



Role of Capital Market Stabilization Fund (CMSF) in strengthening the Capital Market of Bangladesh

- Md. Nojibur Rahman

The strength of a country's economic system can be seen through the Capital Market of that country. The development of Capital Market also accelerates the development of the economy of a country. The Government of Bangladesh and the Bangladesh Securities & Exchange Commission (BSEC) are taking many praiseworthy initiatives for ensuring a stable and vibrant Capital Market. The formation of Capital Market Stabilization Fund (CMSF) is one of the commendable initiatives of BSEC. The CMSF is an innovative entity created under Bangladesh Securities & Exchange Commission (Capital Market Stabilization Fund) Rules 2021.

The CMSF endeavors to stabilize the capital/securities market through liquidity support and also performs as a perpetual custodian of cash and stocks in favor of the investors as received by transferring unclaimed and undistributed cash or stock dividend, non-refunded public subscription money, and unallotted rights shares from the issuer of listed securities. Cash or stock deposited in the fund will be paid or settled on due claims

by the shareholders or investors at any time. The resources of CMSF will be utilized to stabilize the capital market ensuring liquidity

Chairman's approach of fast-tracking the operationalization of CMSF and made substantive progress on the ground. From the



support to the market by buying and selling of listed securities, making investment in other securities, providing loan to market intermediaries, lending and borrowing of listed securities and settlement of investors' claims.

As per Rule 5 of the BSEC (CMSF) Rules 2021, BSEC approved the first 10 (ten) members Board of Governors (BOG) of the CMSF on 22 August 2021 with Mr. Md. Nojibur Rahman, Former Principal Secretary and Chairman, National Board of Revenue (NBR) as it's Chairman. The BOG endorsed its

birth of the CMSF, the CMSF team has established strong partnership with Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE), Central Depository Bangladesh Limited (CDBL) and Bangladesh Institute of Capital Market (BICM) and is working relentlessly and contributing towards further developing and improving the Capital Market of Bangladesh. This write-up will highlight among other things, some of the priority activities of CMSF.

The motivation of BSEC to come up with the innovation of CMSF:

The preamble of the BSEC (CMSF) Rules, 2021 provides that “whereas in the interest of the investors and the development of the capital/securities market, BSEC deemed it appropriate to constitute a Fund as a custodian of cash or stock in favor of the investors by transferring unclaimed or undistributed or unsettled cash or stock dividend or non-refunded public subscription money or unallotted rights shares from the issuer of listed securities.” The BSEC emphasized on the issue that the proper distribution of dividends is the responsibility of the listed companies and if they fail to do so then they must submit the funds to the CMSF. In the middle of the year 2021, the BSEC decided to use undistributed and unclaimed dividends of listed companies in the CMSF which aims to safeguard the investments of the investors in the stock market. The BSEC had the notion of controlling the recent volatility and liquidity crisis in Capital Market by utilizing the fund properly to help the investors.

The Expectations that CMSF generated on the ground:

The following quotes were taken from The Financial Express article titled “Capital Market Stabilization Fund” published on July 03, 2021

“The success of the fund will largely depend on its efficient operation. Since its board, besides members nominated by the BSEC, will have representation from the two bourses, the association of publicly listed companies and professional bodies of accountants, one can expect a positive outcome”.

Side by side, they also said that “The CMSF, when it comes into operation, might play a proactive role in the market”.

The daily expected that it will stabilize the market by saying “The fund itself will do trading under a guideline and offer short-term loans to the market intermediaries as part of the market stabilization efforts”.

Its quote “The fund would make necessary disbursement against any claim made by investors, following verification by the issuer companies. Thus, the fund will also protect the interest of the investors” reflects the hope that the Investors will justly receive their dividends.

The following quotes were taken from The Business Standard article titled “Capital Market Stabilisation Fund: Will it work?” published on December 19, 2021

“It is expected that over the period, this fund size will exponentially grow since more and more unclaimed dividends will be deposited in this fund and investment income will also add value. This is of course a very good initiative because any fund which remains unclaimed cannot be kept idle and at the same time, funds already declared to pay, belonging to parties other than companies should not be used by the company itself. Therefore, this type of fund should be retained and

managed by the public entity so that the fund's protection can be guaranteed in addition to ensuring the utilization of funds for the greater interest of the people and country”. This statement reflects the fund will be utilized through the capital market, for the development

of the people and country.

Some priority activities of CMSF:

Investors Claim Settlement: CMSF considers the investors as one of the main elements of the Capital Market for which its dynamic BOG, fully endorsed the Chairman's vision “to fast track the operation of CMSF.” CMSF is attaching high importance to the interest of general investors. A separate department namely Investors' Claim Settlement Department (ICSD) has been created in CMSF to provide services as will be required by the general investors.

The processes of settling down the investors' claim for dividends have been started already. Now the questions are:

- Which dividend?
- Who are those Investors eligible to submit the claim?

Well, it refers to both Cash dividends and Stock dividends which remained unpaid or undistributed or unallotted due to various reasons for 3 (three) years or longer. The Investors who have not received Cash or Stock dividends for more than 3 (three) years are eligible to make a claim for the dues. They can submit a claim to their respective Issuer Company which verifies the claims in 15 (fifteen) working days and also verifies authentic claimants (also known as Investors). After due verification, the company then forwards the claims to the CMSF for the Final Settlement.

Before we get into the specifics of the claim procedure, let's look at how it benefits the Capital Market. The Capital Market is powered by



investors, who are the life force of the Capital Market. Their confidence in investing in the Capital Market is critical to the Market's growth. The establishment of CMSF has created new hopes. CMSF is increasing the trust of investors by being there to support them.

- How CMSF is increasing the trust?

When an investor believes that even if he or she does not receive his or her dividend for more than 3 (three) years, or even more than 20 (twenty) years, their money is safe. It will also be returned to them. This trust will encourage all of them to invest on larger scales in the Capital Market without hesitation, and ultimately the market will be benefitted.

CMSF considers itself as a friend of both the Investors and the Issuer

Companies. And it is greatly successful in proving that. The claim settlement program started its journey on March 15, 2022 through an auspicious event held at Hotel Purbani International, Dhaka titled “Birthday Celebration of the Father of the Nation & Investors’ Claim Settlement” where the Investors’ Claim Settlement process was launched in honor of the Father of the Nation. Since then, CMSF has settled 82% of the received claims. It has already created a positive vibe in the capital market, and the response from both investors and issuer companies has been phenomenal. It is evident that the

CMSF is moving rapidly to support the Capital Market through claim settlement and other initiatives.

Investments of CMSF: From its inception, CMSF has made several investments in the Capital Market to stabilize it by providing liquidity support in the times of turmoil through Investment Corporation of Bangladesh (ICB) in the form of FDR. Till now 6 (six) FDRs have been made amounting a total of BDT. 200 (two hundred) crores.

CMSF is also working with BSEC and DSE to explore future possibilities and investment opportunities of CMSF in the capital market. Exchange-Traded Fund (ETF), Real Estate Investment Trust (REIT). The Commodity Exchange also seems promising and beneficial among other possibilities and CMSF plans to work closely with Chittagong Stock Exchange (CSE) as the latter moves forward in operationalizing the Exchange. Through these engagements, CMSF will be able to contribute

directly for the development of capital market in particular and national economy in general.

Golden Jubilee Mutual Fund (GJMF): CMSF in close consultation, BSEC has taken the initiative to launch a Mutual Fund to harness the potential of the capital market as well as proudly symbolize the 50th Anniversary of the independence of Bangladesh. It will be a new closed-end mutual fund under the title "ICB AMCL CMSF Golden Jubilee Mutual Fund". The size of the fund is BDT 1.0 billion and face value per unit is BDT 10. The CMSF, sponsor of the fund, will provide BDT 500 million which is 50% of the fund size. CMSF has already provided its sponsor amount.

ICB Asset Management Company Limited will be the Asset Manager with Brac Bank Limited and Bangladesh General Insurance Company (BGIC) as the Custodian and the Trustee respectively.

This fund will help the market to raise its depth through investing in potential shares. If this fund becomes successful, it will reduce the uncertainty among the investors about closed-end mutual fund. It will create a positive impact and boost up the confidence of investors on the mutual fund. This fund will contribute a lot to stabilizing the capital market. This fund will protect the interest of small investors and will be a role model of the mutual funds industry.

- **Sponsor:** Capital Market Stabilization Fund (CMSF)
- **Fund Manager:** ICB AMCL.
- **Trustee:** Bangladesh General Insurance Company (BGIC)

- **Custodian:** BRAC Bank Limited.

Providing Investors Service through the Digital approach: The CMSF is developing a sophisticated ICT platform to save investors’ time, money, visit and cost. On December 29, 2021, it had arranged a result-oriented ICT workshop where Professor Dr. Md. Mostofa Akbar, CSE, BUET presented the CMSF’s ICT implementation vision and Mr. Tarique Amin Bhuiyan,

Managing Director, Dhaka Stock Exchange (DSE) described how to translate this vision into action. In this event, Honorable ICT Minister Mr. Mustafa Jabbar was the Chief Guest and Mr. N M Zeaul Alam PAA, Senior Secretary, Information and Communication Technology Division, Government of Bangladesh and Professor Shibli Rubayat UI Islam, Chairman of BSEC were the Special Guests. The event was chaired by CMSF Chairman Mr. Md. Nojibur Rahman.

In order to firm up its digital approach and to make a public announcement of the Golden Jubilee Mutual Fund (GJMF), the following events were organized by CMSF on December 29, 2022 at Hotel InterContinental, Dhaka.

- (i) Results-oriented Workshop on Firming up ICT Plan of Action for CMSF: From Vision to Implementation.
- (ii) Unveil Outcome of the Result Oriented ICT Workshop and Inauguration of Golden Jubilee Mutual Fund.

Birthday Celebration of the Father of the Nation & Investors’ Claim Settlement

The event was held on March 15, 2022 at Hotel Purbani International on the theme to fulfill the following strategic objectives:

- Birthday Celebration of the Father of the Nation
- Commencement of Investors' Claim Settlement

Representatives from the concerned publicly listed issuer companies were present there. Professor Shibli Rubayat-UI-Islam, Hon'ble Chairman, BSEC kindly graced the occasion as the Chief Guest while the concerned Commissioner of BSEC Professor Shaikh Shamsuddin Ahmed and Mr. Azam J Chowdhury, Immediate Past President, BAPLC were present as the Special Guests. The event was chaired by CMSF Chairman Mr. Md. Nojibur Rahman.

Through this event, CMSF was able to create confidence among the general investors that CMSF is a reliable entity in Claim Settlement matters. Keeping the expectations of the investors high, CMSF settled 93% (Ninety-Three percent) of its received claims of cash dividends on April 28, 2022.

BSEC-BAPLC-CMSF Tripartite Dialogue to Strengthen the Capital Market through Partnership

In order to fulfill its strategic objectives, the CMSF is nurturing a partnership approach at its heart. This has been demonstrated by its various activities since its launching and specially through a tripartite partnership dialogue held on May 26, 2022 on the theme of "Strengthening the Capital Market through Partnership" and to fulfill the following strategic objectives:

- Exchanging views and learning from the experiences of the Issuer Companies
- Ironing out the difficulties faced by the Issuer Companies
- Charting out the future course of actions for the Concerned Stakeholders
- Developing a roadmap for future cooperation.

The tripartite dialogue was held among BSEC, Bangladesh Association of Publicly Listed Companies (BAPLC) and CMSF where all the representatives of the companies listed in Dhaka Stock Exchange (DSE) Ltd and Chittagong Stock Exchange (CSE) Plc were invited. The dialogue was held at Bangabandhu International Conference Center (BICC). Professor Shibli Rubayat-UI-Islam, Hon'ble Chairman, BSEC kindly graced the occasion as the Chief Guest while the concerned Commissioner of BSEC Professor Shaikh Shamsuddin Ahmed and Mr. M. Anis Ud Dowla, President, BAPLC were present as the Special Guests. Both the Chairmen of DSE and CSE as well as other distinguished guests from relevant stakeholders attended the Tripartite dialogue as principal discussants and panelists.

During this event, BAPLC President Mr. M. Anis Ud Dowla encouraged the issuer companies to make the deposits before the deadline. "The BSEC has been kind enough to grant us several extensions," he added. Afterward, according to a report on May 29, 2022, over 60% of the eligible companies have transferred their undisbursed cash dividends and non-refunded public

subscription, while 35% of firms transferred their unclaimed stock dividends or unallocated right shares.

Conclusion:

The formation of CMSF consisting of unclaimed and undistributed shares, and dividends is an innovative move by the BSEC. The BSEC aims to protect the fund and utilize it for the greater interest of the people and country led to the creation of CMSF. CMSF has a larger role to play in the development of the Capital Market because it is mandated to stabilize the capital market by direct liquidity support, including buying and selling securities, providing loans to market intermediaries, and resolving investor claims. For the greater interest of the country, CMSF needs sustainable partnership with BSEC, BAPLC, DSE, CSE, CDBL, CCBL and other supporting institutions to make the Capital Market more investment-friendly. The CMSF always strives for proactive approaches toward partnership, protects the rights of the Investors and takes policies and actions for the development of the Capital Market. It believes in inclusiveness especially taking a gender-balanced approach and empowering special investors in particular. After the creation of the CMSF, we witnessed a positive vibe among the investors, we hope that it will be able to keep this vibe among the investors in the future through its operations.

Chairman, Capital Market Stabilization Fund (CMSF)
and Former Principal Secretary to the Hon'ble Prime Minister