

Report On
Trade Operating and Client Management Process of UCB
Stock Brokerage Limited

By

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ID: 19364058

An internship report submitted to the Graduate School of Management of BRAC
University in partial fulfillment of the requirements for the degree of
Masters of Business Administration.

Graduate School of Management
BRAC University
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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I have acknowledged all main sources of help.

Student's Full Name & Signature:

Ahmad Abdullah Jami

ID: 19364058

Supervisor's Full Name & Signature:

Suman Paul Chowdhury, PhD

Associate Professor of Accounting and Finance

Graduate School of Management

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Letter of Transmittal

Suman Paul Chowdhury, PhD
Associate Professor,
Department of Accounting and Finance
Graduate School of Management
BRAC University
66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report for the Partial Fulfilment of MBA.

Dear Sir,

With great pleasure, I would like to inform you that I was recruited to carry on a six months long internship program at UCB Stock Brokerage Limited under the Discretionary Portfolio Management Department. In this report, I have tried my best to put together the knowledge and experience gained from my time at UCB Stock Brokerage Limited in a decorative manner. The information provided in this report were gathered from both primary and secondary sources of data.

I sincerely hope that this report meets your expectations. I want to apologize for any mistakes made in this report and hope that it will be dealt with clemency.

Sincerely yours,

Ahmad Abdullah Jami

ID: 19364058

Graduate School of Management

BRAC University

Date: January 30th, 2022

Acknowledgement

I would like to start by thanking Almighty for blessing me with good health and the mental strength I needed to complete this report.

I would also like to offer my sincere gratitude to my internship supervisor, Mr. Suman Paul Chowdhury PhD for his guidance, tolerance and support during the completion of this report. Mr. Suman Paul Chowdhury, PhD was considerate about all the problems I faced and mistakes I made throughout this period and it helped me greatly.

I want to thank my internship co-supervisor, Mr. Riyashad Ahmed for his advisory support. I would like to commemorate Mr. Riyashad Ahmed's contribution to the enrichment of my knowledge on stock market and making me passionate about working in this important section of the economy.

Last but not the least, I would like to convey my gratitude to every single person working at UCB Stock Brokerage Limited, especially to my mentors and superiors of the Discretionary Portfolio Management Department for being extremely kind, caring and teaching me about the business. I consider myself fortunate to be able to work with an extremely brilliant team consisting of my field supervisor, Mr. Md. Hasib Reza, CFA, FAVP and Head of Research and Discretionary Portfolio Management Department, Mr. Mustafa Jain Uddin, CMT, Assistant Vice President and Mr. Noman Al Zobair, Strategic Portfolio Manager. From the very first day, I was trained to understand and play a role in the core business activities. I can confidently say that my time at UCB Stock Brokerage Limited has made me more responsible, compliant, punctual and courageous.

Executive Summary

The need for a vibrant stock market increases when a flourishing economy like Bangladesh, which is considered to be a future Asian Tiger, is in question. The contribution of stock brokerage firms in keeping the stock market alive and vibrant is immense. Stock brokerage firms bridge the gap between investors and stock market. Stock brokerage firms also play an important role in attracting new investors, educating people about the significance of stock market investment and carefully managing investors' investments. This report focuses on the business activities of one of the most successful and the fastest growing brokerage house in Bangladesh, UCB Stock Brokerage Limited. In this report, I have discussed about the company, its business and how it interacts with the stock market. I have tried to properly exhibit the knowledge I have gained during my internship at UCB Stock Brokerage Limited through this report.

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List of Acronyms

BO	Beneficiary Owners
IPO	Initial Public Offering
DSE	Dhaka Stock Exchange
CSE	Chittagong Stock Exchange
BSEC	Bangladesh Securities and Exchange Commission
CDBL	Central Depository Bangladesh Limited
AIT	Advance Income Tax
P/E	Price to Earnings
D/E	Debt to Equity
PMD-D	Portfolio Management Department- Discretionary

Chapter 1

Overview of Internship

1.1 Student Introduction

Name: Ahmad Abdullah Jami
ID: 19364058
Program: Masters of Business Administration
Major: Finance

1.2 Internship Information

1.2.1 Period, Company Name, Department/Division, Address

I was recruited as an intern at UCB Stock Brokerage Limited on 26th September, 2021, to work under their Discretionary Portfolio Management Department. The Discretionary Portfolio Management Department or in short, PMD-D was a wing of the company's sales and portfolio management division. The internship period was set to 6 months by the company. Since the beginning, I was required to work at the company's head office, situated at parent company United Commercial Bank PLC's head office.

The head office is located at the 17th floor of Bulus Center, Plot-CWS(A)1, Road No-34, Gulshan Avenue, Gulshan, Dhaka-1212.

1.2.2 Internship Company Supervisor's Information: Name and Position

I conducted my internship under the direct supervision of the Head of Research and PMD-D, Mr. Md. Hasib Reza, CFA. He is positioned as an FAVP at UCB Stock Brokerage Limited. Mr. Reza has around 8 years of professional experience as a sell-side equity research analyst. During this long period, Mr. Reza has covered Financial, Macro and Pharmaceutical Sector. He has also worked as a part-time Faculty at the Business School of North South University.

1.2.3 Job Scope – Job Description/Duties/Responsibilities

At the beginning, I was placed at the trading and portfolio management team where I received training on trading and portfolio management basics. I also received lessons on client acquisition and client management. I was taught about the procedures of providing smooth service to clients. The superiors of my team provided guidance on how the stock market and the digitalized trading platform of DSE works. As I got familiar with the day to day business activities of the department, I started taking assignments from my superiors and performing day to day activities myself. Trade execution, fund deposit and withdrawal, maintaining weekly investment performance dashboard, replying to client queries, IPO subscription on behalf of clients, monitoring investments and monitoring market trends are among the regularly practiced activities. I also took assignments provided by my field supervisor on adhoc basis.

1.3 Internship Outcomes

1.3.1 Student's contribution to the company

After the training, I was able to lend a hand to my superiors on regular operations. I have provided prompt and effective service to the company's clients and help them with their queries. I have executed trades on behalf of clients regularly which has generated commission for the company. I have provided account opening service to a decent number of new clients for the company. I have also played a part in creation of some analysis reports. I was able to acquire some new clients for the company who have generated commission for the company.

1.3.2 Benefits to the student

Due to the well designed training by my superiors, I was able to get a good picture of the business and participate actively. Some of the many great thing that I have learned from my internship at UCB Stock Brokerage Limited are as follows:

Handling Pressure:

Though the company does not put overwhelming pressure on employees, but during trade hours (10 am-2:30pm) the workload was immense. Our team handles hundreds of clients. Since the trade hours are short and most of the clients traded almost daily, we have to work really hard and very carefully during the trade hours. Going through this heavy work pressure almost everyday has helped me develop my pressure handling skills.

Agile thinking and execution of work:

As discussed in the previous point, since we receive a large amount of trade orders from our clients and have just 4 hours and 30 minutes to execute them, we have to work fast. Apart from being fast, we also have to be very careful so that no mistakes are made. Some clients give us their expected price. But some clients give us the responsibility to decide which price to buy or sell at. Since share prices are volatile, we need to make quick decisions so that we get the best price for both buying or selling shares. This has helped me think and work faster than I was capable of.

Being Responsible:

A valuable lesson I have learned from my internship is being responsible and owning my mistakes. Since I have to work with clients' investments and take part in activities that are sensitive in nature, I need to act responsibly and carefully.

Daring to take Challenges:

My mentors are always very supportive and inspire me to push my boundaries. This helped me realize that I can do better. They give me challenging tasks and correct me when I make mistakes. Tasks that I believed were not possible for me to complete seemed possible afterwards and I started to believe that, if I try, I can conquer my fears and weaknesses.

People Skill:

One of the most crucial lessons for me was to learn how to effectively communicate and build good relationship with others. Now I feel more comfortable while interacting with people in a professional environment and communicating with people from all walks of life.

Taking Care of Difficult Circumstances:

My internship has taught me to try to find solutions to problems that arise, think faster and more logically and be tolerant. When a problem occurs, I try to understand what went wrong, find a possible solution to the problem and how to avoid reoccurrence of the problem.

Understanding Stock Market:

This is by far, the most important lesson I have learned from my internship. I have been curious about the stock market for a while and I was able to feed my curiosity through this internship. Apart from the fact that getting to understand the stock market has given me the capability to pursue a career in this sector, the knowledge that I have gained will also help me in my personal life as a future stock market investor.

1.3.3 Problems/Difficulties

Though my internship was an experience to be happy and satisfied about, there were some small problems that I have faced throughout the period.

A 6 Months Long Internship Program:

The period of the internship program was longer than the industry practice. I also have to admit that it was my decision to take the offer despite of knowing that it would be a long internship program.

A Long List of Rules and Regulations to Comply with:

While executing trades, I have to keep a long list of rules and regulations on my mind to avoid any non compliances. The same goes for fund deposit and withdrawal system.

1.3.4 Recommendations

I would like to make some recommendations from an intern's perspective. The recommendations are as follows:

A new internship program should be designed where the company hires a group of interns at the same time and train them together so that they can get equal experience and knowledge. At this moment, interns are hired on demand basis.

There should be trading and portfolio management simulation platform where interns will be able to master digital trading skills and manage dummy portfolios through softwares. This will reduce the risk of trade error and enrich their understanding on investment performance.

Chapter 2

Organization Part

2.1 Introduction

The size of the capital market of Bangladesh has grown significantly over the last few years. The number of publicly listed stocks stands at approximately 400. Till 27th January 2022, the market capitalization of DSE was recorded to be Tk. 5629029.61 Million. On the same day, the broad index of DSE stood at 7027.55 points. The existence of a vibrant stock market depends heavily on the stock brokerage firms. Investors invest their money in the capital market through stock brokerage firms. The stock market of Bangladesh consists of 2 exchanges which are Dhaka Stock Exchange and Chittagong Stock Exchange where DSE is the largest among the two mentioned exchanges. There are approximately 200 stock brokerages operating in CSE and in DSE, the number is approximately 250. UCB Stock Brokerage Limited is the second largest stock brokerage house in Bangladesh in terms of turnover. UCB Stock Brokerage Limited is also the fastest growing stock brokerage in Bangladesh. UCB Stock Brokerage Limited serves more than 8000 clients, both individual and institutional, through 7 branches which are situated within the country as well as outside the country.

2.2 Overview of the company

UCB Stock Brokerage Limited is a fully owned subsidiary of United Commercial Bank Limited. UCB Stock Brokerage Limited was incorporated as a private limited company with limited liability under the Companies Act of 1994. UCB Stock Brokerage Limited started its journey in June 2013. Since its inception, the company has been growing at fast pace and continues to provide global standard brokerage services. This growth has been facilitated by the hard work of a highly experienced and dedicated management team. UCB Stock Brokerage Limited has always prioritised ethics and quality service which has helped the company build a strong image in the industry. The company is in pursuit of becoming the most compliant stock broker of the country. It is devoted to heavily contribute to the development of the capital market of Bangladesh. UCB Stock Brokerage is the employer of 5 CFA charter-holders which is the highest among all the stock brokers in Bangladesh. UCB Stock Brokerage has contributed in bringing large foreign investors in Bangladesh from USA, Europe and Asia. Following are few more details about the company:

TREC Number

DSE- 181

CSE- 015

Head Office

“BULUS CENTER” (17th Floor, West Side), Plot-CWS(A)1, Road No-34, Gulshan Avenue, Gulshan, Dhaka-1212

Website

<https://ucbstock.com>

2.2.1 Vision, Mission and Core Values

Vision

“To be the Preferred Brand for Investment Management in the Bangladesh Capital Market.”

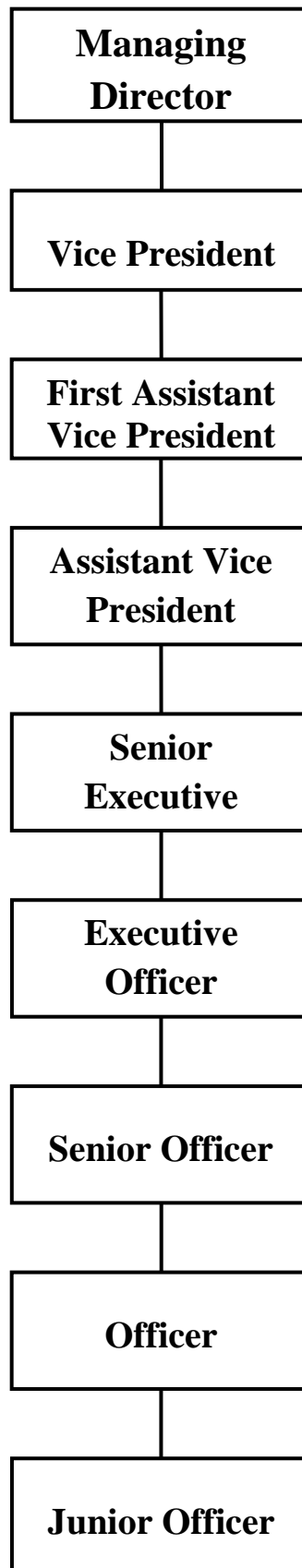
Mission

- Exceed investors’ expectation.
- Be the leading source of Capital Market Research.
- Operate state of the art technologies for efficient operations and superior customer service.
- Be the most ethical and compliant Capital Market player.
- Develop human capital for organized growth and constructive customer relationship.
- Promote gender diversity, environmental consciousness and care for the community.

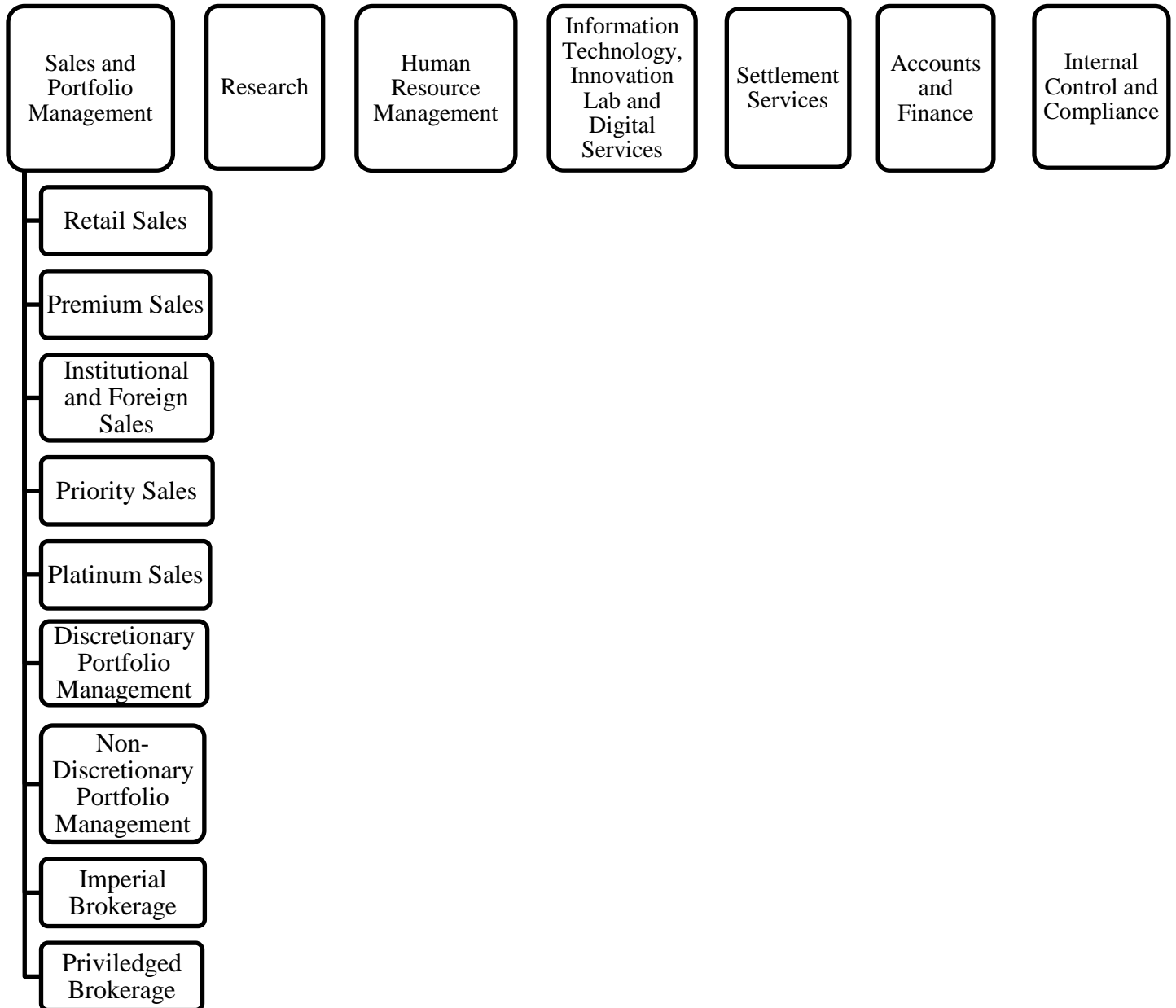
Core Values

- Trust: We build trust through our every action.
- Accountability: Ensuring responsibility and conformity.
- Respect: Treat everyone with respect and courtesy.
- Integrity: We are honest, open, ethical and fair.
- Quality: What we do, we ensure quality.

2.2.2 Organizational Hierarchy



2.2.3 Departments



2.2.4 Services

- BO Account Opening and Maintenance
- Providing Margin Loan
- Trading
- Providing Liquidity Support to Foreign Institutional Investors
- Dematerialisation
- Rematerialisation
- Transfer
- Transmission
- Pledge
- Unpledge
- Change of Ownership
- Online Fund Transfer Through BEFTN, EFTN, RTGS
- IPO Subscription
- Publishing Weekly, Monthly, Yearly Stock Market Review
- Mobile Application Based Account Management Service for Clients

2.3 Management Practices

The management of UCB Stock Brokerage Limited follows a hybrid leadership style where component of different leadership styles are present. Some contents from democratic, transformational and visionary leadership style are dominant. UCB Stock Brokerage's top management organize atleast 2 management committee meetings where the Managing Director reviews company's performance and makes decisions about future plans and objectives. The leaders discuss about problems and try to find the best solution through sharing thoughts and ideas. Heads of all departments also conduct meetings with their respective team members to listen to their problems, difficulties and collectively find proper solutions. They also provide counseling to their subordinates to boost their morales. They try to understand the lackings that exist in their subordinates and teach them ways to overcome those lackings so that they can perform upto their true potential. Department Heads' also participate in special tasks with their teammates which helps the subordinates feel valued and they get a chance to learn from their team leaders' experience.

Employees are recruited based on some of the following criterias:

- Educational qualification
- Capability to handle heavy workload
- Capability to communicate effectively
- Capability of making quick and effective decisions
- Capability to work independently without much intervention
- Analytical skills
- Ability to multitask
- Creativity
- Sense of teamwork and discipline

Candidates need to go through rigorous screening by highly experienced hiring professionals.

Employees are required to attend regular training sessions designed to improve emotional intelligence, market knowledge, compliance culture, ethical standards, client management standards and a wide variety of other factors that has direct impact on the business.

Employee performance is thoroughly monitored on regular basis. Moreover, performance of employees are appraised semiannually.

2.4 Financial Performance and Accounting Practices

UCB Stock Brokerage Limited revenue sources are given below:

- Brokerage Commission
- Interest Income
- Income from Investments in DSE, CSE and Marketable Securities
- Other Incomes, some of which are as follows:
 - Account Opening Fee
 - IPO Subscription Fee
 - Annual BO Account Subscription Fee
 - CDBL Operations Fee
 - Margin Loan Processing Fee

2.4.1 Financial Ration Analysis

Since stock brokerage firms do not share many similarities with most types of businesses, several financial ratios do not apply for this business model. I have tried to analyze UCB Stock Brokerage Limited's financial performance using ratios that are relevant to their business model. I have analyzed their financial performance for the 2018, 2019 and 2020 and interpreted the figures that I have acquired by using the following ratios:

Particulars	2018	2019	2020
Total Asset	4,086,670,754	5,043,651,437	9,355,783,150
Total Liability	1,638,828,754	2,529,349,463	6,751,483,598
Total Debt (Short Term Loans)	549,400,000	1,392,588,962	3,368,415,306
Revenue	413,490,314	469,500,494	585,541,580
Expenditure	110,481,620	186,747,949	255,199,017
Operating Income or EBIT	303,008,693	282,752,544	330,342,564
Net Profit After Tax	178,321,342	66,472,767	89,997,578
Number of Shares Outstanding	5,135,000	5,135,000	20,000,000
Shareholders Equity	2,447,842,000	2,514,301,973	2,604,299,552
Unadjusted EPS	34.73	12.95	4.50
Adjusted EPS (For 20,000,000 Share)	8.92	3.32	4.50

Table 1. Financial Data

List of Ratios	Formula	Result		
		2018	2019	2020
<u>Solvency Ratio</u>				
Debt-to-Asset Ratio	Total Debt/Total Asset	0.13	0.28	0.36
Equity Ratio	Shareholders' Equity/Total Asset	0.60	0.50	0.28
<u>Profitability Ratio</u>				
Return on Asset	(Net Profit After Tax/Total Asset)*100	4.36%	1.32%	0.96%
Return on Equity	(Net Profit After Tax/Shareholders' Equity)*100	7.28%	2.64%	3.46%
Net Profit Margin	(Net Profit After Tax/Revenue)*100	43.13%	14.16%	15.37%
<u>Turnover Ratio</u>				
Total Asset Turnover Ratio	Revenue/Total Asset	0.10	0.09	0.06

Table 2 Financial Ratios

Solvency Ratio

○ **Debt-to-Asset Ratio**

Debt to Asset ratio refers to the portion of debt in company's total asset. From the three year result, we can see that the portion of debt the company's total asset is increasing over time. The company needs to be cautious about its dependency on debt.

○ **Equity Ratio**

Equity ratio measures a company's dependency on equity as the source of fund. The 3 years result, we can see that the ration has been in decline. The company should emphasize more on equity as the source of fund.

Profitability Ratio

○ **Return on Asset**

This ratio refers to the amount of net profit a company generates against per Tk of asset. From the 3 years result, we can see that the ratio has been steadily declining which means the company is generating lesser net profit relative to its assets than before. The company needs to use its assets more efficiently to generate better net profit.

○ **Return on Equity**

This ratio measures the amount of net profit a company is generating for per Tk of its shareholder's investment. It can be seen that in 2018, the company generated net profit of Tk 0.0728 for every 1 Tk of shareholder's investment whereas the figure has declined to Tk 0.0346 in 2020. The company needs utilize shareholder's investments more carefully and efficiently.

- **Net Profit Margin**

This ratio helps us find how much net profit a company is generating from per Tk of revenue generated. Like the 2 previous ratio results, the net profit margin has also declined drastically. Compared to the result of 2018, The company has generated less than half of the net profit margin in both 2019 and 2020 which is a matter of concern. The company needs to reduce its expenses which will help it generate better net profit margin.

Turnover Ratio

- **Total Asset Turnover Ratio**

This ratio measures how much revenue a company is generating against per Tk of its asset. From the 3 years result, we can see that the company's Total Asset Turnover is declining which display the company's growing inefficiency in using its asset to generate revenue. The company needs to be more efficient about utilizing their asset.

2.5 Information System Practices

To achieve global standard, Capital Market of Bangladesh has embraced digitalization and has been in a pursuit to improve its technological capabilities. To cope with the Capital Market's technologically advanced ecosystem, UCB Stock Brokerage Limited is also trying with full capacity to transform into a technologically rich brokerage firm. Clients have access to mobile application based account management system fully integrated with our internal information management system. UCB Stock Brokerage uses a state of the art brokerage back office database management software which is know as Xbroker. Xbroker is integrated with the company's main server which allows employees to check, store and modify information from their workstation.

2.6 Industry and Competitive Analysis

2.6.1 Porter's Five Forces Analysis

Since some of the five forces of Porter's analysis tool does not have much relevance with a stock brokerage firm's business model, using this tool to measure industry competitiveness was not possible.

2.6.2 SWOT Analysis

SWOT Analysis as a tool allows us to identify a company's strengths and weaknesses. It also allows us to identify the opportunities and threats the company is exposed to. Due to my exposure to the core business activities of the business, I was able to identify some of the company's strengths, weaknesses, opportunities and threats. Following is SWOT Analysis of UCB Stock Brokerage Limited.

Strengths

- A strong research team with several CFA charterholders and charter pursuant
- Highly experienced workforce
- Backed by UCB PLC, one of the largest banks of Bangladesh.
- Branches spread globally.
- Strong image as one of the most compliant brokerage houses in Bangladesh.
- Uses state of the art back office management system.

Weaknesses

- Unlike it's major competitors, UCB Stock Brokerage Limited does not offer an inhouse mobile application based Order Management System to it's clients.

Opportunities

- More and more people are becoming financially literate. There willingness to invest in the Capital Market is also on the rise. This can open the door to a huge potential client base.
- Increasing interest of foreign individual and institutional investors in the Capital Market of Bangladesh. UCB Stock Brokerage can be benefited from this possibility.

Threats

- Entry barrier to this industry is low.
- Highly volatile capital market.

2.7 Conclusion

From the overall discussion in this chapter, we can get an understanding on the practices of different function of the process. We find that UCB Stock Brokerage Limited is focussed on developing itself as a global standard brokerage firm. The company's business practices have definitely helped the company solidify its position as a premium brokerage service provider with scope of doing better in future.

2.8 Recommendations

I want to make few recommendations to UCB Stock Brokerage Limited which I think may help the company get better results and improve their overall business performance:

- The company needs to put more emphasis on their financial performance since most ratios provided here show declining outcomes.
- Company Needs a dedicated marketing team which can help find ways to bring more clients.
- The company needs to build its own Order Management System to add value to their services.

Chapter 3

Project Part

3.1 Introduction

This chapter includes discussion on the trading and customer management operations of UCB Stock Brokerage Limited. It will also include information related to the rules and regulation that needs to be followed in the above mentioned processes.

3.1.1 Objective

The objective of this study is to exhibit the knowledge I have gathered from working at UCB Stock Brokerage Limited as an Intern. This report provides an in depth picture of the trade and customer management operation of the company.

3.1.2 Significance

This report was created to enrich peoples' knowledge on how stock brokerage firms run their trade and customer management operations. This report will help a person hoping to work with the capital market as well as in the service industry.

3.2 Methodology

For the creation of this report, I have used primary source of data which was gained through first hand experience and knowledge I have acquired while I worked as an intern at UCB Stock Brokerage Limited. I have also taken help from some newspaper articles, important webpages and from the company's website.

3.3 Findings and Analysis

3.3.1 Types of Accounts Managed

Cash Accounts:

Cash accounts are BO Accounts which allows investors to use his deposited money, proceeds from sold securities and dividend income to buy securities.

Margine Accounts:

Maintaining a margin BO Account allows investors to lend a certain amount of money from UCB Stock Brokerage Limited to fulfill their purchase requirement. Currently, the Margin ratio limit set by BSEC is 1:0.8. This means if an investor has Tk 1 Lac in his margin account, UCB Stock Brokerage Limited can allocate the maximum amount of Tk 80 thousand to that margine account. UCB Stock Brokerage Limited charges interest on margin loans on the basis of usage of margin. Investors will have to wait for 15 day starting from the day first deposit was made to avail margine facilities. Investors can no use margin facility to subscribe for IPO. Investors can not buy non marginable securities using the margin provided by the company. Non marginable securities include shares that are overvalued or in other words, shares that have P/E ratio above 40 and shares which have been categorized as 'Z'. Further discussion on share category will be available in the following sections.

3.3.2 Share Category

Shares are usually categorized as A, B, N and Z. The categorization criteria basically depends on the issuer's dividend declaration history.

A- Category Stocks:

These are the stocks of companies which regularly hold Annual General Meeting and have declared at least 10% dividend in the last year.

B- Category Stocks:

These are the stocks of companies which regularly hold Annual General Meeting but declared less than 10% dividend in the last year.

N- Category Stocks:

These are the stocks of companies that have been newly listed in the stock exchanges. Their category changes depending on their first dividend declaration. IPO shares are listed under this category.

Z- Category Stocks:

These are the stocks of companies that have failed to declare cash dividend to it's shareholders' for 2 consecutive years starting from the date of listing or the last dividend declaration.

3.3.3 Marginable and Non-Marginable securities

Marginable Securities:

Marginable securities include stocks that are undervalued or fairly valued. These stocks have P/E ratio below 40. These stocks belong to companies with good financial health. Moreover, the stocks need to be from A and B category.

Non-Marginable Securities:

Non-Marginable securities are eligible to be bought in Margin Accounts. These stocks have P/E ratio above 40 which means they are overvalued. N and Z category stocks also fall under Non-Marginable category. To ensure the safety of margin loan provided by the company, Non-Marginable securities, which are considered riskier are avoided.

3.3.4 Trade Execution and Settlement Process

Trade Execution Process

Suppose the buyer is Mr. B and the Seller is Mr. S. Mr. B is a client of UCB Stock Brokerage Limited and Mr. S is the client of XYZ Stock Brokerage Limited.

Mr. B places an order to buy 100 shares of GP (Grameenphone) at Tk. 300 through UCB Stock Brokerage Limited. On the other hand, Mr. S wants to sell 300 share of GP (Grameenphone) at Tk. 300 through XYZ Stock Brokerage Limited. Since the quoted price has matched, the trade management system of DSE or CSE will execute the trade for 100 shares of GP (Grameenphone) at Tk. 300 in response to the buy and sell order placed by Mr. B and Mr. S. It is to be noted that since Mr. B has placed an order to buy 100 shares, Mr. S was able to sell only 100 shares to Mr. B. If there is a second buyer who wants to buy 200 shares of GP (Grameenphone) at Tk. 300, the remaining 200 share from the order placed to sell 300 share by Mr. S will be sold to the second buyer. Same goes for the case where the buy order quantity is larger than the sell order quantity. If Mr. B wants to buy 300 shares of GP (Grameenphone) at Tk. 300 and Mr. S wants to sell 100 shares of GP (Grameenphone) at Tk. 300, trade will be executed for 100 shares at Tk. 300. The buy order for 300 shares will remain partially filled since only 100 out of 300 shares required were bought and will stay the same until another or several other sellers are not placing a sell order for GP shares at the quoted bid price of Tk. 300. If the second seller's or several other sellers' collective sell order is 200 or more, the remaining 200 share for the buy order placed by Mr. B for 300 shares of GP will be executed and his buy order will be filled. This is the basic function of the trade management system of DSE and CSE.

Settlement Process

Settlement process refers to the settlement of shares and payment of trades. For easier understanding of the process, we use a T+1/2/3/4/..... to refer to the maturity date of shares and funds from sale of share. Here, T refers to the date when trade was executed. T+1 means the either funds or share or both has matured on the day after trade. The case is same for T+2/3/4/... where T+2 means either funds or share or both will mature the 3rd day where the 1st day is the trade execution day. It is to be noted that this process works only for DSE and CSE trading or working days which is Sunday to Thursday. This process does not recognize Fridays and Saturdays as working days.

We will continue with the example of the trade of GP share between Mr. B and Mr. S. The overall trade and settlement process includes participation of intermediary entities like DSE, CSE and CDBL to ensure the successful execution of the whole process. CDBL is the only security depository of Bangladesh. It is backed by the Government of Bangladesh to ensure safekeeping, delivery, settlement and transfer of securities through digitalized method. As we know, UCB Stock Brokerage Limited, on behalf of Mr.B has bought GP shares from XYZ Stock Brokerage Limited, who sold those shares on behalf of Mr.S. The day when the trade took place is denoted as T. On T or T+0, XYZ Stock Brokerage Limited sends the GP shares to CDBL. On T+1, UCB Stock Brokerage Limited sends the fund to DSE and the GP shares remain under the safekeeping of CDBL. On T+2, UCB Stock Brokerage Limited receives the shares from CDBL and XYZ Brokerage Limited receives the fund from DSE. This is the process of settlement of A,B and Z category shares.

For Z category shares however, the process is slightly different. On T+0, XYZ Brokerage Limited will send the shares to CDBL. On T+1, UCB Stock Brokerage Limited will send the funds to DSE and the shares will remain in CDBL's depository. On T+2, no exchange of shares or funds will take place. On T+3, UCB Stock Brokerage Limited will receive the shares from CDBL and XYZ Stock Brokerage Limited will receive funds from DSE. Shares get matured when it reaches the buying brokerage house and funds get matured when it reaches the selling brokerage house. Till they reach their final destination, they remain immature.

3.3.5 Trade Order Communication Process

There are many mediums through which clients inform trade orders to their RMs (Relationship Managers).

- Over Phone Calls
- Through Text Messages
- By Being Present in the House

Clients can also place orders themselves using the mobile trade application provided by DSE.

3.3.6 Responsibilities of Relationship Managers

Relationship managers are the intermediary between the company and its clients. They provide service to their clients following the company's client service policy. Following are some responsibilities of relationship manager:

- Providing fast and top class service to their clients.
- Providing flawless trade support to their clients.
- Sharing expertise to facilitate client's investment decisions.
- Solving issues so that clients can continue doing business with the company without hassles.
- Responding to client queries.
- Keep in touch with clients to make them feel valued.
- Letting clients know about any updates that concern them and their investments.
- Notifying clients about any errors or mistakes occurred from relationship manager's side as soon as the incident took place.
- Admitting and apologizing for any mistakes or errors caused by relationship manager.
- Serving all clients equally and respectfully regardless the size of investment clients made with the company.
- Serving all clients equally and respectfully regardless the their social and financial status.
- Being honest with clients.
- Constantly monitoring clients' portfolios to get idea about portfolio performance.

3.3.7 Commission Rate

Client Commission Rate

Currently, UCB Stock Brokerage Limited is charging 0.40% commission on trades which include both buy and sell. This commission rate percentage is widely practiced throughout the industry.

Brokerage Firm Commission rate

UCB Stock Brokerage Limited has to pay the following commission rates on all trades to different entities:

- DSE Commission Rate = 0.025%
- AIT (Advance Income Tax) = 0.05%
- CDBL Commission Rate = 0.0125%
- CSE Commission Rate (For CSE Trades) = 0.021%

For Block Trades

Block trades are trades that occur in a different section from the main board of DSE digital trade management system. Block trades occur in bulks of same company shares and the minimum size of each bulk should be Tk. 5 Lacs. Bulk trades take place based on previous agreement between buyer and seller and both parties decide the price range at which, the block trade will be executed. DSE charges Tk. 50 for each block trades and for CSE, the amount is Tk. 40.

3.3.8 Interest Rates

UCB Stock Brokerage Limited charges above 10% interest on margin loans complying with the latest margin loan regulations set by BSEC. UCB Stock Brokerage Limited also charges interest on portfolios that have negative ledger balance which is usually caused by over buys and late payment of account maintenance fees and charges.

3.3.9 Business Risks

There are several risks attached to the day-to-day business activities which have direct impact on business. Following are some of those risks:

- Risk of Debt to Equity ratio exceeding set limit in Margin Accounts
- Risk of clients defaulting on timely payment on Margin Accounts and clearing of negative ledger balance
- Error in trades
- Deposit and withdrawal mismanagement
- Over exposure to single stocks in Margin Accounts
- Over buying in Cash Accounts
- Over buying in Margin Accounts causing Debt to Equity ratio to exceed approved ratio

3.3.10 Effective Way of Acquiring New Clients:

Stock market investments are riskier than fixed income securities. Major market crashes in 1996 and 2011 makes people think twice or more before investing their hard earned money in the stock market. Apart from the crashes, frequent and sharp volatility in the market makes it harder for people to decide if it is a good time to enter the market. The whole scenario makes it difficult for stock market professionals to acquire new clients. Still, there are many effective ways these professionals approach people to invest in the stock market. Since during my internship, I was able to work with them closely and learn from how they worked, I was able to identify some of those techniques which I am mentioning below.

- First thing to do is trying to understand a person's risk appetite. This helps the pitching process easier since now we have a clearer picture of how to navigate the pitch.
- If the person is suffering from indecision or is speculative, suggest him to start small and see if it works out for him/her.
- If the client is positive about stock market investment but does not want to invest with us, then try to find out about the factors that are influencing his/her decision to do business with other brokerage houses and find a solution that will convince him/her to invest with us.
- Having a clear investment plan or strategy will help them gain confidence on us.
- Being honest about the risks attached to stock market investment. Some clients prefer honesty above other characteristics.
- Being confident is a game changer in these situations.

One golden rule that I consider to be very useful is to avoid onboarding clients who expect constant and/or unrealistically good return on their investments. We have to face the truth that stock market does not always give good returns. They go through crashes and long declines. This reduces the chance of future dissatisfaction of clients.

3.4 Conclusion

From the above discussion, it is clear that UCB Stock Brokerage Limited is concerned with providing the best possible services to its clients. The company is trying to onboard clients through educating them about the risks and possibilities of the stock market. This will not only help UCB Stock Brokerage Limited but also help developing the capital market as a whole.

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