

Implication
Of
Margin Rules 1999

In
Bangladesh



Internship Report

“Implication of Margin Rules 1999 in Bangladesh”

Prepared for

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Prepared by

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Approval Letter

I am officially approving the internship report of ARIF A ROBBANY, (ID 12204014) student of bachelor of business administration of BRAC Business School, BRAC University who has complete the internship program abiding by the rules and regulation of the BRAC University.

As part of the completion of internship, he joined to Haji Ahmad Brothers Securities Limited – a broker & dealer company. The company accepted him as intern in their Accounts and Finance department. He got the chance to learn capital market from highly knowledgeable personnel of this company. He also learnt some of Bangladesh Securities and Exchange Commission rules and regulations while working in this organization. He was asked to submit a report on Margin Rules 1999 in Bangladesh.

The report has been prepared following the policy of BRAC University.

Supervisor

Dr. Suman Paul Chowdury

Assistant Professor

BRAC Business School

BRAC University

Letter of Transmittal

August 18, 2017

Dr. Suman Paul Chowdury

Assistant Professor

BRAC Business School

BRAC University

Subject: submitting internship report on “Implication of Margin Rules 1999 in Bangladesh”

Dear Sir,

I have the privilege to inform you that I have completed my internship report following the rules of BRAC University. After completing my academic courses, I joined to Haji Ahmad Brothers Securities Limited to convert my theoretical knowledge to practical implication. I have completed my three months' internship in this organization. I was assign to finance department which suited me since I did major in finance. During the period I had the opportunity to work with knowledgeable top level employees of this brokerage firm. I got the actual test of the real capital market which was the curious part to me all the time. I feel proud to conclude my academic ceremony with your guideline.

Therefore, I would like to tell you that I have tried to my level best to make my report though it might have some errors or mistakes. I will appreciate any correction to my report.

Acknowledgments

Margin Rules 1999 is an indispensable part of capital market in Bangladesh. When I started my internship I had a very little knowledge about this margin rules 1999. As I was working in Haji Ahmad Brothers Securities Limited I came to know many important elements of this rules. Through my work with finance and operation department I learnt about the margin rules 1999. I would like to show gratitude Mohammad Aminul Islam manager of finance department. At the same time, I would like to recognize Syeeda Sohani Chowdhury manager operation of this brokerage company for helping me to get this report done. Last but not least, I want to thank my academic advisor Dr. Suman Paul Chowdury for his support to complete the report.

Executive summary

As part of my three months' internship I joined to in Haji Ahmad Brothers Securities Limited where I got the chance to learn about the capital market and rules and regulation of Bangladesh Securities and Exchange Commission. After completing my internship in this company I was instructed to write on report in Implication of margin rules 1999 in Bangladesh. Firstly, I have conferred about the margin rules 1999 legislated by Bangladesh Securities and Exchange Commission. Conditions and requirements of the margin rules must be followed to deliver margin facility in Bangladesh. Secondly, I focused on how Haji Ahmad Brothers Securities Limited is following the margin rules to provide margin loan to its clients. At the same time, I have mentioned few advantages of margin loan not only for clients, but also for brokerage firms. Thirdly, I have analysis both brokerage industry (using Porter's Five Forces Model) and Haji Ahmad Brothers Securities Limited securities (using SWOT analysis). Finally, I have urged few recommendations, based on my understanding, for Haji Ahmad Brothers Securities Limited so that the company can provide better services.

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Chapter 1

Introduction

1.1 Rationale of this report

Having completed the academic courses and three months' internship program, preparing internship report was the best platform to convert theoretical knowledge into practical skills. For preparing this report, I discussed with distinguished people in that organization which gave me a lot of information to analyze and make it clear to myself so do the readers. In order to prepare the report, I have interviewed several key important personnel of the company which helped me understand not only the margin rules but also few other rules and regulations. I have gone through margin rules and its amendments and postpones to understand market scenario. How the functions of capital market changed by the margin rules 1999? It was bringing a lot of avails for investors while brokers also benefited from this rules. I have found that the capital market crash in 2010 was also a byproduct, there are several reasons, of abusing of Margin rules 1999. So preparing the margin rules 1999 was the best way to illustrate the capital market and its operation.

1.2 Objective

Through this report I intended to elaborate the implication of the Margin Rules 1999 in Bangladesh's capital market. I tried to bring the real time practices of this margin rules from the beginning to date. I discussed Margin Rules 1999 and explained the implication using Haji Ahmad Brothers Securities Limited as an example. To explain the implications, I have discussed with the relative department in this organization so that I can demonstrate clearly to the readers of this report. I also explained all the amendments that the rules took so far to update the end users.

1.3 Methodology

In order to complete the report, I have discussed with professional personnel and investors of the capital market. At the same time, I collected data from secondary sources such as Bangladesh Securities and Exchange Commission and Dhaka Stock Exchange. I have also followed the margin deed of Haji Ahmad Brothers Securities Limited.

1.4 Limitation

I have tried my level best to prepare this report fruitful for broader readers though this report is unable to generalize in different capital markets except Stock Exchange of Bangladesh. Not applicable to any other Securities and Exchange Commission except Bangladesh Securities and Exchange Commission. Rules and regulations of margin deed cannot be generalized to any other brokerage other than Haji Ahmad Brothers Securities Limited.

Chapter 2

2.1 Haji Ahmad Brothers Securities Limited - at a Glance

Haji Ahmad Brothers Securities Limited is one of the founder members of the Dhaka Stock Exchange having been established in 1956 and it is also one of the first full-service brokerage companies in Bangladesh. In addition to its expertise and achievements, it takes pride in its strong commitment toward the development of Bangladesh's capital markets. With an experienced team of professional traders, it offers the best trade execution to its clients and provide loan facilities.

2.2 Vision

HABSL aims at providing the best service with a high degree of professionalism that is why it is constantly looking for ways to become the leading provider of competitive, efficient and reliable services in the capital market.

2.3 Activities

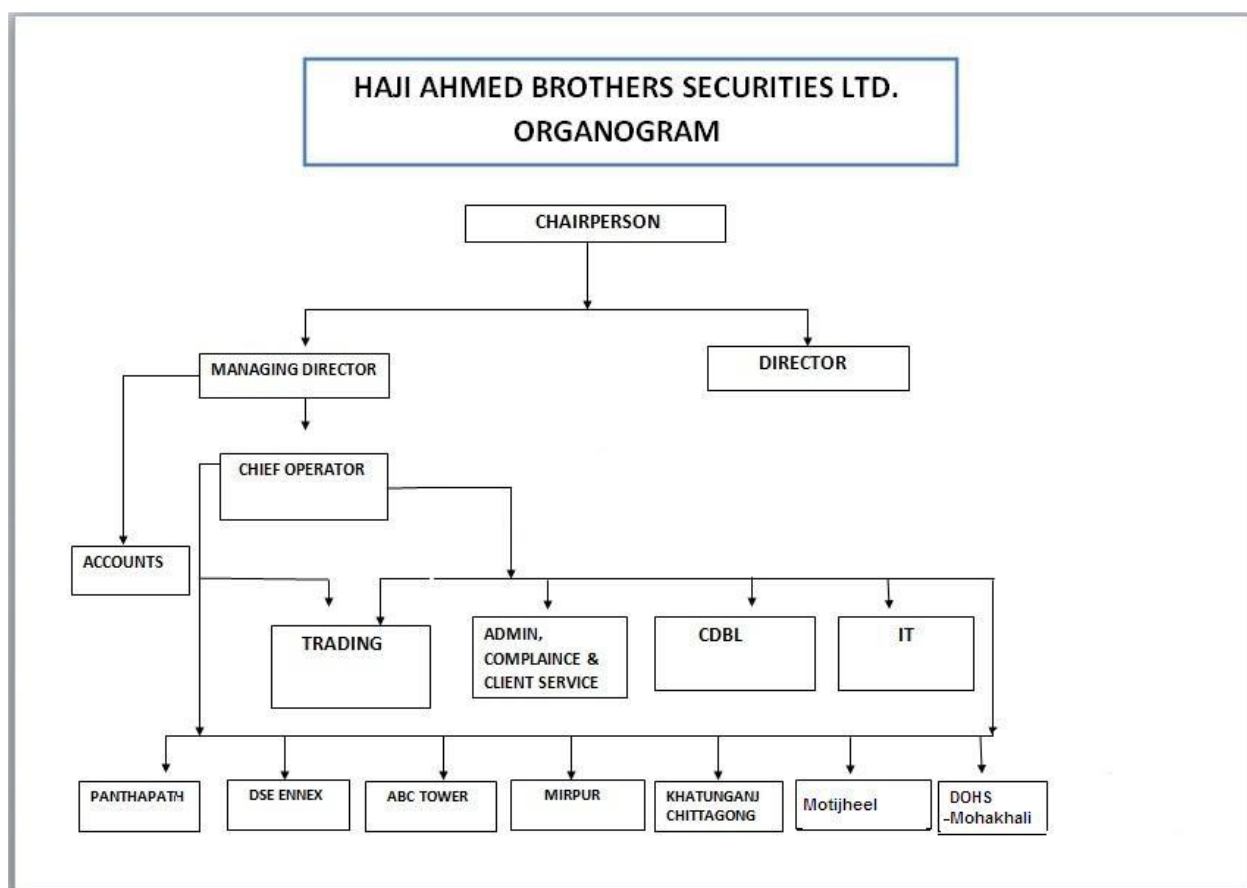
To improve the performance of the organization it conducts daily meetings with all the traders before trading begins to update them with the latest information regarding market trends, new regulations, client relations etc. It conducts weekly meeting with all its employees to summarize weekly activities and update all the departments. HABSL also conduct monthly meeting with upper level management in the form of an inter-active discussion, this results in better team work, higher motivation and as a result of this process it has improved performance and client services.

2.4 Employee

The operations of this company are run by a team of over 60 highly educated and technically qualified staffs.

2.5 Structure of HABSL

HABSL consists of four departments which support our trading activities; the operations of this company are run by a team of over 60 highly educated and technically qualified staffs.



Source: HABSL website

After completing all my academic courses I joined Haji Ahmad Brothers Securities Limited as an intern in their accounts and finance department. During my internship I have assigned to work with the head of accounts and finance department. I assisted to prepare different accounting and financing documentation. Besides I have also asked to crosscheck important

document to avoid any kind of error. At the same time, I worked in CDBL department to update KYC of BO account. I learned the basic operation of CDBL and how to provide cash & margin limit to client. Time to time I visited the trading floor to learn about the actual share market in our country.

Chapter 3

3.1 How margin rules 1999 has been practicing in Bangladesh

In order to find out the implication of margin rules here we will study a specific broker dealer. As I have worked in Haji Ahmad Brothers Securities Limited it would better to analysis this company. Since the company is providing margin account facilities to its client where clients are required to sign in a deed to get access to margin loan as per the policy of the company approved by the Bangladesh Securities and Exchange Commission.

3.2 Margin account

Margin account, between investor and broker, is a debt financing account to accelerate the securities transaction. All over the world margin account is so common and such an important to investors and brokers. Margin account is collateralized by securities and cash where clients use not only his own money but also broker's money to leverage profit. There are different margin requirements in different market and it changes time to time. Clients have to maintain minimum amount in their account, which is margin requirement, otherwise he /she will get a margin call. Since Bangladesh capital market was growing fast and the demand for addition fresh capital went up significantly during late 90's, it was important to craft rules and regulation regarding margin loan. Based on the demand of margin loan in capital market, Bangladesh Securities and Exchange Commission took the initial to incorporate margin act in 1999.

3.3 Margin Rules 1999

Bangladesh Securities and Exchange Commission has enacted margin rules in 1999 to expedite securities trading in both exchanges in Bangladesh. It has several sections and subclasses, which provided information and explanation how margin facility must be

exercised for both clients and brokers. According to Bangladesh Securities and Exchange Commission both clients and brokers have to abide by, if they engage in margin account trading, the Margin Rules 1999. At the same time, margin rules ensure good governance in capital market through the rules and regulation stated by the margin rules 1999.



- According to the margin rules agreement share trader and broker have to have written agreement or pact.
- The margin rules also depict that a client shall authorize the broker to mortgage, pledge or hypothecate securities or other property, not more than the debit balance, used as collateral by the securities traders in the margin account.
- In margin account investor initially has to deposit (within the seven days of the first securities transaction) minimum of 150 percent of debit balance, according to Bangladesh Securities and Exchange Commission Margin Rules 1999, in the form of cash and securities issued by government or its agencies. According to the margin rules 1999 client will get 50% against client equity.
- If the equity of the client falls below 150% broker must inform the client to balance the deficit amount by either cash or marginable securities within the three days of the notice issued by the broker. The margin rules also asked to broker not to facilitate any further transaction until the account is balanced to 150% of debit balance.

Let say Mr. X had a margin account with Tk 2, 00,000 (including debit balance of Tk 80,000) to his margin account. Now market value of the stock he held decreased by Tk 1, 00,000. Now his portfolio worth only Tk 1, 00,000, which is 125% of the debit balance (amount of loan he took from broker). According to the Margin Rules 1999, equity must be at least 150% of the debit balance. Mr. X has to deposit Tk 1, 00,000 to his margin account to bring it balance.

- The margin rules 1999 ordered brokers not to let the equity to fall below 125% by any chance. However, if the equity level has fallen below that level the broker has absolute right to discrete and liquidates securities (marginable securities deposited to the account to balance to 150%) without any notice to the client.

If we consider Mr. X situation where his equity decreased dramatically. Now his broker has the right to liquid his account, according to the Margin Rules (1999), without notifying him to coequal with initial margin requirement. The broker must monitor margin account to make sure that loan is not issued more than approved amount. In order to calculate margin requirement last trading prices of the securities have to be considered.

- Margin rules (1999) also stated that any broker might require additional margin requested by exchange following commission for specific margin account carrying such securities subjected to huge fluctuation in value, might be adjourned from exchange for more than seven days, or might not have active secondary market.
- Client can withdraw any amount of cash or securities from his account, if the account is excess 150% of debit balance. Margin account cannot be used to purchase initial public offering or new issues of securities. For example, Mr. X has Tk 2, 20,000 (including 80,000 debit balance) which is more than the amount required. Therefore, if he wants to withdraw additional amount he can withdraw Tk 20,000 leaving his equity Tk 1, 20,000 ($2, 20,000 - 80,000 = 1, 40,000 - 20,000 = 1, 20,000$), which is 150% of debit balance.
- Thus, any exchange with the prior approval of Securities and Exchange Commission can desecrate to vary the margin requirement.
- The exchanges can take any decision approved by the commission in the matter of margin requirement. The exchanges have discretion to vary the margin rate stated earlier.

3.4 Discretionary account

Discretionary account is an investment account between a client and broker where broker is able to buy and sell securities without the compliance of the clients.

Client can authorize broker to securities transaction

Broker has the option to exercise the authority or not

- According to Margin Rules 1999, if client gives an earlier written authorization to the broker, to make a transaction in this type of account, they will do so.
- At the same time, broker has the right to consent or deny such account. Therefore, if both parties have their own willingness in such pact they can complete the account to facilitate investment transaction.

3.5 Exposure to a single client

In order to calculate the exposure to a single client, firstly we have to calculate average (last three months) net capital stated by Bangladesh Securities and Exchange Commission 1987. According to the law, net capital refers liquid assets minus designated liabilities of a broker in relation to his trading in the stock exchange.

Don't allow single client to exceed 25% of the average net capital

Don't allow single securities to be exceeded 25% of the average net capital

- Brokers are not allowed to permit shortfall causing from the transaction of single client to exceed 25% of the average net capital. Suppose the average net capital of a broker is Tk 100000 and the broker cannot allow any single to enjoy discrepancy more than Tk 25000.

3.6 Exposure to a single security.

- As stated in Margin rules 1999, neither broker nor dealer shall permit its exposure to a single security to exceed hundred percent of his average net capital if the security is quoted on the exchange. At the same time, hundred percent of its average net capital if the security is unquoted, but those securities shall not include the member's

interest in subsidiary and associated companies and any company which the exchange may approve from time to time.

3.7 Maintenance of consolidated customers' account

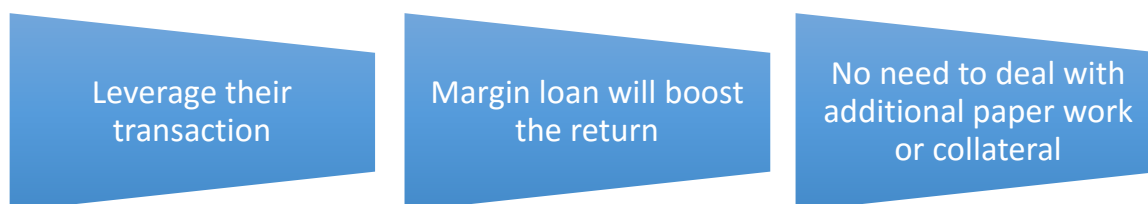
According to Bangladesh Securities and Exchange Rules 1987 every broker or dealer shall maintain a consolidated customers' account in his name with any scheduled bank only for the deposit of the money received from and for, and payment of money to and for the customers.

All money received from and for the customers shall be deposited in the said account on the day of receipt thereof or on the following day if the deposit cannot be made on the same day because of closure of the bank concerned.

Separate preservation of customers' securities - Every member shall keep all securities received on account of any customer separately from the securities received by the member on his own account.

3.8 Advantage of margin account for clients

Margin account allows client to enjoy several advantages.



- Clients can leverage their transaction through margin account. There is no need for additional collateral for margin loan.
- If the customer can pick right investment, then margin loan will boost the return. For example, Mr. X has a margin account with Tk 45,000 equity and another Tk 30,000 from margin loan (total Tk 75,000). He speculates that the stock price of (SQRPHARMA -0.11%) will go up to 20% in the next week. Therefore, he plans to buy 200 shares each cost Tk 285. Now if the price will go up as it was predicted then he will make 50% more or twice profit then he would do without his margin account.
- At the same time, client does not need to deal with complex formalities compare to bank where client has to complete lots of paper work.

3.9 Advantage of margin account for brokers

Margin loan is not only providing facilities to client but also brokers.



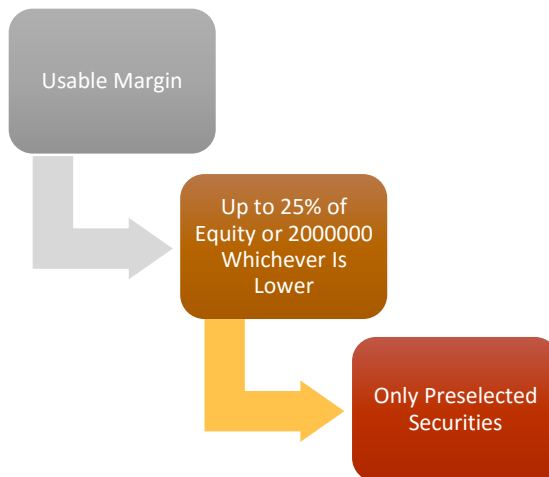
- Brokers can increase their commission/turnover as number of transaction will increase
- Most importantly, brokers charge interest for margin loan to its client, which is another significant source of revenue. Brokers can borrow from bank and lend it to its clients through margin account while charging higher than bank rate. Therefore, the spread is the source of revenue for brokerages.
- Client loyalty is another absolute advantage for brokers since it creates a caring and responsible relationship between clients and the broker. It helps to retain clients for longer time.

3.10 Amendments of Margin Rules 1999

As we have seen in the initial part of the margin rules where it said that clients can get 50% against their 150% equity and there is no way to let the debit balance to become more than 60%. After the crash in Bangladesh capital market during 2010 a significant amount of investors were affected. Most of their assets price went down dramatically leaving the investors in huge debt to the merchant bank and brokerage. To protect the interest of those affected investors Bangladesh Securities and Exchange Commission took the initiative to postpone the condition of keeping debit balance below 60%. It gave time to the investors and its lender to bailout and make the situation in control. After increasing the period for several times BSEC, 14 August 2017, advised all merchants' bank and brokerages to submit their plan regarding the bailout plan to the negative balance of the affected investors. 18 August 2017, BSEC increased tenor for another year considering the request of Bangladesh brokerage and Merchant bank association.

3.11 Margin Deed of HABSLS

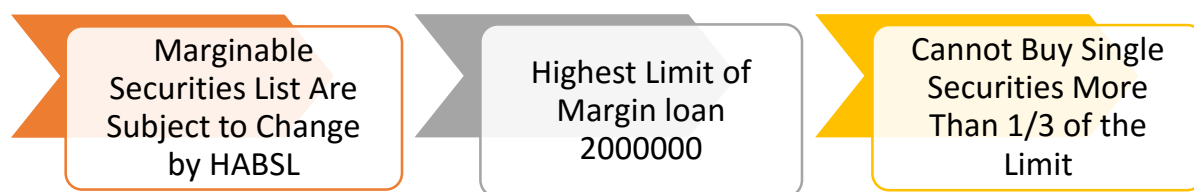
- The margin deed included several terms and conditions. In order to be eligible for margin loan client must fulfill and submit an application, with all necessary information, to Haji Ahmad Brothers Securities Limited.
- Client has to pay Tk 1,000 for the paper work and documentation of the account. Margin loan will be considered as short-term loan and repay on demand of Haji Ahmad Brothers Securities Limited.
- Clients are allowed to use margin loan purchasing securities approved by Haji Ahmad Brothers Securities Limited abide by the rules and regulation of Bangladesh Securities and Exchange Commission.
- The company holds the absolute right to consent or refute securities as marginable securities against which margin loan could extend and it has the right to review the list time to time considering the capital market.
- HABSLS is giving limit considering value of portfolio followed by regulatory authority. It also prepares a report called Daily Statement on Margin Code to review the situation.



- Through the margin account client can purchase predetermined list of securities up to 25% of equity or 20, 00,000 which one is lower. Client must retain minimum level of debit balance.



- If inflation or any other ways debit balance become more than 60% of equity, client will get a margin call either written or via telephone to bring back the amount to require amount. When the client does not respond to margin call HABSL has the discretion of selling whatever securities to bring back the debit balance to 50% of equity.
- If any ways debit balance becomes more than 65%, HABSL will sell any companies securities that day or next trading day without notifying the client. In this case if any amount left after balancing to 50% will remain to the account.
- If HABSL decides to make change in marginable securities list so, do the clients in their equity and debit balance. Client who enjoys margin account will have a highest limit of 2000000 unless revised by the board of the company. At the same time client cannot buy single securities more than 1/3 of the limit.



- Margin account holder must pay the brokers commission in both buying and selling of securities. They also have to pay the commission for bringing back the debit balance to 50%.

Commission for bringing back the debit balance to 50%.

19% Annual rate on debit balance

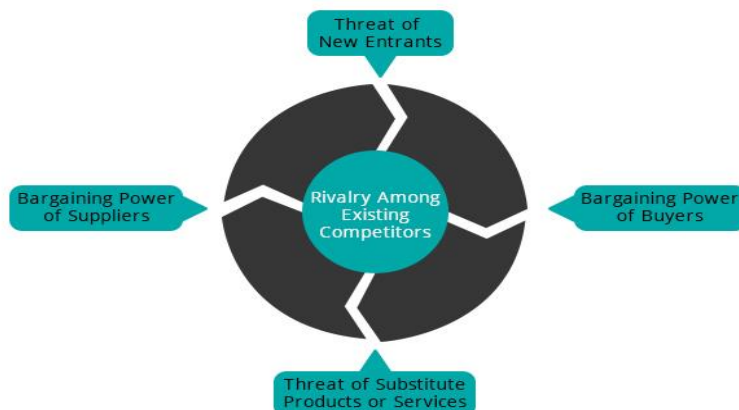
Client has to payback margin loan every 90 days for three days

Giving one-month prior written application margin account can be terminated paying all debt.

- Commission rate will be fixed by HABSL and subjected to change by the company. Client will be charged 19% annual rate on debit balance. However, the rate also subjected to change if HABSL wish to change giving a notice for seven trading days.
- As the margin loan is sort term loan client has to payback every 90 days for three days and pay monthly interest either in cash or selling securities.
- The company has the right to postpone any margin account so that client cannot perform trade, withdraw and any other activities. All the transaction s in margin account shall follow the rules and regulations of Bangladesh Securities and Exchange Commission.
- Giving one-month prior written application through chief executive Officer margin account holder will be able to close margin account activities after paying all liabilities of HABSL and the agreement can be cancelled. HABSL holds all the discretion to terminate the margin account or the agreement giving one-month prior notice.

We have seen the rules and regulation of margin rules 1999 by Bangladesh Securities and Exchange Commission and followed by Haji Ahmad Brothers Securities Limited. As a brokerage firm, Haji Ahmad Brothers Securities Limited always has to compete with other such financial institutions in Bangladesh. This industry has grown up matured with a long time experience of ups and down. It is competitive to do business in this market. There are more than two hundred brokerage firms in Bangladesh.

Though capital markets are performing good enough to invest in long term, people of our country still seem reluctant to invent in capital market. People have some misconception and rumor regarding the capital market. It is hard to make them understand that this is a good market to invest. As a brokerage firm, Haji Ahmad Brothers Securities Limited must find a way to convince its potential client and retain existing client to survive and grow in the market. For this reason, we will firstly do industry analysis to find out market place. In order to analysis the industry we will use Michael E. Porter's Five Forces Model. Using this model, we will look how comparative is the brokerage/ dealer industry and strategy to compete in this market. According to Michael E. Porter, there are five forces to consider to understand the industry.



3.12 Threat of new entrants

If the industry allows making huge profit, then it's going to be attractive to the potential competitors. They also want to be in the market for better performance in the lucrative market. The most attractive situation when entry barrier is high and exit barrier is low. New broker firms will want to come to the market since the market is profitable. Government is not providing any direct incentives, but it has cut the bank yield rate which will ultimately push people to utilize in the capital market. Government is also providing tax benefit for stock market. The capital requirement to start a stock brokerage business is Tk 25, 00,000 and another Tk 25,00,000 for dealer (Broker & Dealer equals Tk 50, 00,000). The most expensive is the license to start the business. Based the situation it could say that the market is competitive.



3.13 Bargaining Power of Buyers:

In Bangladesh there are many brokerage firms in the market. There are many banks who have opened merchant banking and securities companies as it was seen lucrative enough. Buyers have many options and choices to transact financial instrument. If one brokerage bank asked for higher commission on buy and sell, then they can switch to any other

companies and it makes no complexity. If any brokerage wants to attract or retain its client it has to set competitive price or charges to its client.



3.14 Bargaining power of suppliers:

In Bangladesh capita market is showing a positive relationship among rumor & supply and demand. Supplier of the product or services can exercise their power based on the market situation. Since most of the financial instrument and services are identical in our market. Supplier cannot focus on differentiation rather it has to focus on cost leadership strategy to be successful in the market. According to a study our capital market is week which means that market cannot absorb all sensitivity information. There are lot of inside trading are happening in the market every now and then.

3.15 Threats of substitute product/services:

Number of financial instruments in our stock market is very limited. We have stock, mutual fund and bond (bonds are not traded regularly). If investors want to invest in the capital market he or she must invest in this very limited range of financial instruments. Though the derivatives market will start soon disclosed by responsible personnel, investors have only one or two instrument to invest which leave them almost no option. So, none of the brokerage firms can offer distinct product or investment instrument as the regulatory body does not allow any other financial instrument to be traded in the market.

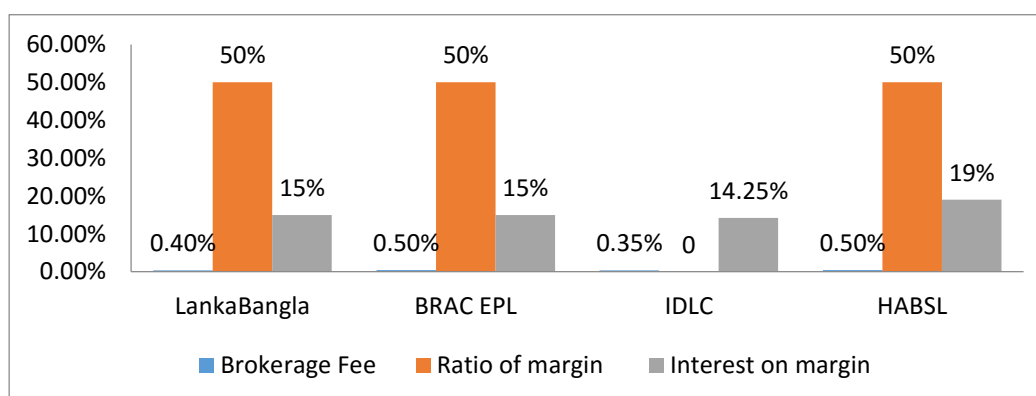
3.16 Rivalry among Existing Firms:

Here I have compared charges that every brokerage imposes to it client and compare to get an understanding how the competitors create threat for HABSL. In every area HABSL is charging higher than its competitors which is not competitive for client at all.

Brokerage Firm	Brokerage Fee	Ratio of margin	Interest on margin
LankaBangla	0.40%	50%	15%
BRAC EPL	0.50%	50%	15%
IDLC	0.35%	50%	14.25%
HABSL	0.50%	50%	19%

Sources: websites of the companies.

Now here we have shown a graphical chart to get a better sense and understanding.



Rivalry increases when stock brokerages feel level of competitiveness is higher. At this time, the brokerage industry is in “red ocean” as each and every one sets strategy to outperform other. Since, product customization is not possible in this market so everyone wants to improve their quality of delivery of services such as evaluation of market, evaluation of a particular stock or bond and recommend to its client making investment decision. Company also provides different e-service regarding trade to accelerate the transaction decision and make clients more updated.

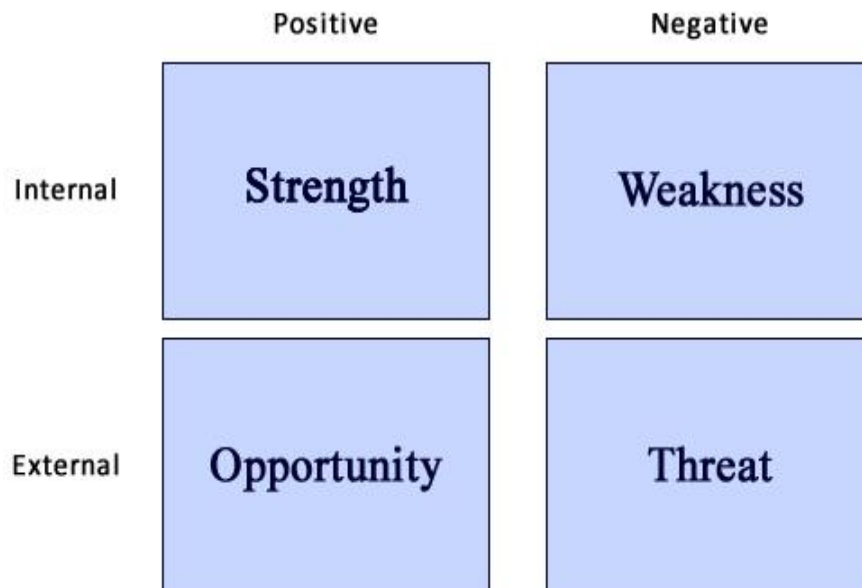
So, based on the discussion we can reach upon a decision that right now market is competitive in each of the five dimensions. To survive and continue growth depend on the strategies that brokerage firm will take to bet others. A brokerage firm should have enough budgets in research and development so that they can realize what strategy to follow.

3.17 SWOT analysis

Now let us look at inside the company to measure its strength, weakness, opportunity, and threat that it poses in this competitive market so that we can analysis the company and craft a suitable sets of strategies to make a significant growth and become the market leader. In order to complete the process, we will use SWOT analysis that will lead us to know Haji Ahmad Brothers Securities Limited and have the answer whether the company can achieve its vision/ aim or not with the strength, weakness, opportunity, and threat.

Each brokerage has some strength, weakness, opportunity, and threat which will let the firm to choose strategies among the possible options.

So, it is said that 'If you know your enemies and know yourself, you can win a hundred battles without a single loss. If you only know yourself, but not your opponent, you may win or may lose. If you know neither yourself nor your enemy, you will always endanger yourself' (*The Art of War by Sun Tzu*).



	<p>Internal →</p> <p>Strengths</p> <ul style="list-style-type: none"> • Skilled and knowledgeable employees • Long time experience • Sufficient capital and liaison with banks 	<p>Weakness</p> <ul style="list-style-type: none"> • Trader oriented clients • Less research and development • Weak promotion
<p>External ↓</p>		
<p>Opportunities</p> <ol style="list-style-type: none"> 1. Expansion of product line in near future 2. Increase demand for financial instruments as bank yield rate reduces 3. Growing capital market 	<p>Strengths & Opportunities</p> <p>With long time experience of top management, skilled employees will be able to get the best results for new product and economic trend.</p>	<p>Weakness & Opportunities</p> <p>Without research and promotion it will be difficult to attract potential clients & retain existing clients.</p>
<p>Threats</p> <ol style="list-style-type: none"> 1. Tighten rules, regulation by market authority 2. New technology unless HABSLS adopts 3. Emergence of more and more powerful competitors 	<p>Strengths & Threats</p> <p>Since HABSLS has sufficient capital & liaison with banks, it can grab the new technology and beat the competition while being abided by the rule and regulation of authority.</p>	<p>Weakness & Threats</p> <p>Without research it will be hard to adopt new rules, regulations & technology which will increase client turnover rate.</p>



It is not key what HABSLS does, but how it does

According to the sources there are 250 brokers in the market. Each and every one is providing the same product to clients. As we have mentioned earlier that there are not too many kinds of financial products in our market. It is next to impossible for any brokers to make differentiation with the existing product following the rules and regulation. So, in my humble opinion I think it not important for HABSLS what it is selling rather than how it is selling to its valuable client. After analyzing both the industry and company we have realized some issue that the company has to focus to do better in this competitive brokerage industry. As Haji Ahmad Brothers Securities Limited has a vision to provide the best services with high degree of professionalism while remain efficient, reliable to it client. We have seen that company has some strength which will be effective to grab the opportunities. At the same time, it may face threat which will push back the company if they cannot turn them up in opportunities. Company should have looked at these mentioned areas for remedy. If we look at the weakness we can say that this weakness will let the threat to become stronger.

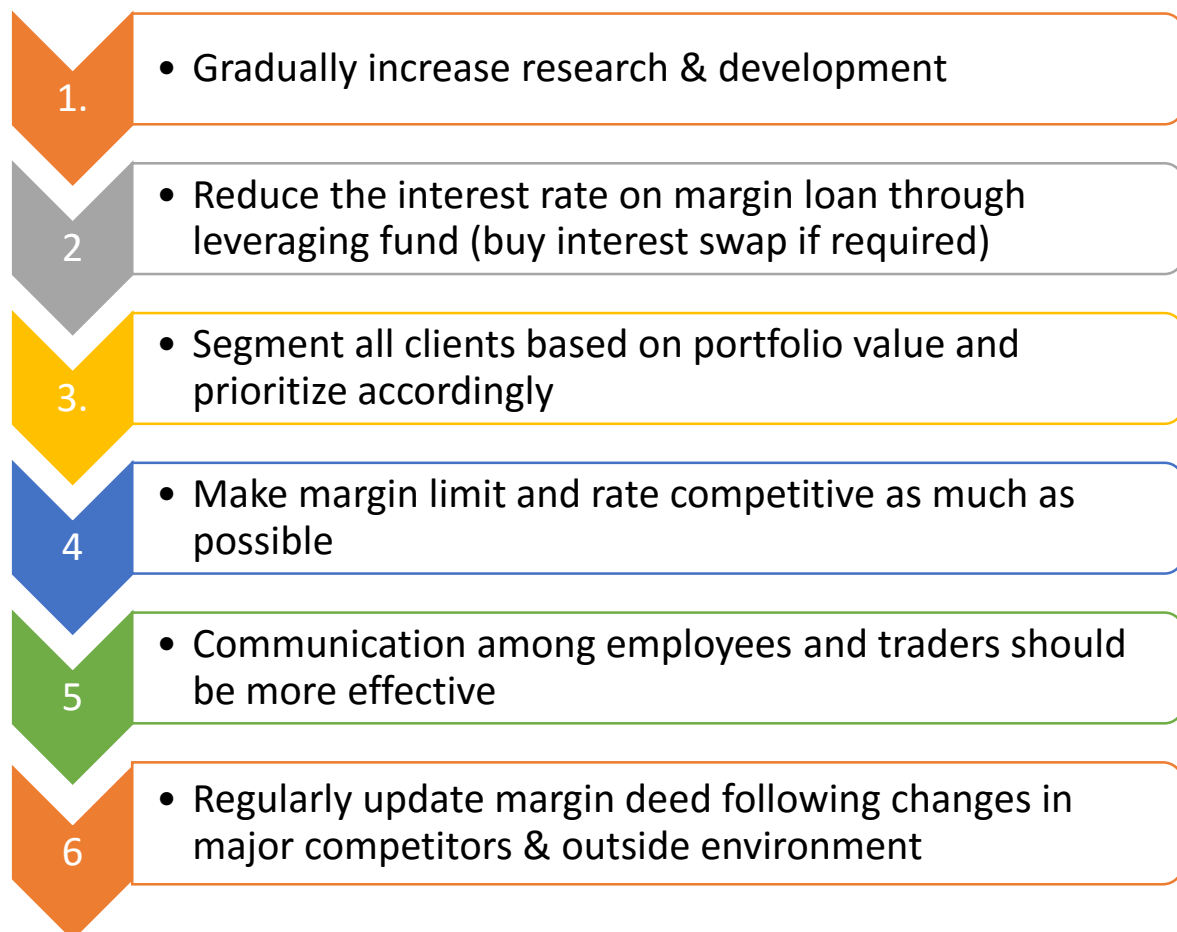
Chapter 4

Recommendation

So, here are some recommendations, based on my own opinion, regarding margin rules. Since I have assigned to work on margin rules 1999 where I have tried to find out the pros and cons of margin rules 1999 for both Bangladesh Securities and Exchange Commission and Haji Ahmad Brothers Securities Limited. After having gone through the margin deed of Haji Ahmad Brothers Securities Limited and compare to its major competitors I have found that the margin limit is lower and margin interest is higher than those competitors. Though the company has different offers for different client.

To outperform in this particular area Haji Ahmad Brothers Securities Limited has to improvise research and development through analysis the market, competitors and economic trend so that it can fix a more reasonable and competitive interest rate and margin limit. Research & development has to be conducted and communicated to client centrally rather than individual trader. Improvise technological capacity to provide superior margin loan service and introduce central support and feedback center for margin account. Segment client based on portfolio or creditworthiness and prioritize accordingly.

Reduce margin interest rate for high valued/posh client and increase margin limit. Communicate the aim/vision of Haji Ahmad Brothers Securities Limited to top level to bottom level employees so that everyone can committed to achieve same purpose. Reduce interest rate does not mean compromising the quality of service rather than through cost management. Regularly update the margin deed following any changes in outside environment.



Chapter 5

Conclusion

Bangladesh capital market still is not big enough compare to the neighbor country. It has the potential to grow faster in future. Since margin is an important component of the capital market, regulatory bodies should monitor the process. As I have mentioned earlier that margin loan caused huge problem during the crash in 2010. Lack of monitoring let the intermediaries to provide as much as they can which is the root cause of “negative equity” a term which cannot be exist by the definition margin loan 1999. In margin rules 1999 member cannot permit to down the equity less than 150% of debit balance then nobody can have incurred a negative equity. Though Bangladesh Securities and Exchange Commission trying to vanish the problem and gave dateline to member and merchant bank to submit the bailout plan.

Investors always want to lift their profit and margin loan is one of the best utensils to leverage the profit. If client can choose the right investment through margin account, it is a win-win situation for both lender and borrower. Margin Rules 1999 has twisted a fair environment for margin loan through the rules and regulations to protect the interest of investors and brokers. Margin Rules 1999 is helping the authority to establish good governance in the capital market. It has given all necessary information to perform margin loan pact. HABSL is one of the most experienced brokers in Bangladesh providing margin account facilities for a loan time. This company has its own policies regarding margin loan approved by Bangladesh Securities and Exchange Commission. The margin deed has created unquestionable platform where client will not get harassed or facing any problem to perform in margin account. Now it is the duty and responsibility of both clients and brokers to assure that the Margin Rules 1999 is being followed so that the purpose of the law can be achieved.

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