CHAPTER 5

MONETARY MANAGEMENT AND FINANCIAL MARKET DEVELOPMENT

Financial sector is one of the key sectors of the economy and it encompasses monetary policy, monetary management and financial market management. Ensuring effective monetary management and developing an efficient and reliable financial market are the prerequisites for achieving the goals of macroeconomic stability and economic growth.

In order to achieve high and sustained GDP growth as well as to keep control over the expected demand pull inflation, cautious monetary policy was pursued in FY08. As inflation and domestic credit supply did not reduce at the expected level at the end of this fiscal year, the Government opted to continue cautious monetary policy in FY08. In order to limit the growth rate of bank credit, the interest rate of reverse repo was enhanced as an effective instrument of monetary policy. The monetary policy for FY 07 had a positive impact on money supply and domestic credit expansion, which eventually helped to attain economic growth and contain inflation. Besides, the present monetary policy supports increase in net foreign assets and foreign exchange reserves.

Money and Credit Situation

In FY 2007-08, broad money (M2) increased by Tk. 37290.60 crore (17.63^P percent) over that of the previous year. This was increased by Tk. 30830.10 crore (17.06 percent) in FY 06 over that of the previous year. The supply of M2 was Tk.211504.30 crore at the end of June 2007 and was increased to Tk.248794.90 crore at the end of June 2008. Table 5.1 show the composition of money supply and credit and their movements over time. During FY08, currency in circulation increased by 22.69^P percent, while demand deposit and time deposit showed an increase of 15.45^P and 17.11^P percent respectively. During this fiscal year, total domestic credit of the banking system has increased by Tk. 43095.20^P crore (20.95^P percent) compared to the increase of Tk. 26585.40^P crore (14.84^P percent) in the previous fiscal year. The trend of broad money supply indicates that credit to the government sector (net), and private sector increased by 30.41^P and 24.94^P percent respectively while credit to the other public sector decreased by 33.36 percent. This was mainly due to transfer the liabilities of the Bangladesh Petroleum Corporation (BPC) to Government sector and to sell out the bonds according to the predetermined auction schedule.

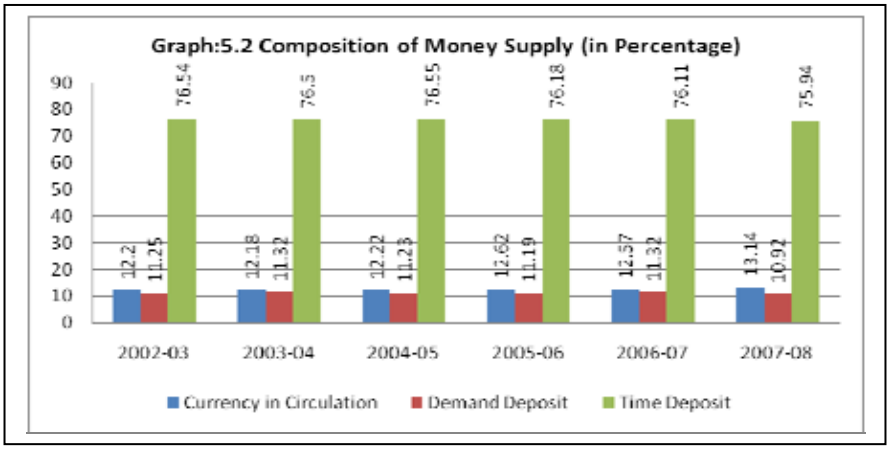
Table 5.1: Composition of Broad Money (M2) and its Trend over Time

(Tk. in crore)

Particulars	June 2006	June 2007	June 2008	Change	
				July –June 2007/2008	July –June 2006/2007
1	2	3	4	5=4-3	6=3-2
1. Broad Money (M2) Supply (a+b+c)	180674.20	211504.30	248794.90	37290.60 (+17.63)	+ 30830.10 (+17.06)
a) Currency notes and coins with the public	22862.10	26643.80	32689.90	6046.10 (+22.69)	+ 3781.70 (16.54)
b) Demand deposit[1]	19790.20	23524.30	27159.90	3635.60 (+15.45)	+ 3734.10 (18.87)
c) Time deposit	138021.90	161336.20	188945.10	27608.90 (+17.11)	+ 23314.30 (16.89)
2. Source to change the Broad money (M2) (a+b)	180674.20	211504.30	248794.90	37290.60 (+17.63)	+ 30830.10 (17.06)
a) Net foreign assets of the banking system	22011.30	32888.40	37845.40	4957.00 (+15.07)	+ 10877.10 (49.42)
b) Net domestic assets of the banking system ((1)+(2))	158662.90	178615.90	210949.50	32333.60 (+18.10)	+ 19953.00 (12.58)
(1)Total domestic credit of the banking system[2] (i+ii+iii)	179087.20	205672.60	248767.80	43095.20 (+20.95)	+ 26585.40 (14.84)
i) Government sector (net)[2]	31624.10	36040.00	46999.60	10959.60 (+30.41)	+ 4415.90 (13.96)
ii) Public sector (other)[2]	15145.60	17455.50	11632.40	-5823.10 (-33.36)	+ 2309.90 (15.25)
iii) Private sector[2]	132317.50	152177.10	190135.80	37958.70 (+24.94)	+ 19859.60 (15.01)
(2) Other assets (net)	-20424.30	-27056.70	-37818.30	-10761.60 (+39.77)	-6632.40 (-32.47)

Source: Bangladesh Bank

1/ including deposits of other financial institutions and government agencies 2/ including accrued interest



Reserve Money[1]

Reserve money is being used as an operating target in line with overall money projection, which is a part of accommodative monetary policy and liquidity management. As a result of changing government debt management system, the role of Bangladesh Bank has changed to conduct monetary policy. Under this new system, BB has introduced 30-day and 90-day Bangladesh Bank Bills since October 2006 to operate its monetary policy. As a result, auction of weekly Bangladesh Bank bills is being used to control the level of reserve money and auction of repo and reverse repo is being used for fine tuning. In FY08, reserve money increased by Tk. 8716.50 crore (19.78 percent) over that of the previous fiscal year. Reserve money increased by Tk. 6691.80 crore (17.90 percent) during the same period of the previous year. At the same time, BB's claims on deposit money banks (DMBs), other depository institutions and net government sector increased by 13.85, 7.66 and 0.26 percent respectively, net other asset and net foreign assets increased by 17.79 and 14.00 percent respectively, which eventually contributed to increase reserve money growth. Money multiplier of M2 supply reached 4.713 at the end of June 2008 from 4.799 at the end of June 2007. During the same period, M2/deposit ratio increased to 0.151 from 0.144 and reserve/deposit ratio decreased to 0.093 from 0.094. Table 5.2 shows the composition of reserve money and its changes over time.

Table 5.2: Reserve Money: Composition and its Changes over Time

(Tk. in crore)

Particulars	June 2006	June 2007	June 2008	Change	
				2007/2008	2006/2007
1	2	3	4	5=4-3	6=3-2
1. Reserve money (a+b+c)	37381.30	44073.10	52789.60	8716.50 (+19.78)	6691.80 (+17.90)
a) Currency issued	24894.10	28787.40	35648.50	6861.10 (+23.83)	3893.30 (+15.64)
b) Balances of scheduled banks with BB	12436.60	15224.00	17034.20	1810.20 (+11.89)	2787.40 (+22.41)
c) Reserves of other financial institutions with the BB	50.60	61.70	106.90	45.20 (+73.26)	11.10 (+21.94)
2. Sources of change in Reserve Money (a+b)	37381.30	44073.10	52789.60	8716.50 (+19.78)	6691.80 (+17.90)
a) Net foreign assets of BB	19140.60	29265.60	33363.30	4097.70 (+14.00)	10125.00 (+52.90)
b) Net domestic assets of BB (i+ii)	18240.70	14807.50	19426.30	4618.80 (+31.19)	-3433.20 (-18.82)
i. Domestic credit (a+b+c+d)	33818.30	34937.30	35974.70	1037.40 (+2.97)	1119.00 (+3.31)
a) Government sector (net)	25026.10	25931.10	25997.30	66.20 (+0.26)	905.00 (+3.62)
b) Public sector (other)	1016.00	988.00	946.40	-41.60 (-4.21)	-28.00 (-2.76)
c) BB's claims on DMBs	6346.30	6442.10	7334.20	892.10 (-13.85)	95.80 (+1.51)
d) BB's claims on other depository institutions	1429.90	1576.10	1696.80	120.70 (+7.66)	146.20 (+10.22)
ii. Other assets (net)	-15577.60	-20129.80	-16548.40	3581.40 (+17.79)	- 4552.20 (-29.22)

Source: Bangladesh Bank

[1]Comprised of currency issued, balances of deposit money banks (DMBs) and other financial institutions' deposit with the Bangladesh Bank.

Rationalising the Interest Rate

The government is encouraging banks and non-bank financial institutions to disburse more credit to the productive sectors of the economy for attaining accelerated economic growth and poverty reduction by rationalising interest rates on loans. Currently, banks are free to determine interests on deposits and advances independently except for the advances on export sector. The interest rate for the advances on the export sector was fixed at 7 percent from January 10, 2004.

Tables 5.3 and 5.4 depict the comparative changes in the interest rates of various loans and advances and deposits of 4 State-owned Commercial Banks (SCBs) and 5 specialised banks respectively for June 2007 against those of June 2002.

Table 5.3: Interest Rates on Various Loans, Advances and Deposits – SCBs

(In percent)

Types of Deposits/loans	Sonali Bank		Janata Bank		Agrani Bank		Rupali Bank	
	June 2007	June 2008	June 2007	June 2008	June 2007	June 2008	June 2007	June 2008
Interest rates on deposit								
Savings deposit	5.0-6.5	5.0-6.5	5.0-6.0	5.0-6.0	4	4	4.5	4.5
Fixed deposits								
3 months or above but less than 6 months	7.5	7.5-8	7.0	7.0	7.0-7.5	7.0-7.5	6.5	6.5
1 year and above but less than 2 years	8.25	8.25-9.25	7.75	7.75	8-8.5	8-8.5	7.25	7.25
Interest rates on loans								
Agriculture	2.0 - 12.5	2.0 - 12.5	2.0 - 10.0	2.0 - 10.0	8.0	8.0	9.0-9.5	9.0-9.5
Large and medium industries	12.5	12.5	11.0 - 12.5	11.0 - 12.5	13.0	13.0	12.5	12.5
Working capital	13.0	13.0	12.0-13.5	12.0 -13.5	14.0	14.0	12.5	12.5
Export	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Other commercial loans	14.0	14.0	14.0	14.0	14.5	14.5	13.5	13.5
Small industries	12.0-12.5	12.0-12.5	10.0-12.0	10.0-12.0	12.0	12.0	10.5-11.5	10.5-11.5
Others	13.0 -17.0	13.0 -17.0	5.0-17.0	5.0-17.0	14.0	14.0	10.0 -13.5	10.0 -13.5

Source: Bangladesh Bank.

Table 5.4: Interest Rates on Different Loans, Advances and Deposits - Specialised Banks

(In percent)

Particulars	BKB		BSB		RAKUB		BSRS		BASIC	
	June 2007	June 2008	June 2007	June 2008	June 2007	June 2008	June 2007	June 2008	June 2007	June 2008
Interest rates on deposits										
Savings deposit	5	5-6	4.0	5.0	4.0	4.0	5.0	5.0	6.0	7.0
Fixed deposits										
3 months & above but less than 6 months	7.0	7.5	5.75	7	6.0	6.0	7.5	7.-8.0	7.0	7.25
1 year and above but less than 2 years	7.75	8.50	6.50	7.75	6.5	6.5	8.25-8.7	8.25-8.75	7.75	8.0
Interest rates on loans										
Agriculture	8.0-9.0	8.0-9.0	10	10.0	8.0	8.0	-	-	10.0	10.0
Large and medium industries	11.5	12.50	10.0-12.0	11.5-12.5	12.0	12.0	10.0-12.5	10.0-12.5	11.5-13.5	11.5-13.5
Working capital	12.0	13.0	10.0-12.0	12.-13.5	12.0-13.0	12.0-13.0	12.5	12.5	11-14.5	12-14.5
Export	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Other commercial loans	12.0	13.0	13.5	13.5	14.0	14.0	12.5	12.5	14.5-15.0	14.75
Small industries	10.0-11.5	10.0-11.5	10.0-11.0	10.0-11.0	12.0	12.0	11.5	11.5	11.5-12.5	11.5-12.5
Others	11-12	11-12	10.0-14.0	10.0-14.0	11.0-12.0	1.0-12.0	11.0	11.0	15	11.5-14.75

Source: Bangladesh Bank, BKB.

Floating Exchange Rate

Bangladesh has adopted floating exchange rate regime since 31 May 2003. Under this arrangement, the government does not interfere in the determination of exchange rate, but operates the monetary policy prudently for minimising extreme swings in exchange rate to avoid the adverse repercussion on the domestic economy. Detailed information regarding reserve situation and exchange rate has been presented in the Chapter 6 of this Review.

Financial Market Management

Financial market of an economy comprises the banking sector, other financial institutions and capital market. At present, 4 SCBs, 5 nationalised specialised banks, 30 private commercial banks, 9 foreign commercial banks and 29 non-bank financial institutions, Investment Corporation of Bangladesh (ICB), Bangladesh House Building Finance Corporation (BHBFC), Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) are working in the financial market of Bangladesh.

Banks and other financial institutions (OFIs) have been playing a key role in activating the financial sector that in turn infuses dynamism to the economy. Banks are engaged in upgrading the socio-economic status of the country by investing money to productive sectors. However, in the context of globalisation, importance has been given to the development of the financial market through banking sector. In order to uphold the rule of banking sector in financial market development, the government has taken a range of measures, which include further deployment of bank branches and evaluation of their performance, classification of loans following the

international standards, assessment of capital adequacy, determination of quality of assets and earning of impressive profit.

Banking Sector

The banking sector of Bangladesh comprises four categories of scheduled banks (SCBs, SBs, local PCBs and FCBs). In addition, one national Co-operative Bank, one Ansar-VDP Bank, one Karmasangsthan Bank and one Grameen Bank and some non-scheduled banks are also in operation. Up to June 2008, 48 Scheduled Banks were operating with a network of 6747 branches. In order to enhance the overall efficiency of SCBs, decisions have been taken to rationalise bank branches, and up to June 2008, 153 new branches were established and one existing branches was closed under the 'branch rationalisation programme'. Table 5.5 summarises the structure of the banking system in Bangladesh according to their categories.

Table 5.5: Structure of the Banking System in Bangladesh (up to June 2008)

Type of Banks	No.	No. of Branches	% of total asset*	% of total deposit*
SCBs	4	3383	29.27	33.38
SBs	5	1360	5.79	5.67
PCBs	30	1949	56.37	53.85
FCBs	09	55	8.57	7.10
Total	48	6747	100.00	100.00

Source: Bangladesh Bank. *Up to December 2007

Deployment of Bank Branches

Although foreign banks and private banks show better performance according to different criteria such as capital adequacy, quality of assets and expenditure-income ratio, the common people throughout the country have easy access to SCBs and SBs because of their locations. Foreign banks do not have a single branch in any rural area of Bangladesh. Besides, though PCBs have branches beyond the urban areas, it is only 28.58 percent of their total number of branches. On the contrary, 63.41 percent and 88.46 percent of the total branches of SCBs and SBs are located in different sub-urban and rural areas of Bangladesh respectively.

Table 5.6: Distribution of Bank Branches in Different Regions (up to June 2008)

Type of Banks	**No. of banks**	**No. of branches**			**As % of the total branches**		
		Urban	Rural	Total	Urban	Rural	Total
SCBs	4	1238	2145	3383	36.59	63.41	100
SBs	5	157	1203	1360	11.54	88.46	100
PCBs	30	1392	557	1949	71.42	28.58	100
FCBs	9	55	--	55	100.00	--	100
Total	48	2842	3905	6747	42.12	57.88	100

Source: Bangladesh Bank.

Income and expenditure of 48 scheduled banks operating in Bangladesh for 2006 and 2007 are shown in Table 5.7.

Table 5.7: Income and Expenditure of 48 Schedule Banks Operating in Bangladesh

(Tk. in million)

Name of the Banks	2006		2007	
	Income	Expenditure	Income	Expenditure
Sonali Bank Limited	23130	20125	25850	19908
Janata Bank Limited	16272	12059	18877	13560
Agrani Bank Limited	12331	8749	13681	8420
Rupali Bank Limited	4838	4583	10732	10369
Bangladesh Krishi Bank	5858	7346	4731	6504
Rajshahi Krishi Unnayan Bank	1736	2157	1939	2356
Bangladesh Shilpa Bank	714	378	894	396
Bangladesh Shilpa Rin Sangstha	302	196	305	139
BASIC Bank Ltd	2870	1700	3550	2459
Pubali Bank Ltd	5494	3684	7088	4336
Uttara Bank Ltd	4435	3153	5020	3554
Arab Bangladesh Bank Ltd	5413	4702	8487	5161
National Bank Ltd	5729	4582	7183	4968
The City Bank Ltd	5217	3723	5817	8541
Islami Bank Bangladesh Ltd	14038	11130	17843	13988
IFIC Bank Ltd	3688	2825	5196	3694
United Commercial Bank Ltd	4118	2766	6052	4034
The Oriental Bank Ltd	1683	2846	898	287
Eastern Bank Ltd	4271	2913	5325	3454
NCC Bank Ltd	3913	2645	5269	3489
Prime Bank Ltd	6934	4808	10082	6826
South East Bank Ltd	6766	4703	8670	5754
Dhaka Bank Ltd	5457	4264	7218	5208
Al-Arafah Islami Bank Ltd	2172	1203	2955	2199
Social Investment Bank Ltd	2229	1933	2608	2109
Dutch Bangla Bank Ltd	5181	4101	6367	4929
Mercantile Bank Ltd	4631	3453	5561	4176
Standard Bank Ltd	2206	1473	3794	2859
One Bank Ltd	2886	2211	3587	2658
Exim Bank Ltd	4968	3589	6408	4490
Bangladesh Commerce Bank Ltd	578	479	939	968
Mutual Trust Bank Ltd	2994	2024	3650	2717
First Security Bank Ltd	1921	1718	2545	2416
The Premier Bank Ltd	3622	2680	4186	3183
Bank Asia Ltd	3774	2702	4959	3384
Trust Bank Ltd	852	305	1338	495
Shahjalal Islami Bank Ltd	2563	1718	3589	2274
Jamuna Bank Ltd	2750	2049	3113	2279
BRAC Bank Ltd	3711	2661	6117	4172
Standard Chartered Bank	8400	2298	9614	2746
Habib Bank	334	142	226	131
State Bank of India	828	527	1122	701
Commercial Bank of Ceylon Ltd.	1256	716	1484	918
National Bank of Pakistan	282	321	321	34
Citi Bank N A	2128	450	2242	510
Woori Bank	724	278	644	284
HSBC	3673	788	4770	986
Bank Al-Falah	590	493	1060	848

Source: Performances of Banks and Financial Institutions 2007-2008, Finance Division.

Non-Bank Financial Institutions

In the financial sector of Bangladesh, the non-bank financial institutions (NBFIs) are also making significant contribution towards financing various sectors like industry, commerce, house- building, ICT and others. As of June 2007, there are 29 licensed non-financial institutions operating in Bangladesh. The paid-up capital and reserve of these NBFIs as of December 2007, totalled up to Tk. 19.67 billion and up to March 2008, the investment of these institutions in different sectors of the economy amounted to Tk. 98.14 billion. Since December 2000, lending and leases extended by these NBFIs, like other scheduled banks, are subject to the classification and provisioning regulations. The goal of such initiative was to strengthen and revitalise these institutions through regular reviewing of the loan position as well as improving the recovery process. Up to March 2008, the ratio of classified loan of financial institutions stood at 7.86 percent and classified loan stood at 1.41 percent excluding net suspended interest and provisioning.

Financing Agriculture, Industry and Commerce by Banks and Other FIs

To ensure adequate credit flow to agriculture and other rural economic activities, the government had a target of disbursing Tk. 8308.55 crore in FY 2007-08 through BKB, RAKUB, four SCBs, BRDB and Bangladesh Cooperative Bank Limited. Against this targeted amount, Tk. 8580.66 crore was disbursed up to June 2008. During the same period, recovery of agriculture credit stood at Tk. 4676.00 crore.

The government is encouraging small and medium enterprises (SMEs) along with large ones. Banks and other financial institutions are supporting this effort of the government by extending industrial credit and other necessary assistance to this sector. In FY2007-08, term loan disbursement in the industrial sector stood at Tk. 60114.31 crore, which is 36.48 percent higher than that of the same period of the previous year.

In addition to extending credit to agriculture, industry and trade, banks and other financial institutions are also providing credit, though at a limited scale, for undertaking poverty reduction programmes. Detailed information on agriculture, industry and poverty reduction has been presented in Chapters 7, 8 and 13 of this Review respectively.

Microfinance

To ensure transparency and accountability of the institutions operating micro-credit programmes in Bangladesh, the government established a regulatory authority along with a Micro-Credit Regulatory Authority Act 2006, which came into effect from August 27, 2006. Currently, Micro Credit Regulatory Authority is working to assist its Board of Directors including the preparation of regulations under this Act. Some of the important functions of the Authority are: (i) to provide certificates among micro-credit institutions,

which are engaged in alleviation of poverty and ensuring welfare of the poor; (ii) to preserve information on newly established micro-credit institutions/ branches, (iii) to conduct audit, (iv) to analyse and monitor field level activities and (v) to arrange training for them as and when necessary.

BANKING, MONETARY AND CREDIT POLICY REFORMS

Legal Reforms

To expedite the settlement of disputes regarding loan recovery of financial institutions, the Money Loan Court Act, 2003 *(Artha Rin Adalat Ain, 2003)* has been made effective. In order to strengthen the process of recovering defaulted loans, banks, under this Act, are now empowered to sell the collaterals without prior approval of the court. Effective application of this Act has started yielding encouraging results. As of June 2008, 103563 cases were filed, of which 64524 cases were settled accruing the recovery of Tk. 3940.87 crore against the claim of Tk. 28635.42 crore.

Reforms in the Banking Sector

Reforms in the Bangladesh Bank

Implementation of "Central Bank Strengthening Project" is underway which is tasked to formulate and implement a prudent monetary policy, enhance the regulatory capability of Bangladesh Bank to supervise financial institutions, establish banking policies and regulations that conform to international standards and increase operational efficiency of Bangladesh Bank through computerisation. A Policy Analysis Unit (PAU) has been established in Research Division of Bangladesh Bank under this project, in order to conduct high level research activities on macroeconomics including monetary policy and central banking along with increasing the efficiency of policy reviewing capacity.

Reforms in NCBs

With a view to monitoring overall performance of banks including capacity enhancing, bringing financial solvency, and increasing performance of NCBs as part of financial sector reform programmes, the following steps have been taken:

- Agrani Bank, Janata Bank and Sonali Bank have allowed to undertake their business operations as Public Limited Companies under the Banking Companies Act 1991. The asset, liabilities and the capital of the previous NCBs have been transferred to the newly constituted Public Limited Companies (PLCs) by vendor’s agreements under the Bangladesh Bank (Nationalization) Order, 1972, Section 27A.

- These banks are now named Sonali Bank Limited, Janata Bank Limited and Agrani Bank Limited.
- Under the new arrangement these have prepared "Three Year Transitional Plan" to revamp their financial position.

Money and Financial Market Reforms

Measures have been taken to build the existing banking system to international standards and also to strengthen the overall banking system of the country. Important among the initiatives taken in FY 2007-08 are as follows:

- To improve and to accelerate the quality of the clientele service and to modernize and update the banking system, Bangladesh Bank issued directives to all commercial banks to introduce the online banking facility for their customers to pay the bills, fees of the national, autonomous and semi-autonomous bodies along with the utility bills.
- Government has introduced 15-year and 20-year Bangladesh Government Treasury Bond (BGTB) from 2007-08 in order to create a benchmark yield curve of government securities by attracting the long-term investment fund from the Insurance companies, Provident Fund, Mutual Fund and so on.
- To strengthen the capital base and to implement Basel-II Accord, the commercial banks have been asked to maintain 10% capital of the risk weighted assets and to maintain core capital at least 5% of their risk weighted assets.
- To prepare two different manuals namely "Credit Risk Grading Manual for Banks" and "Credit Risk Grading Manual for NBFIs" in order to determine the credit risk of the Bank to Bank Finance and Bank to NBFI Finance.
- The interest rate of the import credit of the consumer goods like rice, wheat, sugar, edible oil (refined and raw), onion, spices, etc. has been kept at 12% temporarily to ensure the supply and to keep the price level tolerable.
- To encourage infrastructure development by private sector entrepreneurs, Bangladesh Bank is implementing a project titled "Investment Promotion and Financing Facility (IPFF)" (except local financial institutions). This project aims at providing long-term financial assistance for infrastructure development projects and creating value addition to the domestic financial market.

Capital Market

The level of development of the capital market is an indicator of the state of development of an economy. To achieve private sector-led growth objective, it is necessary to make capital market more efficient. As a capital market watchdog, the Securities and Exchange Commission (SEC) of Bangladesh was formed on June 8, 1993 under the 'Securities and Exchange Commission Act, 1993'. The principal responsibilities of the SEC include ensuring proper issuance of securities, safeguarding the interest of investors in the stock exchange, controlling the stock market and development of the capital market. Currently, two stock exchanges are operating in Bangladesh: Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). Both the stock exchanges are autonomous non-profit organisations.

Dhaka Stock Exchange

Table 5.8: Comparative Statement of Dhaka Stock Exchange

Indicators	As on 30th June 2007	As on 30th June 2008	% Increasing
Total number of listed securities	325	378	16.30
Total Issued Capital of all listed securities (Tk. in crore)	16,427	28,438	73.12
Total Market Capitalization of all listed securities (Tk. in crore)	49,168	96,480	96.22
All Share Price Index	1764.18	2588.03	46.70

Source: Dhaka Stock Exchange.

**All share price index is calculated on General Share Price Index (excluding 'Z' group) by withdrawing weighted average method from 9 December, 2003.The index base earlier was 100 for DSE. The DSE reintroduced All Share Price Index on March 28, 2005.*

The number of securities (including mutual fund and debentures) listed with the DSE increased to 378 by June 2008 from 350 of June 2007. By the end of June 2008, the issued capital of listed securities stood at Tk. 28438.00 crore, which is 32.6 percent higher than that of June 2007. Up to June 2008, market capitalisation of securities stood at Tk. 93102.50 crore. General share price index of the DSE stood at 2588.03 in June 2008, which was 2535.96 in June 2007.

Table 5.9: Trading Operation in Dhaka Stock Exchange

Calendar year/ month-end	No. of listed securities[(a)]	Initial Public Offering	Issued capital (in crore Tk.)	Market capitalisation (in crore Tk.)	Turnover (in crore Tk.)	Price index[(b)]
1995	201	24	1983.98	5651.81	638.00	835.00
1996	205	24	2305.24	16810.62	3013.30	2300.15
1997	222	12	2820.78	7130.16	1740.34	756.78
1998	228	6	2862.57	5025.40	3436.84	540.22
1999	232	11	2877.46	4478.12	3896.44	487.77
2000	241	7	3119.20	6292.40	4036.48	642.68
2001	249	11	3345.43	6522.28	3986.83	817.79
2002	260	8	3520.30	7126.20	3498.49	822.34
2003	267	14	4605.50	9758.70	1915.21	967.88
2004	256	2	4953.20	22492.30	5318.11	1971.31
2005	286	22	7031.30	23307.50	6483.48	1275.05
2006	310	12	11843.70	32336.80	6506.93	1321.39
2007	350	14	21447.00	75395.00	32282.01	2535.96
2008 (June)	378	-	28438.00	93102.50	6995.49	2588.03

Source: Dhaka Stock Exchange.
**All share price index is calculated on weighted average method from 24 November, 2001.The index base earlier was 100 for DSE.*
**All share price index is calculated on General Share Price Index (excluding 'Z' group) by withdrawing weighted average method from 9 December, 2003.The index base earlier was 100 for DSE. The DSE reintroduced All Share Price Index on March 28, 2005.*

Chittagong Stock Exchange

Table 5.10: Comparative Statement of Chittagong Stock Exchange

Indicators	**As on 30th June 2007**	**As on 30th June 2008**	**% increased**
Total number of listed securities	219	231	5.48
Total Issued Capital of all listed securities (Tk. in crore)	8,103.29	10,222	26.15
Total Market Capitalization of all listed securities (Tk. in crore)	39,849	77,774.30	95.17
All Share Price Index	5194.77	9050.56	74.22

Source : Chittagong Stock Exchange.
**All share price index is calculated on General Share Price Index (excluding 'Z' group) by withdrawing weighted average method from 9 December, 2003.The index base was 1000 for CSE from the year 2000 . Previously it was 100.*

The number of securities listed with the CSE reached 231 as of June 2008 from 227 as of June 2007. By the end of June 2008, the issued capital of listed securities stood at Tk. 10222.00 crore which is 14.62 percent higher compared to that at the end of June 2007. As of June 2008, market capitalisation of securities reached Tk. 77774.00 crore. General share price index of the CSE reached 9050.56 as on June 2008, which was 7657.06 on June 30, 2007.

Table 5.11: Trading Operation in Chittagong Stock Exchange

Calendar year/ month-end	No. of listed securities	IPO[b]	Issued capital (in crore Tk.)	Market Capitalisation (in crore Tk.)	Turnover (in crore Tk.)	Price index[(c)]
1995	61		1036.80	2413.90	1.97	409.43
1996	117	16	1872.60	14704.30	608.90	1157.90
1997	141	19	2276.14	5283.23	854.51	332.98
1998	150	6	2418.03	4138.25	1403.60	232.80
1999	159	9	2508.09	3654.24	1153.79	197.83
2000	165	3	2726.60	5776.55	1293.38	1412.25
2001	177	9	2965.27	5636.35	1479.62	1836.87
2002	185	9	3107.99	6046.77	1358.61	1841.14
2003	199	10	4196.76	8531.23	668.86	1642.78
2004	195	3	4697.87	21501.08	1755.13	3597.70
2005	210	16	5551.93	21994.28	1404.27	3378.68
2006	213	6	6937.84	27051.07	1589.31	3724.39
2007	227	13	8917.39	61258.00	5259.03	7657.06
2008 (June)	231	-	10222.00	77774	1034.76	9050.56

Source: Chittagong Stock Exchange.
**All share price index is calculated on weighted average method from 24 November, 2001.The index base was 1000 for CSE from the year 2000 . Previously it was 100.*
**All share price index is calculated on General Share Price Index (excluding 'Z' group) by withdrawing weighted average method from 9 December, 2003. The index base was 1000 for CSE from the year 2000 . Previously it was 100*

Reform Initiatives in the Capital Market

The Securities and Exchange Commission (SEC) continues to carry out its regulatory reform activities in a bid to develop and protect investors' interest by establishing transparency in the capital market. A brief description of the major reforms undertaken in the capital market during FY 2007-08 is given below:

New Investment in the Capital Markets

Commission accorded consent to 9 companies to issue prospectus for raising Tk.193.56 crore as capital through Initial Public Offering (IPO). Subscription received against Tk. 42.56 crore of 4 companies was Tk. 926.74 crore, which was 21.77 times higher than the amount of public issues. Subscription receiving of rest 5 companies was under process.

Central Depository Systems (CDS)

A total of 3,58,698 BO accounts were opened and 32 companies came under CDS. Up to June 2008, 14,11,771 BO accounts were activated under Central Depository Bangladesh Ltd., and the number of companies under CDBL rose to 150.

After introduction of CDS, transparency in securities issuance, trading and settlement has increased significantly and settlement period of securities transactions has also reduced.

Training Programme

The Commission, in association with the Dhaka and Chittagong Stock Exchanges arranged training for 746 authorized representatives of the members of the stock exchanges. The Securities and Exchange Commission (SEC) conducts on regular basis. Investors' Education Programme at SEC premise throughout the year for creating awareness among the general investors of capital and securities markets. During July 2007- June 2008, a total of 590 investors participated in the education programme.

Enforcement Actions

The Commission took 205 enforcement actions against the issuers and other market intermediaries during July 2007 to July 2008 who failed to comply with the securities related rules.

'Improvement of Capital Market Governance Programme' Project

To strengthen surveillance system and to improve the governance of Bangladesh capital market, a project named 'Improvement of Capital Market Governance Program' funded by Asian Development Bank (ADB) and Government of Bangladesh has been launched from July 2006.

Formation of FRC and BICM

Government has taken itiatives to set up an oversight body named "Financial Reporting Council" to ensure timely preparation of financial statements by the issuers reflecting true state of financial affairs of issuer companies and also to ensure objctive auditing of the same by statutory auditors in adherence to International Standard on Auditing.

Besides, to educate the investors, intermediary institutions and to improve the corporate governance in the listed companies the Commission, in association with other stakeholders, is going to establish a securities training institute named "Bangladesh Institute of Capital Market".