

## NOTIFICATION

Dated the 24th May, 1998

### Settlement of Stock Exchange Transactions Regulations, 1998

No. DSE-343/97/910 - In exercise of the powers conferred by section 34(1) of the Securities and Exchange Ordinance, 1969 (XVII of 1969), Dhaka Stock Exchange makes, with the prior approval of the Securities and Exchange Commission, the following regulations, namely :-

1. **Short title.**- These regulations may be called the Settlement of Stock Exchange Transactions Regulations, 1998.

2. **Definitions.**- In these regulations, unless the context otherwise requires,-

(a) “**DSE**” means Dhaka Stock Exchange Ltd.

(b) “**Clearing house**” means the facilities provided by DSE for completion of transactions through receipts and deliveries of securities and/or cheque/pay order/demand drafts.

(c) “**Contract**” means a contract of transaction executed between the Buying Member and Selling Member in the trading system of DSE.

(d) “**Trading day**” means the specific day on which transactions are carried out by the Members in DSE (i.e. T+0).

(e) Regulation 2(e) has been substituted as follows since 13-9-2001 :-

‘**Settlement day**’ means the day on which transactions that were carried out by the Members on a trading day are settled by them through delivery of securities and/or cheque/pay order/demand draft to the clearing house of DSE, and which shall be the first day subsequent to the trading day, i.e. T+1 for A and B category companies, and the fourth day subsequent to the trading day, i.e. T+4 for Z category companies.

(Now  
prevailing)

(f) If any settlement or clearance day falls on any holiday, the next day subsequent to the holiday shall be the settlement or clearance day.

**Explanation.**- In this regulation, “holiday” means a day which is so declared by DSE.

(g) “**Member**” means member of DSE who are registered as the stock broker/dealer by the Securities and Exchange Commission under the Securities and Exchange Commission (Stock-Broker, Stock-Dealer and Authorised Representative) Regulations, 1994.

3. Previous regulation 3 has been substituted as follows since 13-9-2001:-

“**Contract note.**- All transactions carried out in DSE shall be evidenced by a computerized contract note having a contract number with date of execution of trade as prepared automatically through the DSE automated trading system immediately upon completion of trade in DSE. Subject to the provisions of regulation 12 all transactions evidenced by such contract note shall be settled through the clearing house.” **(Now prevailing)**

4. Previous regulation 4 has been changed as follows since 15-4-2001: -

“ **Position for settlement.** - (1) The clearing house shall work out the due position of every member in every scrip of the following category of companies, which shall be described as A-category companies, in which the member has dealt in on a trading day by adjusting the total buy with the total sell of that scrip; and shall also ascertain the net balance receivable from or payable to every member for the trading day; and shall notify every member the due position and the net balance as aforesaid of the trading day within the subsequent day of the concerned trading day for settlement .

(As per SEC Directive # SEC/LSD/Directive/SE/200/01 dated 1/ March 2003  
SEC has directs as under)

“Adjusted due position mechanism for settlement of script only as provided by Regulation 4(1) of Settlement of Transaction Regulations, 1998 of Dhaka Stock Exchange Ltd. shall remain suspended from 19<sup>th</sup> March 2003 until further order. **(Now Prevailing)**

If, however, a company fails to recommend/announce a total dividend at least 60% (sixty percent) of the rate of dividend paid for the last time shall be outside the netted settlement system from the date of such declaration of dividend till the date of holding the next annual general meeting. **(SEC directive dated 6-5-2002)**

### A-category companies

Companies which are regular in holding the current annual general meetings and have declared dividend at the rate of ten percent or more in the last English calendar year : **(Now prevailing)**

Provided that transaction for odd lot (other than market lots or multiple of market lots) and big lot (single or more certificates containing multiple of market lots in each certificate) may be kept outside the adjusted due position mechanism for settlement.

- (2) Transaction of shares (other than those of Mutual Funds) of the following category of companies, which shall be described as B-category companies, shall be kept outside the adjusted due position mechanism for settlement -

### B-category companies

Companies which are regular in holding the annual general meetings but have failed to declare dividend at least at the rate of ten percent in the last English calendar year.

- (2.1). In case of the newly listed securities, the rate of earning per share (EPS) based on the audited accounts of a full year of twelve months, as contained in the prospectus of the concerned companies, shall be treated as substitute of the rate of dividend applicable for 'A' and 'B' category of companies if no dividend were declared by such companies in the last English calendar year: **(Added on 13-9-2001)**

Provided, however, that the net profit after tax, or net profit after adding back the tax holiday provision, as the case may be shall be the basis for calculating the EPS.

3. For previous regulation 4(3), the following new sub-regulation 4(3) has been substituted since 13-9-2001 :-

- (3) Transaction of shares (other than those of Mutual Funds) of the following category of companies, which shall be described as Z-category companies, shall be kept outside the adjusted due position mechanism for settlement - **(Now prevailing)**

### **G-category companies ( Greenfield companies)**

(Dated : August 08, 2002)

### **N-category companies**

Dated : July 03,2006)

All newly listed companies except Greenfield companies will be placed in this category and their settlement system would be like B-category companies

### **Z-category companies**

Companies which have failed to hold the current annual general meetings or have failed to declare any dividend or which are not in operation continuously for more than six months or whose accumulated loss after adjustment of revenue reserve, if any, is negative and exceeded its paid up capital:

Provided that the chief executive officer of the exchange may bring any other company under this category, if deemed necessary, with the prior written consent from the Commission:

Provided further that the words, 'or whose accumulated loss after adjustment of revenue reserve, if any, is negative and exceeded its paid up capital' shall not be applicable for the companies which have declared dividend out of the current profits in the last English calendar year and held annual general meeting(s) relating to all outstanding financial year(s) despite having such accumulated loss exceeding the paid up capital. (Added on 12-3-2002)

5. **Security deposit.**- Every member shall keep such amount of money as security deposit with DSE as determined by DSE from time to time to meet any exigency.

6. **Settlement by delivery of securities and payment by cheque/pay order/demand draft by member.**- Every member shall deliver securities and make payment by an account payee cheque/pay order/demand draft issued in favor of Dhaka Stock Exchange Ltd. and drawn on a scheduled bank in Dhaka city to the Clearing house on the settlement day.

Provided however that such settlement by member may also be made through the Regional Clearing house of DSE, if so declared by DSE, as opted before-hand by the member and agreed by DSE.

### 7. **Automatic buying in and selling out :**

For regulation 7, the following new regulation has been substituted, as follows, since 10-5-1999 :-

(i) If a member fails to deliver securities and/or make payment by cheque/pay order/demand draft within the settlement day, DSE shall automatically square up the unsettled transaction by buying-in or selling-out, as the case may be, in DSE after the day subsequent to the settlement day on the risk and account of the defaulting member, without any further reference. DSE shall inform the defaulting member as to the difference money, if any, for payment immediately after buying in or selling out by DSE. (Now prevailing)

- (ii) If a cheque issued by a member is dishonoured by his/its bank, DSE shall automatically square up the unsettled transaction by selling out his securities in DSE after dishonour of the cheque on the risk and account of the defaulting member without any further reference to him. Dishonour of cheque shall be treated as non-payment for that purpose. DSE shall inform the defaulting member as to the difference money, if any, for payment immediately after selling out by DSE. **(Now prevailing)**
- (iii) If required quantity of security can not be bought-in as per sub-regulation (i) because of suspension of the trade or de-listing of a security or for any reason whatsoever, the defaulting member shall make payment of the amount equal to the buying price plus the contract charge and commission for the unsettled security by pay order/demand draft to the clearing house on the next day of the settlement day (i.e. T+2), and the buying member shall receive the payment from the clearing house on the second day subsequent to the settlement day (i.e. T+3) instead of the security in respect of the transaction carried out on trading day.; **(Effective from 14-9-2000)**
- (iv) The defaulting member shall not be allowed to carry on trading in DSE from the day subsequent to the settlement day until payment of the difference or compensation money and fine as prescribed under regulation 9 are made to DSE. Excess difference money, if any, shall be forfeited by DSE. **(iii) renumbered as (iv) on 14-9-2000)**

Provided that if any member fails to make payment and/or deliver securities within the settlement day more than once in any calendar month of English era, DSE shall inform SEC in writing details of such default cases immediately after closure of the settlement time determined by DSE for the settlement day. Such member shall not be allowed by DSE to carry on trading in DSE from the day subsequent to the settlement day in respect of the second failure until written clearance to this effect is issued from SEC to DSE.

8. **Clearance by delivery of securities and issue of cheque by DSE.**- The Clearing house shall deliver securities and make payment by account payee cheque issued to a member in respect of the transaction carried out on each trading day on the second day subsequent to the settlement day, i.e. T+3 for A & B category companies and on the 3rd day subsequent to the settlement day i.e. T+7 for Z category companies.

9. Regulation 9 has been changed as follows with effect from 10-5-1999 :-

Fine for default.- The defaulting member shall be liable to pay a fine to DSE for each default as per the following schedule -

For value equivalent	Fine per day
Up to Tk. 1 (one) lac	Tk. 5,000
Above Tk. 1 lac and up to Tk. 2 (two) lac	Tk. 7,500
Above Tk. 2 lac and up to Tk. 10 (ten) lac	Tk. 10,000
Above Tk.10 lac and up to Tk. 50 (fifty) lac	Tk. 25,000
Above Tk.50 lac and up to Tk. 1 (one) crore	Tk. 50,000
Above Tk. 1 (one) crore	Tk. 1,00,000 plus the amount of fine as per the above fractional slabs.

10. Regulation 10 has been substituted as below with effect from 11-8-1999 :-

**Replacement/Refund, etc. against bad or defective securities.-** If any securities delivered by a member turns out to be forged, fake, stolen, invalid, defective in any way whatsoever, the defaulting member shall be liable to replace such securities or refund the amount at his selling price with interest at 2.5% per month for the period covering from the settlement date up to the day of the replacement/refund, etc. are completed, along with all benefits attributable to such securities at the settlement date, absolutely as per the buyer's option, within seven market days of issuance of the written notice of demand by DSE. The defaulting member shall be barred from carrying on trading in DSE from the eighth market day of such notice if the member concerned fails to make replacement/refund, etc. within the said seven days until the replacement/refund, etc. are completed to the satisfaction of DSE: (Now prevailing)

Provided that DSE shall from time to time prescribed/determine the modus operandi concerning identification of the defaulting member, notice, rectification, replacement/refund, etc. and/or otherwise handling of the bad or defective securities:

Provided further that no complaint will be entertained by DSE unless it is lodged within one month from the end of the book closure date of concerned company or six months from the date of purchase, whichever is earlier:

Provided further that if DSE receives a complaint as aforesaid it shall issue the notice of demand as mentioned above within three days from the date of receipt of the complaint.”

**11. Continuous failure of a Member to pay any amount, difference money, interest and/or fine or replace any defective securities.-** If any member fails continuously to pay any amount, difference money, interest and/or fine in terms of regulations 7 and 9; and replace any defective securities along with the attributable benefits, if any, in terms of regulation 10, DSE shall have the right to adjust the security deposit of the defaulting member; and in case of shortfall, to sell the membership of the defaulting member to meet the shortfall.

**12. Direct settlement between the members:** Previous provision of the regulation 12 has been replaced by the following new provisions from 7-2-1999: -  
The existing section 12(a) shall be renumbered as 12(a) (i) and the following new rules 12(a) (ii), 12(a) (iii), 12(a) (iv), 12(a) (v) and 12(a) vi) shall be inserted: -

(a) (i) **Spot transaction.-** Members shall be allowed to carry out spot transaction in DSE arising out of the closure of book or closure of the renunciation period of listed companies as decided by DSE, to be settled directly between the members within the trading day (i.e. T+0) for dematted shares and within the next trading day (i.e. T+1) for non-dematted shares with information to the clearing house. The members concerned shall submit details of the settlements along with the documentary evidence thereof, as prescribed by DSE in this behalf, to the clearing house within 10:00 A.M. of the next second trading day (i.e. T+2). (Now prevailing)

12(a) (ii) In case of dematted shares/bonds settlement will take place to the member clearing A/c just normal transactions. The selling broker shall deposit the pay in transfer form with DP at T+0 while the buying broker shall deposit cash or pay order or demand draft or make direct transfer of funds to DSE Clearing A/c on T+0 day within banking hour & report the same to Clearing department of DSE.

12(a) (iii) In case of default by either party, the party concerned shall be subjected to default members as per regulation 7 and 12 of the “Settlement of Stock Exchange Transaction Regulation, 1998” as amended up to date and the relevant.

12(a) (iv) In case of default on the part of selling broker the client of buying broker shall be entitled to enjoy all benefit accruing to spot transaction from the selling broker through the Stock Exchange.

The relevant transaction of defaulting seller shall be removed from payout data file while for the defaulting buying broker’s relevant transaction will be replaced by DSE’s Clearing Account.

12(a) (v) If trading of the Exchange is Closed for any unavoidable circumstances the settlement date shall automatically be deferred and to the next working day.

**(b) Transaction of foreign buyer and/or seller.-** Members shall be allowed to carry out transaction of foreign buyer and/or seller involving a custodian bank to be settled directly between the member through the custodian bank within the fifth day subsequent to the trading day, i.e. T+5, in respect of the transactions carried out on each trading day with intimation to the clearing house. The members concerned shall submit details of the settlements along with the documentary evidence thereof, as prescribed by DSE in this behalf, which shall include a confirmation certificate issued by the custodian bank concerned to DSE in respect of settlement of transaction, to the clearing house within 10:00 A.M. of the sixth trading day subsequent to the concerned trading day (i.e. T+6).

The defaulting members, as decided by DSE, in respect of (a) or (b) above shall not be allowed to carry out trade in DSE from the day of default (i.e. T+2 and T+6 respectively) until the concerned trade is settled to the satisfaction of DSE and a fine of Tk. 5,000 per day in case of spot transaction and Tk. 10,000 per day in case of transaction of foreign buyer and/or seller, as the case may be, for each default is paid to DSE. DSE shall simultaneously furnish details of such default to the Securities and Exchange Commission (SEC).

**13. Prohibition of carry forward or short selling.-** No member shall be allowed to short sell any securities or carry forward any transaction. The defaulting member shall be barred from carrying out trading in DSE immediately upon detecting the default by DSE through spot verification of the member’s books & records. DSE shall simultaneously furnish details of such default to the Securities and Exchange Commission.

Explanation – ‘Short selling in relation to a security, means the sale of the security which a member does not either own in his own account or possess for the account of his client at the time of sale. (Added on 17-6-2000)

Provided that the defaulting member shall not be allowed to carry out trade until a fine equivalent to the short-sell amount is paid to DSE: (Added on 13-9-2001)

Provided further that if the defaulting member infringes this provision for more than once in a month of the English era, the suspension of his trade shall continue, without prejudice to the provision of regulation 16, until a written clearance is issued by the Commission in this respect.

14. **Settlement to client by delivery of securities and payment by cheque by a member.-** A member shall make settlement to his/its client by delivery of good securities and/or payment by cheque “good for payment” within one day of his/its receipt of securities and/or cheque from the Clearing house. Any default shall attract a fine of Tk. 500 for each day for each default. Interest shall also be payable to a client for delayed payment at 1.5% per month.
15. **Reporting to the Securities and Exchange Commission.-** DSE shall furnish a weekly report to SEC in the form determined by SEC on clearance and settlement of transactions within two days of the end of the week.
16. **Violations to attract penal provisions.-** Violations of these regulations shall attract penal provisions of the Securities and Exchange Commission (Stock-Broker, Stock-Dealer and Authorized Representative) Regulations, 1994; the Securities and Exchange Commission Act, 1993; and/or the Securities and Exchange Ordinance, 1969.
17. **Supersession of existing Regulations.-** These regulations supersede any other Regulations relating to clearance and settlement of transactions in force in DSE.