

# বাংলােশ ব্যাংক

প্রধান কার্যালয়

খাকা ।

ফরেক্স রিজার্ভ এ্যান্ড ট্রেজারী  
ম্যানেজমেন্ট ডিপার্টমেন্ট  
(পাবলিক ডেট সেকশন)

পরিপত্র নং-এফআরটিএমডি- ৬/২০০৩

তারিখঃ ১৪/০৪/১৪১০ বাং  
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২৯/০৭/২০০৩ ইং

সকল তফসিলী ব্যাংক/ লাইসেন্স প্রাপ্ত আর্ক প্রতিষ্ঠান

প্রিয় মহোঁয়গন,

সরকারী ট্রেজারী বিল/বন্ডের ইস্যু পরবর্তী ক্রয় বিক্রয়ের প্রাইমারী ডিলার নিয়োগ প্রসঙ্গে ।

বাংলােশ সরকারের ট্রেজারী বিল ও বন্ডের ইস্যু পরবর্তী ক্রয় বিক্রয়ের সেকেন্ডারী মার্কেট সক্রিয়করণের লক্ষ্যে আগ্রহী ও যোগ্য ব্যাংক ও আর্ক প্রতিষ্ঠানের মধ্য েকে প্রাইমারী ডিলার নিয়োগের সিদ্ধান্ত নেয়া হয়েছে । প্রাইমারী ডিলারের ভূমিকায় নিয়োগলাভের যোগ্যতা, ায় ায়িত্ব , কার্যপদ্ধতি ও অন্যান্য প্রাসংগিক বিধিবিধান সম্বলিত গাইডলাইনস এতৎসঙ্গে প্রঁত হলো (সংযোজনী-১)।

২। প্রাইমারী ডিলার হিসাবে নিয়োগলাভে আগ্রহী তফসিলী ব্যাংক এবং CRR পরিপালনের প্রয়োজনে বাংলােশ ব্যাংকের সংগে চলতি হিসাব পরিচালনকারী আর্ক প্রতিষ্ঠানগুলোকে সংযোজনী -২ এ প্রঁত ছকে আবেঁনপত্র আগামী ২১-০৮-২০০৩ তারিখের মধ্যে মহাব্যবস্থাপক, ফরেক্স রিজার্ভ এ্যান্ড ট্রেজারী ম্যানেজমেন্ট ডিপার্টমেন্ট, বাংলােশ ব্যাংক, প্রধান কার্যালয়, খাকা বরাবরে াখিলের পরামর্শ েয়া যাচ্ছে । প্রাপ্ত আবেঁনপত্র গুলোর মধ্য েকে প্রাইমারী ডিলারের ভূমিকায় নিয়োগের জন্য মনোনীত ব্যাংক বা আর্ক প্রতিষ্ঠানকে সংযোজনী-৩ এ প্রঁত ছকে অঙ্গীকারনামা াখিল করতে হবে ।

অনুগ্রহপূর্বক প্রাপ্তি স্বীকার করবেন ।

আপনারে বিশ্বস্ত,

সংযোজন : বর্ণনা মোতাবেক ।

(মোঃ বেলায়েত হোসেন)  
মহাব্যবস্থাপক  
ফোন : ৭১২০৩৫৭

Guidelines for enlistment and operations of Primary Dealers in Government securities

With a view to activating a secondary market in Treasury bills and other Government securities, it has been decided to introduce the following guidelines for enlistment and operations of Primary Dealers (PDs) with roles in subscribing and underwriting primary issues and in market making for secondary trading deals with firm two-way price quotes.

A. Objectives

1. To enhance liquidity and depth in the securities market by facilitating price discovery and turnover, encouraging voluntary holding of government securities amongst a wide investor base;
2. To develop underwriting and market making capabilities for government securities amongst the market participants;
3. To facilitate efficient liquidity management, and open market operations of monetary policy management.

B. Eligibility for Primary Dealership

The Bangladesh Bank(BB) shall select PDs from amongst the scheduled banks and licensed financial institutions with current accounts with the BB for fulfillment of Cash Reserve Requirement. In selecting PDs from amongst the intending applicants and in allotting to them specified minimum subscription and underwriting responsibilities, the BB shall take into account their

- i) physical infrastructure in terms of number and geographical coverage of offices/branches for securities dealings, the extent of use of computers and information technology in settlement, record keeping and analysis of day to day transactions, skill and capabilities of the manpower for efficient participation in primary issues and secondary trading, and for advising and educating the investing public about investment in Government securities;

- ii) internal control system for fair conduct of business, settlement of trade and maintenance of accounts in securities transactions, risk management capabilities and arrangements;
- iii) the level of past engagement in primary auctions and secondary trading transactions in Treasury bills and other Government securities, on own account and on account of customers;
- iv) solvency and overall standard of the applicant's compliance with the prudential and regulatory guidelines of the BB and other relevant regulatory agencies.

C. Roles and responsibilities of a PD

- i) A PD shall regularly and actively participate in all primary auctions and issues of Treasury bills and tradable securities, with bidding commitment for a minimum specified percentage of the primary issues of Treasury bills and underwriting commitment for a minimum specified percentage of primary issues of dated Government securities over a year. These minimum bidding and underwriting requirements will be allotted by the BB in a manner ensuring off-take of the entire intended volumes of issues.

The PDs will be required to maintain success ratios (successful bids: allotted targets) of 40 percent or higher in bids over a year. A PD shall, if asked for by the BB, subscribe in any issue over and above its successful bid but within its minimum bidding or underwriting commitment, at the weighted average yield of the accepted bids for auctioned issues, and at par in case of fixed par issues.

- ii) A PD shall, within the first year of operation as PD, acquire a sizeable portfolio of Treasury bills and Government securities substantially in excess of its own SLR. The PD shall actively engage in secondary trading, quoting firm two-way prices and keeping its trading window open throughout each business day. An annual turnover (total purchases and sales, inclusive of redemptions at maturity) not less than ten times the average of month-end stocks of Treasury bills and Government securities over the year shall be attained and maintained.

#### D. Regulations for operations as PD

Apart from the general regulatory instructions and prudential guidelines for scheduled banks and licensed financial institutions as applicable, a PD shall be subject to the following regulations in its operations as a dealer in Treasury bills and Government securities:

- i) A PD shall not act as inter bank or inter dealer broker.
- ii) A PD shall maintain separate accounts in respect of its own positions and customer transactions, with separate Subsidiary General Ledger (SGL) account in the name of each customer.
- iii) For bids in primary issues on behalf of customers, a PD shall, if so desired by a customer, quote the price indicated by the customer. Purchases against bids on behalf of customers would immediately be credited in the SGL accounts of the customers concerned.
- iv) Transfers arising from secondary trading deals shall be booked through the SGL accounts maintained in the PD's own books; and also in the PD's SGL account with the BB, submitting transfer applications as per procedure to be prescribed by the BB.
- v) Prices would be quoted by a PD in terms of face value units of Taka 100. A two-way price quote of Taka 101.00/101.50 would indicate premium of Taka 1.00 and Taka 1.50 for bid and offer, while a quote of Taka 98.50/99.00 would indicate discount of Taka 1.50 and Taka 1.00 on bid and offer. The bid and offer prices may differ for deals of differing sizes, but in no case should the bid-offer spread be more than taka 0.50.
- vi) The secondary trading deals of a PD would be on spot value basis, considered as T+2 local working days.
- vii) A PD shall not short-sell any particular issue and shall not carry a short position in secondary dealings.
- viii) A PD shall furnish to the BB daily returns on dealing prices, positions and transactions on own account and on account of customers. A PD shall also furnish to the BB such other returns and reports in such forms and at such intervals as may be prescribed from time to time by the BB.

- ix) The BB shall reserve the right to inspect the books and records of all transactions and dealings of a PD;
- x) A PD shall immediately bring to the notice of the BB any major complaint against it by a customer, and any action initiated or taken against it by any regulatory entity including the SEC, the Registrar of Joint Stock Companies, the Income Tax authorities, the Stock Exchanges.

E. Privileges of a PD

- i) A PD shall have the credential of a sub-depository of Treasury bills and Government securities, for custodial services to its customers.
- ii) Between bids at the same yield/price for an issue in a primary auction, the bid of a PD will rank higher in priority for acceptance than those of other bidders.
- iii) A PD shall be eligible for liquidity support from the BB for its operations, collateralized by Treasury bills and Government securities from its own positions, through the repo mechanism or such other arrangements as the BB may prescribe from time to time.
- iv) A PD shall be entitled to underwriting commission on the issues of dated government securities underwritten by it, at rates to be prescribed by the Government from time to time (non-fulfillment of the minimum underwriting commitment will in turn attract penalties at rates to be prescribed from time to time).

APPLICATION FORM FOR PRIMARY DEALERSHIP  
IN GOVERNMENT SECURITIES

To  
The General Manager,  
Forex Reserve and Treasury Management Department  
Bangladesh Bank  
Head Office  
Dhaka.

Subject : Application for appointment as Primary Dealer in Government Securities

Dear Sir,

With reference to the Bangladesh Bank's circular No. FRTMD -6/2003 dated 29/07/2003 we hereby apply for appointment as Primary Dealer in Bangladesh Government Securities .

1. Name of the bank/  
organisation:
2. Official address :
  - 2.1. Place
  - 2.2 Telephone No
  - 2.3 Fax No.
  - 2.4 Telex No.
  - 2.5 E-mail
- 3 Number and locations of proposed securities trading branches/offices (details to be attached in separate sheet):
4. Purchases of Treasury Bills in the previous two years (Financial year) Face value ( in crore Taka) in primary auctions.
  - 4.1 28 days Treasury Bills :
  - 4.2 91 days Treasury Bills :
  - 4.3 182 days Treasury Bills :
  - 4.4 364 days Treasury Bills :
  - 4.5 2 yr. Treasury Bills :
  - 4.6 5 yr. Treasury Bills :
  - 4.7 Other Govt. Bonds (Please specify) :

5. Volume of secondary trading of Government securities (if any) at face value ( previous two financial years):
6. Physical infrastructure and staff :
  - 6.1 Details of facilities available in securities trading house e.g, telephone, fax, telex, computer, Reuter service for dealing in securities business ( to be attached in a separate sheet.)
  - 6.2 Qualification and experiences of officials to be engaged in securities business ( to be attached in a separate sheet.)
- 7 Proposed arrangement for communication network in securities trading :
  - 7.1 Between Principal Offices/ Local Office and Trading Branches/ Regional Offices :
  - 7.2 Between Principal Office/Local Office and Bangladesh Bank :
  - 7.3 Arrangements for on-line trading through electronic registry with the CDBL, (already in place or underway) .
8. Proposed arrangement for separate recording system of Primary Dealership activities from other business activities:
9. Proposed business plan for operation as Primary Dealer in Government Securities (Details to be attached in a separate sheet.)
10. Annual Reports and audited annual accounts for the previous two years, extract of the enabling clause in Memorandum of Association/Articles of Association/relevant charter for engagement in the role of Primary Dealer in Government securities.

We hereby declare that the particulars, information/documents/reports furnished above are true, correct and complete to the best of our knowledge. We hereby, also, promise to abide by the aforesaid guideline and any other guideline/instruction to be issued by Bangladesh Bank from time to time, if Bangladesh Bank appoint us as a primary dealer in Government Securities.

Authorised Signature  
Name  
Designation  
Place  
Date

UNDERTAKING

To  
The General Manager  
Forex Reserve and Treasury Management Department  
Bangladesh Bank  
Head office  
Dhaka.

By

\_\_\_\_\_  
\_\_\_\_\_

WHEREAS the Bangladesh Bank has agreed in principle to appoint us as a Primary Dealer in Government securities in accordance with the circular no. \_\_\_\_\_ dated \_\_\_\_\_.

AND WHEREAS as a precondition to our being authorised as a Primary Dealer we are required to furnish an undertaking covering the relevant terms and conditions,

AND WHEREAS at the duly convened Board of Directors meeting of \_\_\_\_\_ on \_\_\_\_\_, the Board has authorised me(us) to execute and submit an UNDERTAKING to Bangladesh Bank as set below:

NOW, THEREFORE, in consideration of Bangladesh Bank agreeing to admit us as a Primary Dealer, I/we hereby undertake and agree:

1. To accomplish the transactions in government securities through a separate unit and maintain separate accounts therefor. We also undertake to maintain separate accounts in respect of our own position and customer transactions.
2. To maintain infrastructure in terms of both physical apparatus and skilled manpower for efficient participation in primary issues, trading in the secondary market, and for providing portfolio advice and education to investors.
3. To maintain sound communication network system for securities business throughout the country.
4. To maintain On-line arrangement with Central Depository System as required for primary dealership transactions through electronic registry.
5. To put in place an efficient internal control system for fair conduct of business and settlement of trades and maintenance of separate accounts.
6. To offer firm two-way prices reflective of market sentiment and keeping trading window open throughout the day with active trading of TBills and other Taka denominated Government Bonds (if any). In the secondary market, we are bound to make prices within a maximum bid/offer spread of 50 paisa recognising that the quotes would be in price terms and not in terms of yield.
7. To bid for treasury bills and bonds in primary issues to the extent not less than what is required by the Bangladesh Bank as minimum. We understand that we are required to achieve a minimum success ratio of 40 percent for bonds ( if any ) and 40 percent for Treasury Bills. We also understand that the minimum bidding commitment determined

by Bangladesh Bank remains unchanged for the entire financial year or till furnishing of undertaking on bidding commitments for the next financial year, whichever is later. We also commit to underwrite a percentage of primary issues of dated government securities over a year as determined by Bangladesh Bank.

8. To acquire a sizeable portfolio in government securities in excess of own SLR before the end of the first year of operations.
9. To achieve an annual turnover, calculated as under and achieved by the end of the first year of operations, of not less than 10 times of average month end stock in Treasury Bills:

$$\frac{\text{Total purchases and sales during the year}}{\text{Average of month-end stocks during the year}}$$

10. To maintain our holding of treasury bills and other government securities of a single issue not exceeding the ceilings, in terms of percentage of total issue, prescribed from time to time.
11. To respect the need for confidentiality in our dealing with the central bank, other dealers and customers, we shall not divulge confidential information nor attempt to persuade or coerce others into revealing confidential information.
12. To observe high standards of just and equitable principles of trade. All communications with the others shall be based upon principles of fair trading and good faith and shall provide a sound basis for evaluating the facts.
13. To bring to Bangladesh Bank's attention any major complaint against us by any customer or action initiated/taken against us by authorities such as the Stock Exchanges, SEC, Income Tax, etc.
14. To maintain and preserve such information, records, books and documents pertaining to our working as Primary Dealer, as may be specified by Bangladesh Bank from time to time.
15. To permit Bangladesh Bank to inspect all records, books, information, documents and make available the records to the inspectors and render all necessary assistance.
16. To comply with the conditions to submit prescribed returns to Bangladesh Bank, a daily report on transactions and market information, monthly report of transactions in securities, risk position and performance with regard to participation in auctions, and such other statements and returns as are prescribed either specifically or generally by Bangladesh Bank vide any of its instructions/circulars/directives.

We understand that we are subject to all prudential and regulatory guidelines issued by Bangladesh Bank. We do hereby confirm that the above undertaking will be binding on our successors and assigns.

Dated this \_\_\_\_\_ day of Two Thousand Three.

Signatory:

Witness: