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LAW IN FOCUS

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ARTICLE:

**LAWS & REGULATIONS APPLICABLE FOR
SPONSOR/DIRECTOR/PROMOTER OF LISTED COMPANIES OF
BANGLADESH**

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Bangladesh Security and Exchange Commission (BSEC) is the sole regulatory authority regulating listed securities, operations of stock exchanges, merchant bankers, mutual fund, etc. in Bangladesh operating under Securities and Exchange of Ordinance, 1969, Bangladesh Securities and Exchange Commission Act, 1993, Depository Act, 1999, the Exchange Demutualization Act, 2013, and rules, notifications, directives order framed thereunder by BSEC.

There is only two stock exchanges in Bangladesh mainly Dhaka Stock Exchange and Chittagong Stock Exchange. Both stock exchanges framed listing regulation in 2015, which covers most of the trading rules.

It is certainly difficult to enlist a company for public subscription in the stock exchanges of Bangladesh as many rules and regulation are framed to ensure that public investors are not mislead and their investment are free from market manipulation. Accordingly much attention is given to ensure sponsor/promoters are having strong business intent and good track record etc. This article is mainly aimed to cover the issues involving regulation applicable for sponsor/promoters/directors etc.

As per Bangladesh Securities and Exchange Commission (public issues) Rules, 2015, rule 2(s) "Sponsors" means any person whose name appear as subscriber to the Memorandum and Articles Association of a Company. Further Dhaka/Chittagong listing regulation 2015 defined "sponsor" as any personal/institution who subscribes to the initial capital of the company. By definition sponsors/promoters/directors are such persons who take the initiatives of the business and also are listed in the schedule X of the public limited company as shareholder director.

At the time of listing in any stock exchanges the company is required to provide information on detailed particulars for e.g. family link, bio-data, CIB report, etc. [Regulation 10 of listing regulation 2015]

The managing director is also required to provide an undertaking that company will abide by corporate governance guideline of SEC. [Regulation 7 and 36 of listing regulation 2015]

Besides, no sponsors cannot be a bank defaulter. Every sponsor is required to provide unconditional undertaking that he/she will not sell more than 50% shares until first AGM and also will sell 25% share at market price as per special trading rules within 30 days of commencement of trading. [Regulation 12 of listing regulation 2015]

Company is under an obligation to disclose all price sensitive information within 30 minutes of decision [Regulation 34 & 47 of listing regulation 2015]

The company is required to submit monthly shareholding position of sponsors and shareholders who hold 10% or more share. [Regulation 35 of listing regulation 2015]

Further, notification No. 03-48 dated 14 July, 2010, SEC imposed condition on every sponsor shareholder or director of listed company to submit written report to SEC and stock exchange of his/her/its *intention to buy or sell or otherwise dispose off shares in any manner* so held with particulars on quality and quantity of shares, detailed disposal plan, etc. Within one week of actual transfer the both stock exchange and SEC required to be further informed.

Further SEC through directive dated 6th May, 2002 imposed restriction on transfer of shares of listed company outside trading system of stock exchanges. However in exceptional cases for example, buy way of gift, stock brokers/dealer/seller is required to apply through stock exchange for prior approval to effect such transactions.

By notification dated November 22, 2011 BSEC imposed requirement on all sponsors and directors of the company to jointly hold minimum 30% shares of the paid-up capital at all time. Subject to some exceptions further each director other than independent directors are required to hold minimum 2% shares of the paid-up capital in case of any casual vacancies. Any individual holding 5% to be a director in next AGM to fill the vacancy.

If once a company apply for listing with BSEC it cannot raise any capital other than from existing shareholder.

Similarly if existing shareholders transfers their shares to any person other than existing shareholder within twelve month of such application, all shares held by those transferee shall be subject to lock in period of three years (notification dated 18th December, 2014)

Listed company director, promoter, shareholder are also considered as beneficiary who are prohibited from sharing price sensitive information and also do transaction directly through others based on price sensitive information.

Although regulations are in place, proper enforced of such regulation is challenging task due to lack of awareness & expertise, etc.

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