

**DHAKA STOCK EXCHANGE**  
**INVESTORS' PROTECTION FUND REGULATIONS, 1999**

**PRELIMINARY**

WHEREAS it is to expedient to frame regulations for establishing a Fund for the protection of the investors of a defaulting member of the Dhaka Stock Exchange Ltd. (DSE)

Now, therefore, in exercise of the powers conferred by section 34 of the Securities and Exchange Ordinance, 1969 (Ord. XVII of 1969 ), the Dhaka Stock Exchange Ltd. makes , with the approval of the Securities and Exchange Commission, the following regulations namely:-

**1. Short Title**

These regulations shall be called “**DHAKA STOCK EXCHANGE INVESTORS' PROTECTION FUND REGULATIONS, 1999**”

**2. DEFINITIONS**

1. In these regulations unless there is anything repugnant in the subject or context;
  - (a) “ Board” means the Board of Trustee of the Fund ;
  - (b) “Council” means the Council of DSE;
  - (c) “Commission” or “SEC “means the Securities and Exchange Commission
  - (d) “Chairman” means the Chairman of the Council of DSE ;
  - (e) “Defaulting member” means a member of DSE who has been adjudicated as insolvent or has, as the case may be , wounded up voluntarily or otherwise, or who has failed to settle his customers' dues in terms of money or security;
  - (f) “ Dhaka Stock Exchange” or “DSE” means the Dhaka Stock Exchange Limited ;
  - (g) “Fund” means the Dhaka Stock Exchange Investors' Protection Fund established by Dhaka Stock Exchange Ltd. under these regulations;
  - (h) “Investor” means a customer of a member of the DSE placing funds or securities with the member for carrying out buy or sale transaction in security listed with DSE, and shall also include the money or security due to be paid or delivered to the customer by member; but shall not include the member or any of the directors or partners;
  - (i) “Member” means a member of the DSE;
  - (j) “Trustees” means a member of the Board ;
  - (k) “Year” means the Financial year ending on 30th June each year.

- (2) Words and expressions used but not defined shall have the same meanings as are assigned thereto in the Companies Act, 1994, the Securities and Exchange Ordinance, 1969, the Securities and Exchange Commission Act, 1993, the Trust Act, 1882;
- (3) Words importing the masculine gender shall, unless a contrary intention appears, be taken to include the feminine; and
- Words importing the plural number shall, unless a contrary intention appears, be taken to include the singular.

#### **4. RECOGNITION OF THE FUND**

- (1) On the commencement of these regulations, there shall be established a Fund to be called the Dhaka Stock Exchange Investors' Protection Fund.
- (2) The Fund shall be inévocable .

#### **4. CONSTITUTION OF THE BOARD OF TRUSTEES FOR THE FUND**

- (1) The Fund shall be vested in and managed by the Board of Trustees;
- (2) The Board of Trustees shall consist of -
- (i) a Chairman to be nominated by the commission from among distinguished person who are not in any way associated with any Stock Exchange ;
  - (ii) One member councillor to be nominated by the Councillor;
  - (iii) One non-member councillor to be nominated by the Councillor;
  - (iv) One nmember to be nominated by SEC from among among the investors;
  - (v) The Chief Executive Officer of DSE
- (3) The SEC shall nominate the Chairman and a Trustee within the first month of each year;
- (4) The Council shall nominate the member councillor and non –member councillor Trustee in the first council meeting of each year;
- Provided that the first Board shall be constituted within one month of coming into force of these regulations.
- (5) A Trustee shall cease to hold office if -
- (a) he ceases to be an office bearer or a member of the Council, in case of a member councillor of DSE

- (b) his nomination is cancelled by SEC, in case of Chairman or its nominee Trustee;
- (c) he becomes insolvent or is of unsound mind;
- (d) he is guilty of an offence involving moral turpitude;
- (e) he becomes incompetent to act for reason of illness or infirmity
- (f) he leaves Bangladesh permanently ;
- (g) he resigns from office of the trustee;
- (h) he remains absent from three consecutive meetings of the Board of Trustee or from all meetings of the Board of continuous period of three months, whichever is the larger, without leaves of absence from the Board;

(6) Any casual vacancy in the Board of Trustees shall be filled by-

- (a) SEC within one month of occurrence of such vacancy, in case of Chairman or its nominee Trustee;
- (b) DSE in the council meeting following the occurrence of such vacancy;

(7) A Trustee shall hold office for term of one year, but shall continue to hold office after the expiry of his term to his successor enters upon his office.

**(6) Power and Functions of the Board**

(1) The Board shall have the entire control over the administration and management of the Fund and shall be vested with all powers authorities and discretion necessary or expedient for that purpose in addition to any express powers conferred by these regulations.

(2) The Board shall meet at least three times during the year and not more than six months shall elapse between any two meetings.

(3) Three Trustees present shall constitute a quorum for such meeting

(4) The Chairman shall preside over all meetings of the Board and in his absence a Trustees elected at the meeting shall preside.

(5) Each Trustee shall have one vote and the decision of the majority shall prevail, and in case of equality of votes, the Chairman shall have a casting vote.

**(7) ACCOUNTS OF THE FUND**

The Board shall be maintain proper accounts of the Fund and these shall be prepared and maintained in accordance with these regulations.

**(8) AUDIT**

(1) The Board shall, within three months of closing of each year, get the accounts of the Fund audited by the practising chartered accountant appointed annually.

(2) Any vacancy arising in the office of the auditor shall be filled in by the Board by appointing another qualified auditor.

(3) The Board shall submit a copy of the audited report and statement of the accounts to the SEC and the council within two weeks of receiving of the report.

(4) (4) The auditor's report and the accounts of the Fund shall be available to the members, through the Council.

**(9) Member's Participation of the Fund**

Participant to the Fund compulsorily for each member of DSE and shall cease to be a member of DSE for any reason whatsoever.

**(9) The Fund**

(1) The Fund shall consist of contributions of DSE and its members, value of securities or amounts collected by the Board on account of the customers of or a defaulting member, accumulations thereof, interest or profits received by the Board in respect of such contributions, accumulations of investment in securities with such contributions, securities or amounts lapsed or forfeited, and of any capital gains arising from the transfer of the capital assets of the Fund and any other amounts as may be vested in or accrued to the Fund from time to time.

(2) All moneys forming part of the Fund shall deposited into a bank account opened with any scheduled bank in the name of Dhaka Stock Exchange Investors' Protection Fund.

(3) All investments and banking accounts of the fund shall be operated jointly by at least any two of the Trustees as decided by the Board.

(4) The Fund shall be used to satisfy the claims of the investors and expenses under these regulations.

**(11) CONTRIBUTIONS TO THE FUND**

(1) The DSE shall pay Taka 10 (ten) lac as initial contribution to the Fund immediately after coming into force of these regulations.

(2) DSE shall also contribute on a quarterly basis to the Fund as its contribution (apart from other voluntary initial or specific contributions made to the Fund as the Council may at its discretion deem fit to contribute from time to time) the amount representing 0.50 % (point five zero per cent) of the listing fee received by the DSE during the immediately preceding quarter which shall be placed in the Fund immediately after closure of each quarter.

(3) The Council reserves to itself the right to alter, vary, discontinue at any time the contribution to the Fund without reference to the Board or the members of the Fund, but no such alteration, variation, discontinuance shall be made without prior consent from the SEC and be retrospective in nature.

(4) Every member shall contribute quarterly at the rate of 50 (fifty) paisa for every Taka 10 (ten) lac or part thereof of his gross cumulative turnover (buy + sale) to the Fund. Immediately after closure of each quarter.

(5) DSE shall be entitled to deduct from or adjust against the settlement accounts or any other accounts of the member the amount of the member's contribution and shall place the amount in the Fund within three working days of closure of each quarter.

**(12) Contingency Fund from DSE**

(1) If at any time the Fund becomes insufficient to satisfy the liabilities that are then ascertained of the Fund, the Board may request the Council for such amount of contingency Fund as the Board thinks it fit to satisfy such liabilities of the Fund

(2) The amount of such contingency Fund shall be paid by DSE to the Fund within such time and such terms as may be determined by the Council to be reasonable in relation to any particular case or situation.

- (3) The contributions, other than the contingency Fund, made to the Fund by DSE and its members shall be non-refundable and shall not be considered as a debt due by the Fund to DSE or to any member.

(13) **INVESTMENT OF the FUND**

The Board shall invest all moneys of the Fund in such manner as may be authorised by law for the time being in force for investment of public charitable trust funds.

All investments and banking accounts of the Fund may be kept by the Trustees with any scheduled bank in the name of the Fund under the control of at least any two of the Trustees with power to operate the banking accounts, and to sell, transfer, vary and transpose such investments.

(H) **LOSS**

Any loss in or diminution in value of the investments of the Fund from whatever cause arising, not being due to the gross neglect or wilful default or fraud of the Trustees, shall be borne by the Fund and the Trustees shall incur no responsibility or liability by reason or on account thereof.

(I) **REFUND OR WITHDRAWAL OF CONTRIBUTION TO THE FUND**

The members shall not be entitled to any repayment or refund or withdrawal of their due contribution to the Fund on cessation of membership for any reason whatsoever.

**6. LODGING OF CLAIMS AND PAYMENT AGAINST CLAIMS**

(A) Claims of the customers may generally fall into the following categories :

- (i) Claims arising out of payments made to a member for securities which have been received from DSE but not delivered by the member;
- (ii) Claims arising out of securities delivered to the member by the customer but in respect of which the sale proceeds have not been received;
- (iii) Claims arising out of money in the hand of the member pending utilisation for buying securities or money in the hand of the member which has been improperly dealt with;
- (iv) Claims arising out of securities in the hand of the member which have been

improperly dealt with.

**(B) CLAIMS TO BE CONSIDERED FOR PAYMENT**

The Trustees shall consider the claims of customers of a member who has become a defaulter in respect of any of the following :

- i) Winding up
- ii) Insolvent

**(C) CERTAIN CLAIMS TO BE DISALLOWED**

The fund shall not be available for claims in respect of repayment of deposits or loans placed with or given to a defaulting member by any person or for any other transaction not connected with the purchase and/or sale of listed securities.

**(D) TIME LIMIT FOR LODGING CLAIMS**

Customers of a defaulting member shall lodge a claim with the Trustees of the Fund within a period of six months from the date of declaration of such member as a defaulter in accordance with these regulations. The Trustees may not entertain any claim lodged after the expiry of the aforesaid time limit. The Trustees may also not entertain such claim if the defaulting member gets himself readmitted as a member.

**(E) CLAIMS AGAINST A DEFAULTER WHO HAS MEMBERSHIP IN MORE THAN ONE STOCK EXCHANGE IN BANGLADESH**

- (i) The claimant at his discretion may lodge claim with anyone Board of Trustees of the Fund.
- (ii) In the case of same claim lodged with more than one Board of Trustees the claimant's discretion will be sought in respect of his desire as to from which Fund he likes to have the claim settled. The Boards of Trustees will ascertain from each other so that the same claim is not lodged with and settled out of more than one Fund.

**(F) DETERMINATION OF NATURE OF CLAIMS AND PAYMENTS**

The Trustees shall have an absolute discretion as regards the mode and method of assessing the nature of the claims including their genuineness and shall likewise at

their discretion accept, reject or partially grant or allow claims and make payments there at subject to the limits herein mentioned, as they may deem fit and proper.

**(G) COMPENSATION NOT TO EXCEED MAXIMUM LIMIT**

The compensation paid in respect of any single customer claimant shall not exceed a sum of Tk.25,000/- (twenty-five thousand) only. The Trustees may however at any time in consultation with the Council increase the maximum limit of compensation payable as aforesaid.

**(H) APPEAL**

A customer shall be entitled to apply to the Trustees for reconsideration of the decision of the Trustees to reject or partially grant or allow any claim and the decision of the Trustees shall be final and binding and the Trustees shall act accordingly.

**(I) CLAIM NOT TO AFFECT LEGAL PROCEEDINGS**

The rejection or partial acceptance of any claim by the Trustees or as the case may be, or the grant of any compensation to a customer claimant shall not preclude or debar such customer to pursue his claim for dues against the defaulting member in any court of law or otherwise howsoever or other legal action on other grounds or causes of action of whatsoever nature, subject, however, that the net claim of any such customer claimant against a defaulting member shall stand reduced to the extent of the compensation received by him from the Fund.

**7. DISCRETIONARY NATURE OF FUND**

The Fund shall be discretionary Fund and the Trustees shall be under no legal obligation to collect the debts of a defaulter member and/or to make payments from the Fund as mentioned hereinabove.

**8. BAR ON ASSIGNMENT**

The contribution of a member shall not be a debt due from the Fund and no member shall be entitled to transfer or assign in any manner his contribution to the Fund.

**9. ALTERATION OF REGULATIONS**



- (i) The Trustees, with the written consent of the Council may, in their discretion, alter, modify or repeal any of these regulations as they consider necessary but no such addition, alteration, modification or repeal shall have retrospective effect;
- (ii) If there is any repugnance between these regulations and DSE rules, bye-laws or regulations, such repugnance, to that extent, shall be ineffective and the Trustees shall, if so required by the Council, remove such repugnance.
- (iii) Any such alteration in or removal from these regulations shall be made and become effective subject to the compliance of the relevant provisions of the Securities and Exchange Ordinance, 1969.

#### **10. EXPENSES OF THE FUND**

The Trustees shall not be entitled to any remuneration but shall be entitled to charge to the Fund all expenses of management and administration of the Fund including fees of auditors, legal advisers or other professional advisers, and staff salaries, wages and all related costs, charges and expenses to which the Trustees shall be put to in connection with the Fund or any legal claim thereon by any reason whatsoever.

#### **11. INDEMNITY**

The Trustees shall be indemnified by the Fund from and against all actions, proceedings, losses, damages, claims, liabilities, costs, charges and expenses in connection with the Fund or the management and administration thereof or any dealings therewith provided that the same shall not arise by reason of their gross neglect or wilful default or fraud or of personal reason.

#### **12. DECLARATION**

Every member shall sign a Declaration in the form prescribed by the Trustees signifying his assent to the Fund and to abiding by and observing the regulations for the time being in force including the decision of the Trustees.

#### **13. REPORTING TO SEC AND DSE**

The Trustees shall furnish a quarterly report on the Fund and affairs of the Trustees to SEC and DSE within one month of the end of each quarter.

#### **14. WINDING-UP**

- (i) The Trust shall be wound up, dissolved or liquidated only in the event of the dissolution of Dhaka Stock Exchange Ltd.
- (ii) For the purpose of winding up the Trustees shall first realise the assets of the Fund and after meeting all debts/liabilities and claims the amounts/assets so realised shall be and form a part of the property of Dhaka Stock Exchange and shall be appropriated or utilised accordingly.