custodian takes place