

বাংলাদেশ



গেজেট

অতিরিক্ত সংখ্যা

কর্তৃপক্ষ কর্তৃক প্রকাশিত

বুধবার, নভেম্বর ৮, ২০০৬

[ বেসরকারী ব্যক্তি এবং কর্পোরেশন কর্তৃক অর্থের বিনিময়ে জারীকৃত বিজ্ঞাপন ও নোটিশসমূহ ]

### DHAKA STOCK EXCHANGE LIMITED

#### Dhaka Stock Exchange (Short-Sale) Regulations, 2006

In exercise of the powers conferred by section 34 of the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969), the Dhaka Stock Exchange Ltd. makes, with the prior approval of the Securities and Exchange Commission, the following regulations, namely :—

1. **Short title.**—These regulations may be called the Dhaka Stock Exchange (Short-Sale) Regulations, 2006.

2. **Definition.**—(1) In these regulations, unless the context otherwise requires—

- (a) “ledger” means a record containing the details of all short-selling activities by a stock dealer or stock broker for its own account or for the account of its clients as required under these regulations;
- (b) “stock exchange” means the Dhaka Stock Exchange Ltd.
- (c) “short-selling” means the sale of a security which—
  - (i) the seller does not own, or
  - (ii) is consummated by the delivery of a security borrowed by or for the account of the seller;

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(2) Words and expressions used herein and not defined, but defined in the Securities and Exchange Ordinance, 1969 (XVII of 1969), the Securities and Exchange Commission Act, 1993 (XV of 1993), the Rules and Regulations made thereunder shall have the same meanings respectively assigned to them in the said Ordinance, Act, Rules and Regulations.

3. **Owning Security.**—A person shall be deemed to own a security only if—

- (a) he has title to the security; or
- (b) he has purchased the security which is available in his own account (including his BO account); or
- (c) he has entered into an unconditional contract, as prescribed by the SEC legally binding on him to buy the security, even if the buyer does not yet have title to them; or
- (d) he has unconditional right or interest to or in the security; or
- (e) he owns a security convertible into or exchangeable for the relevant security and has tendered such security for conversion or exchange or has issued irrevocable instructions to convert or exchange such security; or
- (f) he has an option to acquire the security and has exercised such option; or
- (g) he has rights or warrants to subscribe to the security and has exercised such rights or warrants.

4. **Prohibition of short-selling.**—(1) No stock dealer/stock broker can be engaged in short-selling unless authorised by DSE.

(1) No stock dealer or stock broker shall be allowed to engage in short-selling a security of a company that is not an eligible security for short sale as per the Guidelines for Securities Borrowing and Lending for Short-selling of Securities Listed on the Dhaka Stock Exchange, and the said security which it does not own either for its own account or for the account of its client except as prescribed in these regulations :

Provided that a stock dealer or stock broker shall not short sell for its own account or the account of its clients unless the stock dealer or stock broker or the client, as the case may be, has a valid contract **conforming the aspects/form that are included in the said Guidelines for Securities Borrowing and Lending** to ensure delivery within the time stipulated by the clearing house of the stock exchange in terms of its Settlement of Stock Exchange Transactions Regulations, 1998 :



Provided further that in the case of short-selling for the client's account, the relevant contract to borrow the security shall be countersigned by the stock dealer or stock broker dealing on behalf of the selling client to stand as guarantor for its client to ensure timely delivery of the security sold short :

Provided further that no person shall make a short-sale of a security on the stock exchange below the price of the last sale of the security in the stock exchange.

(2) The Chief Executive Officer of the stock exchange or any officer of the stock exchange authorised by him for the purpose may, by notice in writing, restrict or prohibit a stock dealer or stock broker from short-selling any security, if the circumstances so warrant.

(3) The notice of such restriction or prohibition to the stock dealer or stock broker as mentioned in sub-regulation (2) above shall take effect immediately upon communication to or service on such stock dealer or stock broker and shall remain effective and in force until it is revoked or modified by the chief executive officer or by the officer of the stock exchange authorised by him for the purpose.

**5. Manner of short-selling.**—(1) Subject to the provisions of regulations 3 and 4, a stock dealer or stock broker may short-sell a security—

(a) for its own account; or

(b) for the account of its clients provided it knows or is informed in writing that an order to sell is a short-sale, and shall, when placing a short-selling order, indicate in such manner as the stock exchange concerned shall, from time to time, determine that the order is a short-selling order.

(2) On receipt of an order for the sale of a security, a stock dealer or stock broker shall enquire of the client whether at the time of placing the order such client owns the security offered for sale.

(3) A stock dealer or stock broker shall take all reasonable steps to ensure that the client's disclosures pursuant to these regulations are accurate.

6. **Maintenance of records, etc.**—(1) A stock dealer or stock broker engaged in short-selling shall maintain a ledger as specified in Form-A, which shall be kept upto-date in respect of short selling activities carried out by it on its own account or for the account of its clients.

(2) No stock dealer or stock broker shall cause or allow an entry to be made in a ledger maintained under sub-regulation (1) which it knows or has reasonable grounds to believe to be false or misleading in any material respect.

(3) A stock dealer or stock broker shall make the ledger maintained under sub-regulation (1) available for inspection to the stock exchange and the Commission upon the request of any of them and shall provide copies of such ledger, if requested by either of them.

(4) A stock dealer or stock broker is required to preserve the ledger maintained under sub-regulation (1) for a period of not less than five years after the date of execution of the short-selling transactions to which they relate.

7. **Contravention.**—Contravention of any of the provisions of these regulations shall be punishable under the provision of the Securities and Exchange Ordinance, 1969 (XVII of 1969), Securities and Exchange Commission Act, 1993 (XV of 1993), the Rules and Regulations made thereunder, and the bye-laws of the stock exchange as well.

8. **Power to impose restriction or grant exemption.**—The Commission may, from time to time restrict or exempt any order or trade of any stock dealer or stock broker in respect of all or any of the provisions of these regulations.

9. **Supersession of existing regulations.**—These regulations supersede any other regulations relating to trading, clearance and settlement of transactions in force in the stock exchange, so far it relates to the short-sale of any listed security pursuant to these regulations :

Provided, however, that in case of short-sale of security which is under depository system, relevant provisions of the depository related laws, regulations and bye-laws shall be applicable.





**Guidelines for Securities Borrowing and Lending for Short-Selling of Securities Listed on the Dhaka Stock Exchange.**

The party or parties associated with the short selling of securities listed on the Dhaka Stock Exchange shall adhere to the following—

- (a) The securities that could be short sold must be approved securities *i.e.* securities that are issued by the “A” category company as is defined in the Settlement of Stock Exchange Transactions Regulations, 1998 or the category prescribed by the Exchange with the prior approval of the Commission.
- (b) For short selling of security the broker who shall execute the short-sale order must obtain a margin cover of 20% of the value of the trade from the client before placing short-sale order and whenever market price of short-sold security rises in excess of 10% of the contract price the client must provide additional margin cover of 100% to the broker.
- (c) Short selling shall not be permitted by the Exchange if :
  - the security is under an offer of takeover;
  - the security is not a designated approved security for short selling;
  - not more than 10% of the securities on issue may be Short-sold.
- (d) All stock brokers must report their net short-sold positions to the exchanges at the end of each trading day.
- (e) The securities broker who shall execute the short-sale of securities on behalf of its/his customer must have net worth of Tk. 10 million as per the latest completed audited financial statements subject to the condition that at a particular point in time total guarantee by the broker shall not exceed Tk. 7.5 million *i.e.* Tk. 10 million minus capital adequacy requirement as per Securities and Exchange Commission (Stock Dealer, Stock Broker and Authorized Representative) Rules, 2000.
- (f) The borrower shall borrow the security under and agreement prescribed by the Exchange for a specified period with the condition that the borrower shall return equivalent securities of the same type or class at the end of the specified period along with the corporate benefits accruing on the securities borrowed since the beneficial interest of the securities borrowed shall continue to remain with the lender and all the corporate benefits shall accrue to the lender.



- (g) The lender shall deposit the securities under the securities borrowing and lending agreement to the broker/dealer who shall execute the short selling order on behalf of the securities borrower.
- (h) The lending of securities and the return of the equivalent securities of the same type and class by the borrower shall not be treated as disposal of the securities.
- (i) The broker/dealer shall unless otherwise provided in the agreement with the lender, guarantee the return of the equivalent securities of the same type and class to the lender along with the corporate benefits accrued on them during the tenure of the borrowing. Even in case of failure of the borrower to return the securities or corporate benefits the broker/dealer shall be liable for making good the loss caused to the lender.
- (j) The said borrowing and lending agreement shall also provide for the following terms and conditions :—
  - (i) the period of depositing/lending of securities;
  - (ii) charges or fees for depositing/lending and borrowing;
  - (iii) collateral securities for borrowing;
  - (iv) provisions for the return including premature return of the securities deposited or lent;
  - (v) mechanism for resolution of the disputes through arbitration.
- (k) The borrower shall not be entitled to discharge his liabilities of returning the equivalent securities through payment in cash or kind.
- (l) The broker/dealer shall be entitled to receive from the borrower collateral security and fees for assuming the obligation to return the securities to the lender in the event of default of the borrower to return the securities to the lender.
- (m) The broker/dealer shall issue a receipt acknowledging the deposit of the securities to the lender, and shall also obtain a receipt from the lender upon return of the securities lent by the lender. Both the receipt shall include the complete details of securities deposited such as name of security, quantity, face value, certificate number and folio number (in respect of securities that are not yet dematerialized).

- (n) The broker/dealer shall maintain a complete record of the securities received from the lender, and securities returned to the lender by them (brokers). The said records shall be open for inspection by the Exchange and the Commission or any other person authorized by it for this purpose.
- (o) The broker/dealer shall maintain and make available to the Exchange and the Commission such information, documents, returns and reports as may be specified time to time by the Commission.

**MD. ABDULLAH BOKHARI**

*President*

*Dhaka Stock Exchange Ltd.*

*Clearing HC*  
*Jalim*  
*27/11/06*

এ, কে, এম রফিকুল ইসলাম (উপ-সচিব), উপ-নিয়ন্ত্রক, বাংলাদেশ সরকারী মুদ্রণালয়, ঢাকা কর্তৃক মুদ্রিত।  
মোঃ আমিন জুবেরী আলম, উপ-নিয়ন্ত্রক, বাংলাদেশ ফরম ও প্রকাশনা অফিস,  
তেজগাঁও, ঢাকা কর্তৃক প্রকাশিত।