



Inspiring Excellence

BRAC UNIVERSITY

BRAC Business School

Masters of Business Administration (M.B.A)

A Broad Study on BRAC EPL Investment Limited

(Business Process Reengineering of BRAC EPL Investments Limited)

Prepared for

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Date of Submission

3rd January, 2016

Letter of Approval

This is to approve that this internship report on “**Business Process Reengineering of BRAC EPL Investments Limited**” has been prepared by Md. Riashad Azim, ID; 122-64-081, MBA, BRAC Business School, BRAC University under my supervision.

I have monitored his activities & helped him to write the report from time to time. I think he has done a good job to prepare this report within the specified time frame.

I wish him every success.

Mr. Mahmudul Haq
Associate Professor
BRAC Business School
BRAC University

.....

Signature

Letter of Transmittal

BRAC University
66 Bir Uttam AK Khandakar Road,
Dhaka-1212, Bangladesh

January 03, 2016

Mr. Mahmudul Haq
Associate Professor
BRAC Business School
BRAC University

Subject: Internship report on BRAC EPL Investment Limited.

Dear Sir,

It is a great pleasure to present to you the Internship Report about **Business Process Reengineering of BRAC EPL Investments Limited** as a market challenger of merchant banking industry in Bangladesh. While preparing this report, I tried my level best to follow your instructions and the instructions that have given to me by my organization supervisor.

I have gained the most interesting and informative experience while working for this report. My endeavor for learning about investment banking of BRAC EPL has not only been fruitful but it also has given me an insight into the requirement of situation based perspective. Incorporating vast amount of information into a concise report was indeed a challenge for me. I earnestly hope that the report will meet the standards that the institute has set for us. I am always available for further query and clarification.

I hope this Report will be of value to you.

Respectfully yours,

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.....
Signature

Acknowledgement and Endorsement

I want to express my sincere gratitude to, my helpful supervisor, Mr. Mahmudul Haq (Associate Professor, BRAC Business School, BRAC University) for approving the project and authorizing me to prepare this report. The supervision and support that he gave truly help the progression and smoothness of the internship program. The co-operation is much indeed appreciated.

My grateful thanks also go to Md. Monirul Islam (Head of Portfolio Management, PMD, BRAC EPL Investment Ltd.). A big contribution and hard worked from both of Mr. Mehdi Aqif (Deputy Manager, PMD, BRAC EPL Investment Ltd.) and Mr. Md. Emon Hossain (Branch Manager, Gulshan Branch, BRAC EPL Stock Brokerage Ltd.) during the twelve week is very great indeed. All projects during the program would be nothing without the enthusiasm and imagination from both of you. Besides, this internship program makes me realized the value of working together as a team and as a new experience in working environment, which challenges us every minute. Not forget, great appreciation go to the rest of PMD's staff that help me from time to time during the project. The whole program really brought us together to appreciate the true value of friendship and respect of each other.

Executive Summary

BRAC EPL Investments Limited is a merchant bank and subsidiary of BRAC Bank Limited. It commenced operation under a new management team obtaining merchant bank license from the Securities and Exchange Commission (SEC) and became BRAC EPL (BRAC EPL Investments Ltd. & BRAC EPL Stock Brokerage Ltd.) from EPL in August 2009. BRAC Bank holds 76% of the equity of BRAC EPL, the rest held by a diverse group of international fund managers and capital market institutions at home and abroad. BRAC EPL Investments Ltd. delivers a whole range of investment banking services including traditional merchant banking activities. It has already established itself as one of the top portfolio managers, serving more than 5600 clients country-wide from seven locations. In discharging professional services, BEIL makes concerted efforts to show ZERO tolerance towards non-compliance and emphasizes strict adherence to regulatory guidelines.

The report focuses on “**Business Process Reengineering of BRAC EPL Investments Limited**”. BEIL commenced its business just 6 years back. So it can be said that it is comparatively a new organization in the market. After only two years of its inception, the company faced the biggest capital market turbulence in the history of financial markets of Bangladesh. Its upward trend of net income got broken as soon as the capital market storm hit. The report is enriched in the steps that the organization should maintain to recover its current volatile situation by reengineering their business process. The financial performance analysis of BRAC EPL Investments Limited showed a significant deviation in the year 2014 in almost all the analyses. So, we can say that the capital market distress had a great impact on the profit growth of BRAC EPL. If BEIL acquire such steps of reengineering their business process then recent dilemma and distress management may recover earlier.

One prerequisite of having a healthy investment climate in an economy is the availability of financing facility for the existing and potential borrowers. The two major sources of finance in any country are the banks and the capital market. So it is very important for BRAC EPL Investments Limited to cope up with the turmoil of capital market of Bangladesh to have a consistent profit growth.

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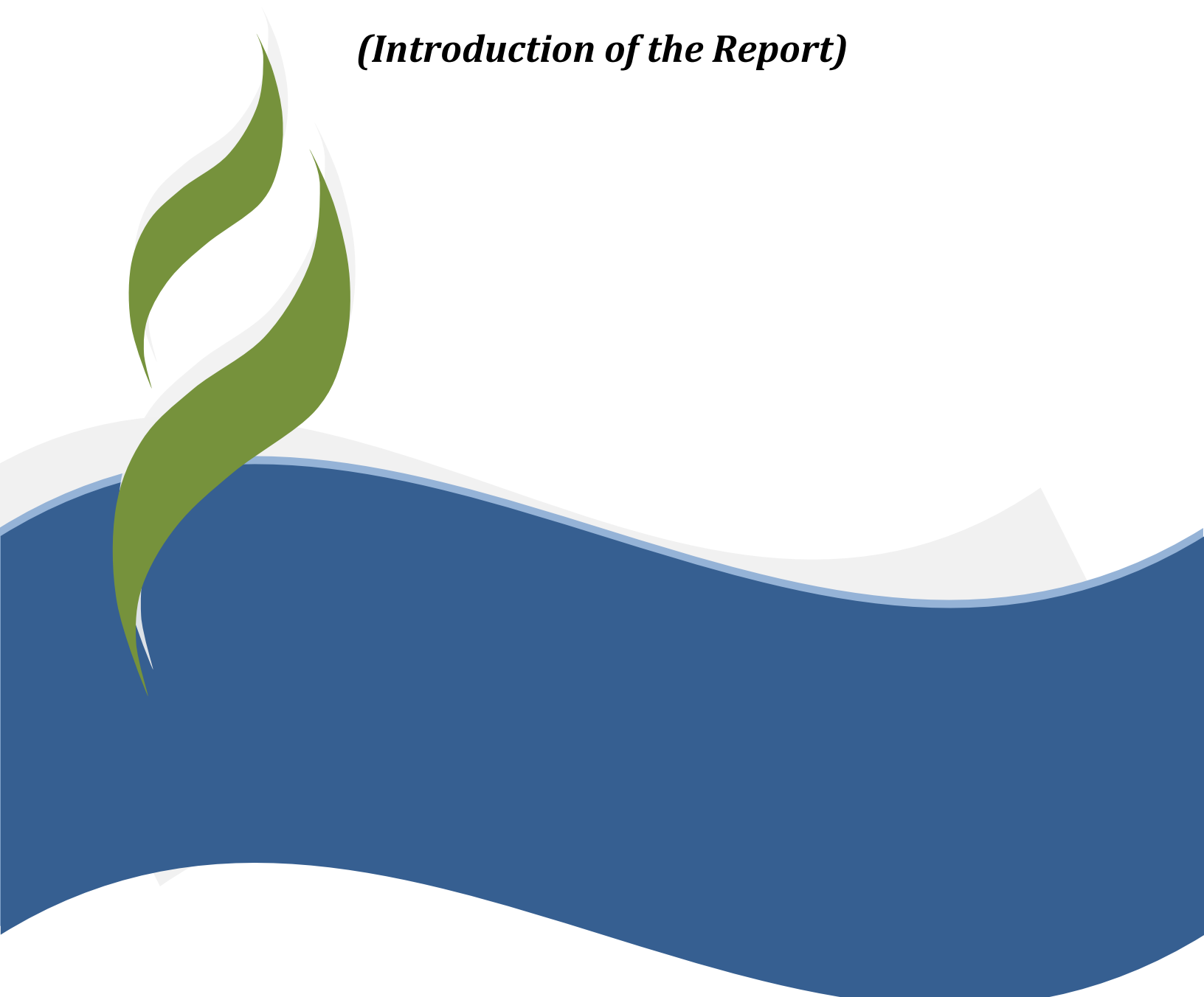
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BRAC EPL

INVESTMENTS LIMITED



Chapter-1

(Introduction of the Report)

Introduction

Capital Market mainly refers to the Stock market of the country. When banking system cannot totally meet up, the need for funds to the economy, capital market stands up to supplement it. Companies and the government can raise funds for long-term investments via the capital market. The capital market includes the stock market, the bond market, and the primary market. Trading securities on capital markets are monitored by the government; new issues are approved by authorities of financial supervision and monitored by participating banks. Thus, organized capital markets are able to guarantee sound investment opportunities. On the other hand Merchant banks, also known as investment banks, offer various services in international finance and long-term loans for wealthy individuals, multinational corporations, and governments.

The main function of a merchant bank is to buy and sell financial products. They manage risk through proprietary trading, carried out by special traders who do not interface with clients. The trader manages the risk for the principal after they buy or sell a product to a client but does not hedge their total exposure. Banks also try to maximize the profitability of certain risk on their balance sheets. Merchant banks manage debt and equity offerings. They also help in distributing securities such as equity shares, mutual fund products, debt instruments, insurance products, and fixed deposits among others. Merchant banks use a mix of institutional networks-mutual funds, foreign institutional investors, pension funds, private equity funds, and financial institutions-and retail networks, depending on how they interact with specific clients.

The Capital Market of Bangladesh is passing tough times since December 2010 as high volatility is eroding the capital of thousands of investors that might turn into social instability. This volatility is affecting every sector of the economy such as in my case, merchant banks. So the focus of my research will be how the current capital market volatility and distress is affecting the profitability and growth of a merchant bank, particularly BRAC EPL Investments Limited.

Background

BRAC University offers an opportunity for the students to participate in a three month long internship program. Besides having a review on the related courses it is also offering a scope to have a taste of the starting of professionalism.

Internship is a tool that gives enough scope for the business graduates to understand the real business world more effectively. Besides doing a job in BRAC EPL Investment Limited it also offered me an immense potentiality to understand the necessary functions to be carried over by the banks.

The largest part of the national development is contributed by the financial sector. Considering the financial intermediaries the banking sector has the most significant role to play for the economic development. Starting from the domestic trade to the international financial affairs the banks are playing a very important role for the development of the entire economy.

An investment bank is a financial institution that assists individuals, corporations, and governments in raising capital by underwriting and/or acting as the client's agent in the issuance of securities. An investment bank may also assist companies involved in mergers and acquisitions and provide ancillary services such as market making, trading of derivatives and equity securities, and FICC services (fixed income instruments, currencies, and commodities). Investment banking has changed over the years, beginning as a partnership form focused on underwriting security issuance (initial public offerings and secondary offerings), brokerage, and mergers and acquisitions and evolving into a "full -service" range including sell-side research, proprietary trading, and investment management. In the modern 21st century, the SEC filings of the major independent investment banks reflect three product segments:

- Investment banking (fees for M&A advisory services and securities underwriting);
- Asset management (fees for sponsored investment funds).
- Trading and principal investments (Dealer transactions: broker -dealer activities including proprietary trading and Broker transactions: brokerage trading)

Objectives

a) Broad Objective

The Capital Market of Bangladesh is passing very hard times since December 2010 as high volatility is eroding the capital of thousands of investors that might turn into social instability. This volatility is affecting every sector of the economy such as in my case, merchant banks. So the focus of my research will be how the current capital market volatility and distress is affecting the profitability and growth of BRAC EPL Investments Limited, how to sustain with this current market situation and hold the competitive position within the industry as well.

b) Specific Objectives

- To present an overview of BRAC EPL Investments Ltd.
- To analyze the products and services provided by BRAC EPL Investments Ltd.
- Understand and measure the existing business process.
- Identify the processes to be redesigned.
- Develop the business vision and process objectives.
- Design and Build a prototype of New Process.

Scope

Information for the analysis was collected from the internal websites, database, research papers, annual reports and study materials of BRAC EPL Investments Limited. Geographic scope of the report was limited within the national territory.

Limitations

The present study is fragment of academic curriculum. It is organized at “BRAC EPL Investments Limited” for being familiar with actual situation. This study has been fabricated only for few weeks; this short period is not enough for fully understanding the operation. The study would have been more informational and determined, if adequate time could have been utilized. However, it is felt that, the findings represent a good tincture of stock brokerage firms like “BRAC EPL Investments Limited”.

- Lack of availability of Primary Data.
- Another major limitation was inability to access some necessary secondary data from BEIL database due to some management policy which was strict and no exception was made.
- Time constraint to complete the study.
- Scarcity of Information.

Methodology

The research was conducted using the guidelines of both the quantitative and the qualitative research approaches. In this light, face to face interviews with the institutions' offices and staff, official records were used for collecting primary data. Both quantitative and qualitative research approaches were used to provide comprehensive understanding on the selected research topic.

The research activities also made use of secondary data from annual reports and unpublished data of the institution and also data collected from DSE that could provide additional information. The use of secondary data and information were served as validity and reliability indicators of the research to ensure that the collected data and the interview methods were used to strengthen the findings and results of the study.

Chapter-2

(Orientation to the Organization)



BRAC EPL Investments Limited

BRAC EPL Investments Limited is a merchant bank and subsidiary of BRAC Bank Limited. The predecessor of the company, known as Equity Partners Limited (EPL) which was formed in early 2000 as a merchant bank licensed. BRAC EPL Investments Limited (BEIL) was established in October 1, 2009 after BRAC Bank acquired 51% of the shares of Equity Partners Limited (EPL) in August 2009. It commenced operation under a new management team obtaining merchant bank license from the Securities and Exchange Commission (SEC).

BRAC Bank, an institution belonging to BRAC Enterprise has been one of the fastest growing banks of Bangladesh in terms of customer base and market capital. The goal of the bank is to work with a two way approach by operating profitably as well as contributing to the society.

BRAC EPL Investments Limited delivers a whole range of Investment Banking services including traditional merchant banking activities such as Issue Management, Corporate Advisory, Corporate Finance, Underwriting and Portfolio Management. BRAC EPL Investments Limited shall also deliver value-added services such as Wealth Management.

Specialties: Capital Market Services, Investments Banking.

Key Characteristics:

- BRAC Bank holds 76% of the equity, the rest held by a diverse group of international fund managers and capital market institutions at home and abroad.
- Highly visionary and achievement oriented board consisting of dynamic and renowned professionals.
- Positioning itself as a leading merchant bank to provide full range of investment banking solutions.

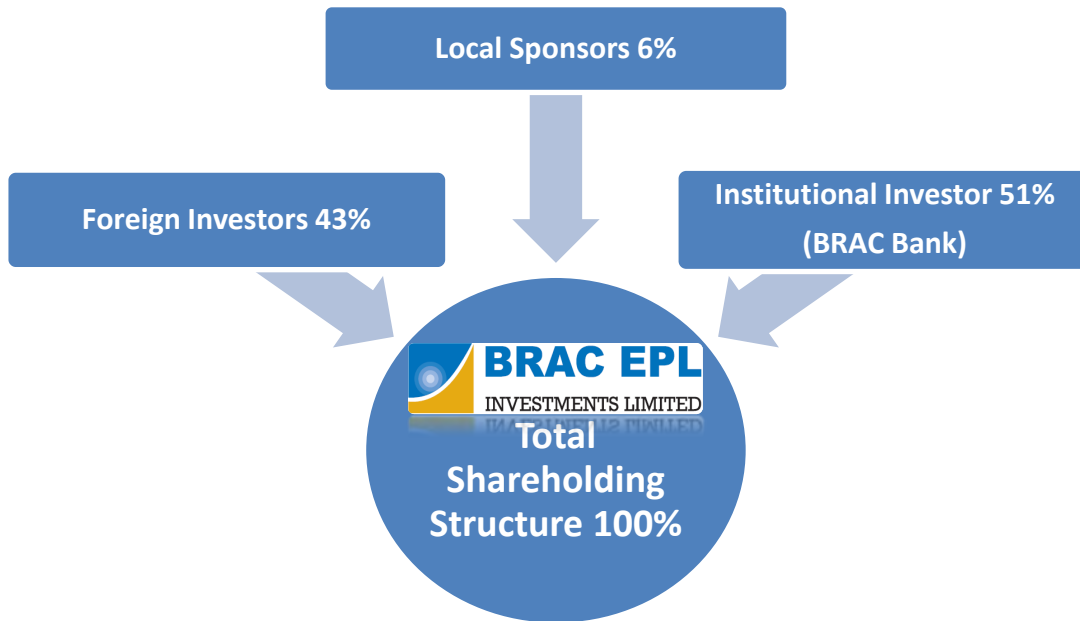
Operations

BEIL delivers a whole range of investment banking services including traditional merchant banking activities. It has already established itself as one of the top portfolio managers, serving more than 4600 clients country-wide from seven locations. In discharging professional services, BEIL makes concerted efforts to show ZERO tolerance towards non-compliance and emphasizes strict adherence to regulatory guidelines.

In its brief history, BEIL has already earned considerable respect and reputation in managing public offerings efficiently. All public issues, initial and rights, managed by BEIL have received encouraging market response. BEIL takes pride in jointly bringing the first public issue to the Bangladesh capital market under newly introduced Book Building Method. The Structured Finance team at BEIL provides a full array of solutions across debt, hybrid, derivative and equity-linked products. BEIL team focuses on originating, structuring, underwriting and executing debt financing including syndications of both foreign and local, corporate bonds, bridge financing, mezzanine debt and other debt linked products. BEIL also has a strong foothold in Mergers & Acquisitions and private equity, aligning the goals of those who seek to funding for joint venture opportunities in Bangladesh. In addition, BEIL also provides value added services such as capital market research and has also ventured into Social & Sustainable Investment Solutions, through its latest business unit, Impact Investments, whose services include CDM (Clean Development Mechanism) advisory services and Carbon Asset Commercialization services.

Shareholding Structure

BRAC EPL Investments Limited came in with an in depth knowledge of the capital market of Bangladesh. The organization has a disciplined and detailed approach towards carrying out investment operations and doing investment research. On the other hand, BRAC Bank renders to the company its excellent network of blue-chip clients, access to low-cost capital, outstanding IT capabilities and affiliation to an internationally regarded brand name. BEIL has a distinct competence in equity placements (i.e. pre and post-IPO private placement to foreign and local investors). The organization can partner with international investment banks, i.e. Merrill Lynch, Barclays Capital, if required to carry out transactions for multinational companies.



Mission

Business Principles

We believe in....

- Taking pride in the fact that we are a member of the BRAC family.
- Maximizing profit while ensuring optimum values for our stakeholders.
- Business policies, processes and people which enable sustainable business growth for our customers.
- Being the employer of choice through equal opportunity, development and empowerment of our people.
- Practicing the highest ethical standards in all our dealings through an honest, open and enabling organization culture.
- Zero tolerance in breach of compliance, regulatory requirements and laws of the land.
- Being sensitive to social and environmental needs.
- Taking lessons from global markets in terms of innovation, knowledge and best practices for building an internationally reputed institution.

Corporate Strategy

- Take leadership roles in the industry, offer innovative products and services and consistently outperform competitors.
- To become the leading investment bank in Bangladesh with a full range of products and services.
- Increase the outreach of capital market benefits by providing access to small investors with appropriate guidance and best technical assistance.
- Extend a range of pioneering, innovative and diversified capital market solutions for institutions.
- Leverage the brand to an optimum level.
- Analyze the risk matrix and be prepared for adverse market scenarios.
- Define parameters in line with business risks; develop comprehensive operation manuals to ensure a strict culture of compliance.
- Forge and nurture unparalleled relationships with clients and regulators.
- Establish strong relationships with all stakeholders.
- Nurture and implement a performance driven corporate culture.
- Set smart, ambitious and attainable financial targets.
- Define clear objectives for each employee aligned with the overall business strategy.
- Identify and recognize individual talent to ensure appropriate allocation of human capital within the organization.

Vision

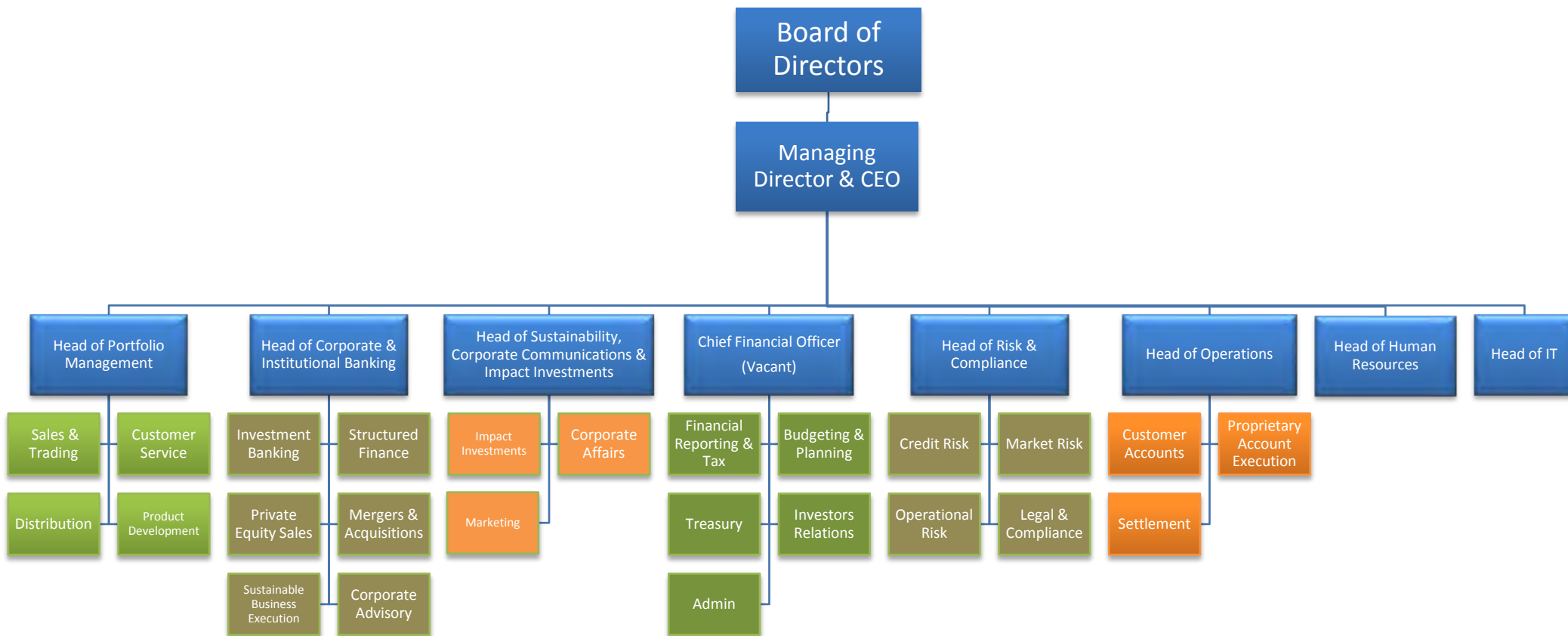
BRAC EPL Investments Limited aims to provide innovative, pioneering and world-class sustainable investment banking solutions including creation of access to capital markets for individual investors and social enterprises.

Products and Services

Products and Services	
<p style="text-align: center;"><u>Investment Banking</u></p> <ul style="list-style-type: none"> a. IPO and RPO. b. Rights Issue. c. Capital Rising. d. Corporate Advisory. e. Underwriting 	<p style="text-align: center;"><u>Portfolio Management</u></p> <ul style="list-style-type: none"> a. Cap Edge. b. Managed Cap Edge. c. Cap Cash
<p style="text-align: center;"><u>Structured Finance</u></p> <ul style="list-style-type: none"> a. Loan Syndication. b. Bond and Convertibles. c. Private Equity. d. Merger and Acquisition. 	<p style="text-align: center;"><u>Impact Investment</u></p> <ul style="list-style-type: none"> a. Clean Development Mechanism (CDM) Advisory Services. b. Carbon Asset Commercialization Services. c. Financial Advisory Services.

There are various departments dedicated towards the operational activities of the organization. Each of the departments comprise of a head and team members who carry out the activities as required by the department. The heads of the departments communicate with the Chief Operating Officer and Managing Director of the company. The Organizational hierarchy is as follows:

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Services Provided by BRAC EPL Investments Limited

Investment Banking

Since inception, BRAC EPL Investments Limited has achieved an unparalleled reputation as a leading provider of Investment Banking services by consistently delivering best in class advisory and execution excellence, coupled with a high level of integrity to its client relationships.

At BRAC EPL Investments Limited, Investment Banking Department offers a full suite of Investment Banking services including traditional merchant banking activities such as Issue Management and Underwriting. BEIL also provides value-added services such as Corporate Advisory and Strategic Capital Raising Initiatives. The institution offers investment services to cross border transactions as well.

Services provided by the Investment Banking team include:

- IPO & RPO.
- Rights Issue.
- Capital Raising.
- Corporate Advisory.
- Underwriting.

Structured Finance

BEIL initiated its Structured Finance Department (“SFD”) on June 2010 with the vision to be the market leader in debt arrangement, project financing, private equity placement and M&A transactions. BEIL has got the resource with experience in raising some of the largest debt syndications in Bangladesh.

BEIL strives to create and build long-term relationships and unparalleled brand loyalty among multi-national powerhouses to emerging companies.

Services provided by the Structured Finance team include:

- Loan Syndication.
- Bond and Convertibles.
- Private Equity.
- Mergers and Acquisitions.

Impact Investment

Impact Investment is the latest service line added to BEIL portfolio. BEIL expect positive risk-adjusted financial returns from its investments without compromising social and environmental impact. Its objective is to help build a dynamic and sustainable economy by providing capital and advisory services for scaling up of social business organizations. BEIL believes, for a country like Bangladesh where 76.5% people live under \$2 per day, Impact Investment can provide sustainable solutions to a number of pressing challenges.

BEIL's Impact Investment Services Include:

- Clean Development Mechanism (CDM) Advisory Services.
- Carbon Asset Commercialization Services.
- Financial Advisory Services.

The Ongoing Projects of BEIL Impact Investment are:

- Energy Efficiency Program in Rural Bangladesh.
- Municipal Solid Waste Management Facility Project at Tongi, Gazipur, Bangladesh.
- Preparatory Survey on BOP Business on Non- firing Solidified Brick Technology.

Portfolio Management

BEIL offers Portfolio Management services to both individual and institutional investors. Whether the client chooses to entrust the management of his portfolio to one of BEIL's professionals or trade shares himself, supported by BEIL's proprietary research, BEIL has the option of partnering up with the client and focus on meeting his investment need.

The portfolio is constructed in order to achieve the client's objectives and is managed in a focused and rigorous way. Once an investment strategy is agreed and whether the portfolio management service is discretionary or non-discretionary, BEIL and the client would agree on the best method to manage the portfolio.

BEIL measures its success through the success of clients. At the very base of a financially sound portfolio lies the identification of one's investment objective. BEIL helps the client identify his investment objectives and also outline important requirements like liquidity, capital appreciation, current income, time span and fiscal implications and then suggest an appropriate portfolio.

There are three distinct products available to implement the investment strategy, each with its own unique features to help achieve the investment objectives. BEIL's portfolio management

service has delivered persistent, proven outperformance across all strategies

BEIL's Portfolio Management Products are:

- CAP Edge.
- Managed CAP Edge.
- CAP Cash.

CAP Edge

CAP Edge is an Investor controlled account. Investors retain all the authority and power to select the items to buy and sell, and the timing of trade while the portfolio managers assist them with trade execution and continuous advice. Under these arrangement, investors pay management fee and brokerage commissions for trading.

Managed CAP Edge

Managed CAP Edge is a Portfolio Manager controlled account. Managers rather than the Investors retain all the authority and power to select the items to buy and sell, and the timing of trade while the investors can guide the managers by providing input on the ir return and risk preference. Under this arrangement, investors pay management fees (which are higher than those in Cap Edge) and brokerage commissions for trading.

CAP Cash

CAP Cash is a unique product of BEIL offering clients margin as well as non-margin services through individual BO (Beneficial Owner) Account. Clients can link their existing BO Accounts in BEIL with their existing accounts in other brokerage houses.

Core Investment Banking Activities

Front Office

Investment Banking: Investment banking (corporate finance) is the traditional aspect of investment banks which also involves helping customers raise funds in capital markets and giving advice on mergers and acquisitions (M&A). This may involve subscribing investors to a security issuance, coordinating with bidders, or negotiating with a merger target. Another term for the investment banking division is corporate finance, and its advisory group is often termed mergers and acquisitions. The investment banking division (IBD) is generally divided into industry coverage and product coverage groups. Industry coverage groups focus on a specific industry and maintain relationships with corporations within the industry to bring in business for a bank. Product coverage groups focus on financial products, such as mergers and acquisitions, leveraged finance, project finance, asset finance and leasing, structured finance, restructuring, equity, and high-grade debt and generally work and collaborate with industry groups on the more intricate and specialized needs of a client.

Sales and Trading: On behalf of the bank and its clients, a large investment bank's primary function is buying and selling products. In market making, traders will buy and sell financial products with the goal of making money on each trade. *Sales* is the term for the investment bank's sales force, whose primary job is to call on institutional and high-net-worth investors to suggest trading ideas (on a caveat emptor basis) and take orders. Sales desks then communicate their clients' orders to the appropriate trading desks, which can price and execute trades, or structure new products that fit a specific need. *Structuring* has been a relatively recent activity as derivatives have come into play, with highly technical and numerate employees working on creating complex structured products which typically offer much greater margins and returns than underlying cash securities.

Research: Research is the division which reviews companies and writes reports about their prospects, often with "buy" or "sell" ratings. While the research division may or may not generate revenue (based on policies at different banks), its resources are used to assist traders in trading, the sales force in suggesting ideas to customers, and investment bankers by covering their clients. Research also serves outside clients with investment advice (such as institutional investors and high net worth individuals) in the hopes that these clients will execute suggested trade ideas through the sales and trading division of the bank, and thereby generate revenue for the firm. There is a potential conflict of interest between the investment bank and its analysis, in that published analysis can affect the bank's profits. Hence in recent years the relationship between investment banking and research has become highly regulated, requiring a Chinese wall between public and private functions.

Middle Office

Risk Management: Risk management involves analyzing the market and credit risk that traders are taking onto the balance sheet in conducting their daily trades, and setting limits on the amount of capital that they are able to trade in order to prevent "bad" trades having a detrimental effect on a desk overall. Another key Middle Office role is to ensure that the economic risks are captured accurately (as per agreement of commercial terms with the counterparty), correctly (as per standardized booking models in the most appropriate systems) and on time (typically within 30 minutes of trade execution). In recent years the risk of errors has become known as "operational risk" and the assurance Middle Offices provide now includes measures to address this risk. When this assurance is not in place, market and credit risk analysis can be unreliable and open to deliberate manipulation.

Corporate Treasury: Corporate treasury is responsible for an investment bank's funding, capital structure management, and liquidity risk monitoring.

Financial Control: Financial control tracks and analyzes the capital flows of the firm, the Finance division is the principal adviser to senior management on essential areas such as controlling the firm's global risk exposure and the profitability and structure of the firm's various businesses via dedicated trading desk product control teams. In the United States and United Kingdom, a Financial Controller is a senior position, often reporting to the Chief Financial Officer.

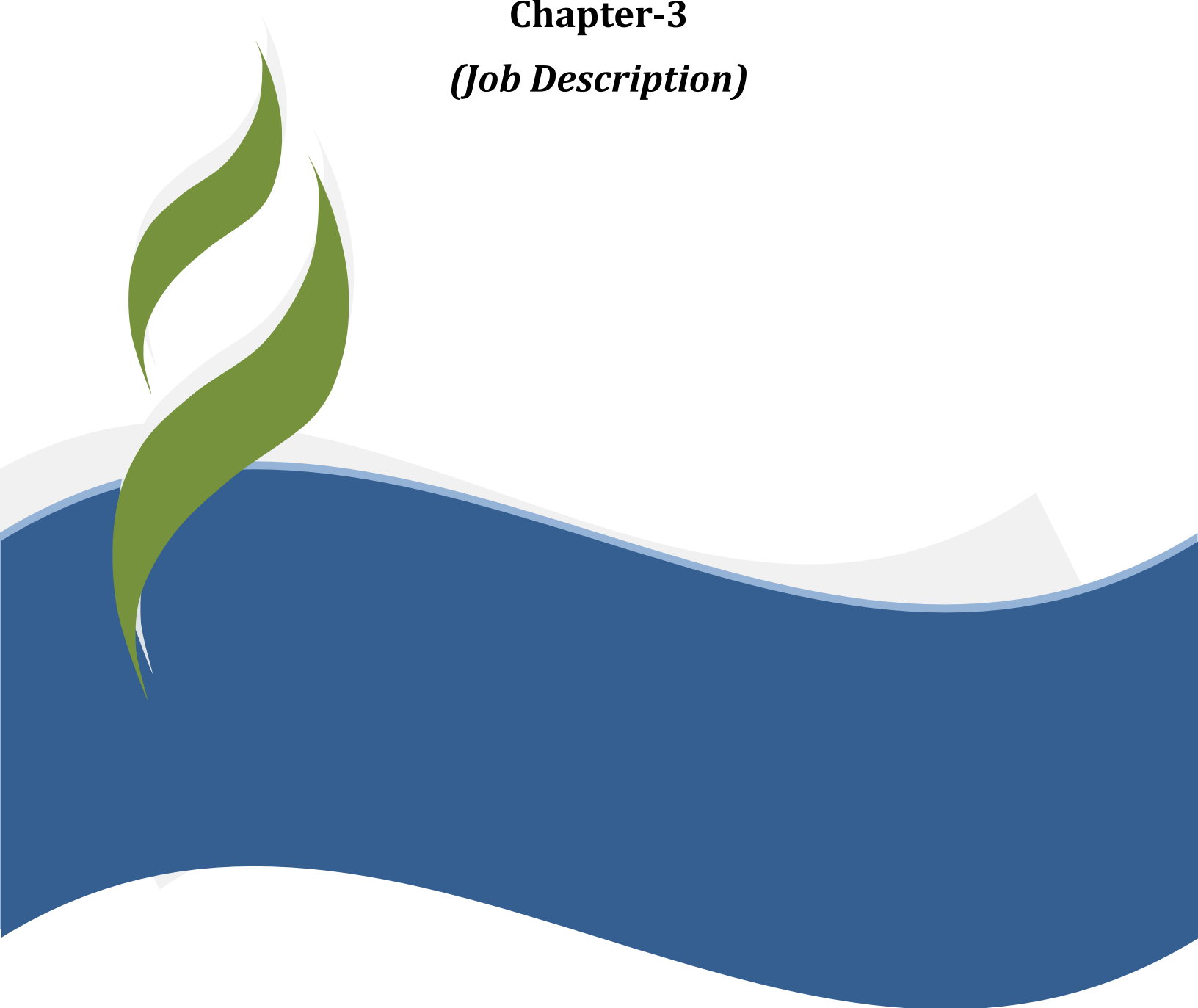
Corporate Strategy: Corporate strategy along with risk, treasury, and controllers, also often falls under the finance division.

Compliance: Compliance areas are responsible for an investment bank's daily operations compliance with government regulations and internal regulations Considered as a back-office division.

Back Office

Operation: Operations involves data-checking trades that have been conducted, ensuring that they are not erroneous, and transacting the required transfers. While some believe that an operation provides the greatest job security and the bleakest career prospects of any division within an investment bank, many banks have outsourced operations. It is, however, a critical part of the bank. Due to increased competition in finance related careers, college degrees are now mandatory at most Tier 1 investment banks. A finance degree has proved significant in understanding the depth of the deals and transactions that occur across all the divisions of the bank.

Technology: Technology refers to the information technology department. Every major investment bank has considerable amounts of in-house software, created by the technology team, who are also responsible for technical support. Technology has changed considerably in the last few years as more sales and trading desks are using electronic trading. Some trades are initiated by complex algorithms for hedging purposes.



Chapter-3

(Job Description)

Investment bankers working as portfolio managers use money pooled from multiple clients to buy and sell assets to earn a profit. Duties include researching market trends and deciding where to invest capital. They are responsible for overseeing multiple investments in the portfolio to balance risk of loss against potential profit. Portfolio managers may handle a portfolio individually or as part of a team of investment professionals.

I'm working with BRAC EPL Investments Limited since 2012 and have wide range of working experience in every department. At the joining period as a fresher I worked in Customer Services Department. Then I've transferred to Sales & Trading Department due to my performance, high customer relationship and market connection.

Job Objective

- To obtain Branch and Self performance by focusing on business target.
- Revenue generation by maintaining daily trade volume.
- To make strong portfolio base.
- Manage customer portfolio efficiently and Ensure profit for respective customers.
- Provide outstanding customer service.
- Strategic planning to achieve business target.
- Focus on massive networking for client hunting, fresh deposit collection and client retention.
- Self development by reviewing past, present market prospect and forecasting future market condition as well.

Working Relationships	
<i>Internal Stakeholders</i>	<i>External Stakeholders</i>
<ul style="list-style-type: none"> a) Branches. b) Support Services. c) Operations Department. 	<ul style="list-style-type: none"> a. Customers. b. BRAC EPL Stock Brokerage Ltd. c. Stock Brokers and Members. d. Regulators (CSE, DSE, BSEC). e. Banks.

Overall Purpose/Scope of Role

To position branch office as an effective sales and service outlet by providing superior customer focused service, increasing the customer base and meeting the branch targets.

- Maintaining professional relation with BESBL's Officials and competing organizations high officials as well.
- Number of Personal Client: 75.

Major Accountabilities

Sales

- Achieve sales targets in terms of increasing the number of clients, and revenue.
- Take trade orders of premium customers & ensuring the order is executed duly in an accurate and professional manner.
- Monitor and solve problems of trading related issues.
- Over buy checking, trade correction.

Client Services

- Counsel the prospective clients and also consult with our existing clients and collect their feedback regarding our service and operation, which is passed to top management.
- Assisting the clients in getting clear conception about portfolio related issues.
- Focus on achieving customer acquisition and retention.
- Handle customer complaints and problems.

Branch Operation

- Help implementing and maintaining business plan for the branch with the Branch manager as assigned by management.
- Ensure harmonious relationships with both internal and external stakeholders to generate revenue for BEIL.
- Ensure operational reports on timely basis.
- Monitor the overall function of the branch operation.

Reporting

- Prepare Unpaid Charges Letter Quarterly Basis.
- Prepare Margin Call Letter as per Management requirement.
- Prepare different performance report and sent those to management.
- Preparing and dispatching quarterly/other stipulated reports such as wealth Certificates and Tax Certificates.

Key Competencies/ Skills

- Good knowledge on capital market.
- Strong communication & inter-personal skills.
- Profound skills in Microsoft Office.
- Hard working team player, keen learner & goal oriented.
- Ability to handle stressful situations.
- Analytical skills.
- Team working skills.
- Numerical skills.

Chapter-4

(Capital Market Overview)



Capital markets are financial markets for the buying and selling of long-term debt- or equity backed securities. These markets channel the wealth of savers to those who can put it to long term productive use, such as companies or governments making long- term investments.

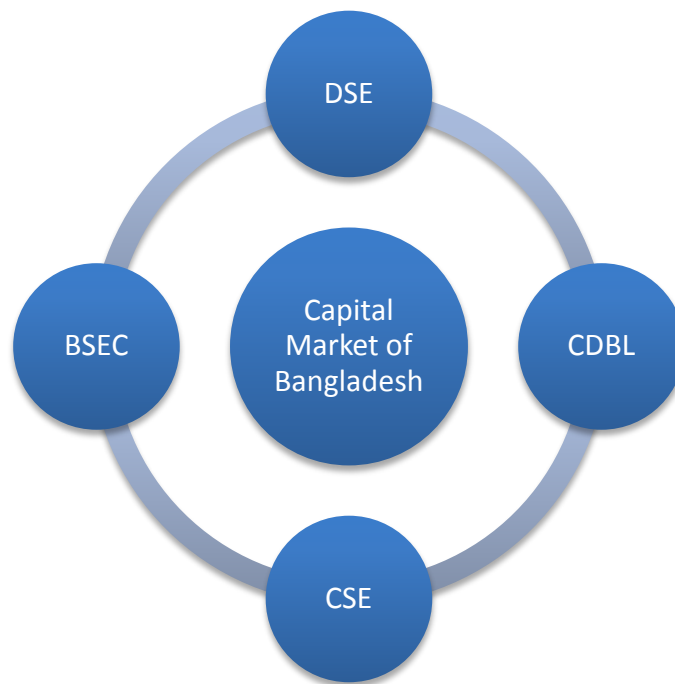
Modern capital markets are almost invariably hosted on computer- based electronic trading systems; most can be accessed only by entities within the financial sector or the treasury departments of governments and corporations, but some can be accessed directly by the public. There are many thousands of such systems, most serving only small parts of the overall capital markets. Entities hosting the systems include stock exchanges, investment banks, and government departments. Physically the systems are hosted all over the world, though they tend to be concentrated in financial centers London, New York, and Hong Kong. Capital markets are defined as markets in which money is provided for periods longer than a year.

A key division within the capital markets is between the primary markets and secondary markets. In primary markets, new stock or bond issues are sold to investors, often via a mechanism known as underwriting. The main entities seeking to raise long-term funds on the primary capital markets are governments (which may be municipal, local or national) and business enterprises (companies). Governments tend to issue only bonds, whereas companies often issue either equity or bonds. The main entities purchasing the bonds or stock include pension funds, hedge funds, sovereign wealth funds, and less commonly wealthy individuals and investment banks trading on their own behalf. In the secondary markets, existing securities are sold and bought among investors or traders, usually on an exchange, over-the-counter, or elsewhere. The existence of secondary markets increases the willingness of investors in primary markets, as they know they are likely to be able to swiftly cash out their investments if the need arises.

A second important division falls between the stock markets (for equity securities, also known as shares, where investors acquire ownership of companies) and the bond market (where investors become creditors).

Capital Market of Bangladesh

Capital Market of Bangladesh is one of the smallest in Asia but the third largest in the South Asia. It consists of Securities Exchange Commission (SEC) as the Regulator and two stock exchanges; the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE).



DSE and CSE are two full-fledged automated stock exchanges that deal in the secondary capital market. DSE was established as a Public Limited Company in April 1954 while CSE in April 1995.

SEC implements rules and regulations, monitors their implications to operate and develop the capital market. The SEC has issued licenses to 27 institutions to act in the capital market. Of these, 19 institutions are Merchant Banker and Portfolio Manager while 7 are Issue Managers and 1(one) acts as Issue Manager and Underwriter.

Role of Capital Market of an Economy

Capital market is a sub-set of financial markets, which provides linkages between the users and suppliers of the funds for long-term investment. A capital market mainly consists of stock (equity) and bonds markets. For macroeconomic management and development planning, an efficient stock market can play at least the following three pivotal roles:

- It can reflect the levels of overall and as well sectoral development.
- Provide market indices. And
- Generate valuation ratios.

Above all it can mobilize the funds from the domestic and external sources to the priority sectors of the economy and provide the indications, guidelines and information to the investors for their investment decision-making. An efficient stock market develops a path for smooth, simple and transparent opportunities of investment without undue risk and gambling factors.

Background and Current Status

The Bangladesh Capital Market has experienced a turbulent and volatile time ever since the market crash of 2010-11. General investors, institutions with capital market exposure and merchant banks and brokerage houses were all severely affected as a result of the crash. The market moved to a bearish mode due to a lack of investor confidence resulting in the index being unable to gain sustained momentum and falling trade volumes. New money injection into the market fell drastically and new investors were deterred from entering the market and looked to other options (such as FDR, Government bonds etc.) to channel their capital.

Without doubt the most severely affected were loan providers. Regulatory pressure on merchant banks to ensure trigger sales were not executed, meant most merchant bank's were left helplessly watching the dwindling values of these Portfolios, resulting in an increasing number and amount of Negative Equity in their books. In the subsequent years the matter has sadly worsened, as interest and charges of the loans provided have kept increasing, while the portfolio value has further decreased or remained stagnant; to reach the point where in most accounts in the majority of Merchant Banks, the Negative Equity is three times the Market Value of the Portfolio. As such, wiping out Negative Equity would require these portfolios to increase exponentially; not only to cover the existing gap but in the meantime service the approximately 11% p/a cost of funding these outstanding loans; which is impossible in the current market scenario and looks unlikely in the short to medium term.

Regional Status

China's Black Monday in August started a domino effect across all major stock exchanges in Asia Pacific region and even spread to the Global Markets affecting The United States and Europe. Citigroup Inc. in a recent analysis predicted the financial crisis in China has a 55% chance of turning into the next Global Financial Crisis. Global investors have channeled a huge amount of fund out of the Chinese Stock Exchange, and their skepticism has spread to other exchanges in the region, which all experienced fund drain as a result. The hardest hit in this debacle have been emerging stock markets in the Asia Pacific region.

According to the latest data from the Institute of International Finance (which represents around 500 of the world's largest banks, hedge funds and other financial firms), Global investors are estimated to have withdrawn \$40 billion from emerging-market stocks and bonds during the current quarter, the most for a quarter since the depths of the 2008 global financial crisis.

The matter looks set to deteriorate, with the Financial Post estimating an out flux in the region of \$541 billion out of the emerging markets this year. A report published by the IMF in late September, further warned investors' about emerging markets set to experience a rise in corporate failures, as debt-bloated firms struggle with souring growth, climbing borrowing costs and weakening currencies.

Further complicating emerging market problems, the changing structure of financial markets leaves many developing economies exposed to major outflows of capital as investors scramble to exit. That can lead to fire sales and a breakdown in markets.

Factors currently affecting Our Market

Apart from the external issues highlighted above, the stock exchanges in Bangladesh are also facing severe turbulence for internal reasons. Some of the major reasons attributed to the recent market turbulence are:

- Regulatory imposition on Banks to reduce market exposure by July 2016
- Regulatory imposition on Capital Market Intermediaries to properly provision all bad loans/negative equity by 2016.
- Visit by Anti-Money Laundering (AML) team
- Significant fund channeled to new issues as soon as they hit the market at an unsustainable and abnormal rates and volumes

- Fall in Foreign Investments in apprehension of anticipated fall in exchange rate in the coming months; in addition to the overall strategy of global investors to liquidate their funds in emerging markets
- Anticipation of impending political disturbances
- Continuing lack of investor's confidence in the market
- Absence of (any sort of) regulatory stimulators (for example, if current bank exposure limit was relaxed or extended), or any other such sector specific or market specific move that would have brought back some investor confidence and provide a small boost to the market
- And lastly deteriorating law and order situation
- Continuing lack of investor confidence
- Inability of institutions to pour fresh money into the market

Negative Equity of Major Players/ Overall Market

The Total Overall Margin Loan extended in the market is BDT 13,000 crore. We estimate around 40%-45% of this figure has eroded and turned into Negative Equity.

Possible Rectifications

In order to correct the situation the regulators must find a way to stimulate the market. Instead of trying to buy shares and trying to boost the market everyday a stronger approach must be adopted.

1. They must find a way to rescue these dying merchant banks. The loan that needs to be serviced is proving to be a tremendous burden. Theoretically if the government could bail these banks out by giving them a loan at a lower cost, the banks would get some more breathing space. The only appealing thing about this scheme is that there is very high liquidity in the economy. This would mean that by using the help of Bangladesh bank a lot of money can be raised by issuing Treasury bond, notes or bills at a low funding cost. Cost of capital would be somewhere around 8.5%. Raising funds and lending them out to merchant banks so that they can pay off their loans means that their cost of funding falls down sharply. The news reverberates around the market creating more optimism. Merchant banks finally get something to work with, it might energize them, and giving them the boost they were waiting for. The foreign investors may feel that this strong market initiative proves just how important the capital market is to this country and that every possible measure will be taken to revamp the capital market. The long awaited boom maybe underway. Assuming all these factors kick in, the heavy investment will not only stimulate the capital market but the economy as well.
2. Banks have been asked to curtail their exposure in the capital market to 25% of their holdings by 2016. Extend the date by four years and the banks will prove to be a significant influence in the market. Again another reason given to investors that indicate that the capital market will play a crucial role in the future.

The problem is the funds allocated to Merchant banks cannot be big enough to help out every bank. Hence the scheme must make ensure that only the most influential banks are targeted. These banks must use this helping hand to regenerate themselves. Target the top 10 Merchant banks. Make sure they stand big again in four years time.

Chapter-5

(Business Process Reengineering of BRAC EPL Investments Limited)



The goal of business process re-engineering is to redesign and change the existing business practices or process to achieve dramatic improvement in organizational performance. Organizational development is a continuous process but the pace of change has increased in manifolds. In a volatile global world, organizations enhance competitive advantage through Business Process Re-engineering (BPR) by radically redesigning selected processes.

The globalization of the economy and the liberalization of the trade markets have formulated new conditions in the market place which are characterized by instability and intensive competition in the business environment. Competition is continuously increasing with respect to price, quality and selection, service and promptness of delivery. Removal of barriers, international cooperation, technological innovations cause competition to intensify. All these changes impose the need for organizational transformation, where the entire processes and organization climate and organization structure are changed.

- **Reengineering** is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance such as cost, quality, service and speed.
- **Process** is a structured, measured set of activities designed to produce a specified output for a particular customer or market. It implies a strong emphasis on how work is done within an organization.

In this part I want to describe and follow a reengineering process for BRAC EPL Investments Ltd. Where considering different aspect of problems, shortcomings of management's decision, overall market situation, reviewing past, present market prospect and forecasting future market condition as well. Business Process Reengineering combines with different steps and aspect. Those steps and aspect are:

- Standard Operational Procedure.
 - I. Investment Account Management.
 - II. Recovery of Negative Equity Accounts.
 - III. Recovery of Margin Loan Portfolio.
- Organizational Capacity Building.
- Sustainability with the competitive industry.

Since trading began in BRAC EPL Investment Ltd. on 17th Feb 2010, we've opened over 1000 accounts in less than 4 months. However the growth of new accounts has shown a significant decrease in the last few weeks. Our product and its features are unrivaled in the market as the growth is tremendous more assistance is needed to meet the increasing demand. Another problem we are facing is the issue of compliance. The divisional offices are not sending duly completed application forms. This could become a major problem in the future when the volume of accounts reaches a significant size. The causes of the problems mentioned could be the following factors-

Lack of Internal Communication

Another issue we are facing is our internal lack of communication among departments and offices. A particular issue is the securities list that is prepared by the research team. There are occasions when we receive 3 updates of the list in a particular day. This becomes a problem for the investors. For e.g.- One client took a securities list in the morning and purchased a particular share that was mentioned to be 'marginable' in the list. But the same share was mentioned 'non marginable' in the latter part of the day. However, there was no way for the client to know that and the individual had already purchased the share perceiving it to be 'marginable'. The investor faced tremendous problem regarding this issue and finally our Head of Portfolio had to resolve the issue personally.

Lack of Support from our Brokerage

We expect our brokerage to help us with our marketing and sales. Since most people come for the BO Account and because our brokerage has been in operation longer, they verbally try to communicate our message and raise awareness of our product to their existing and new investors. So far we have had modest support from them but we expect it to increase.

Lack of Skilled Personnel in Divisional Office

Lack of skill of employees in these branches causes a lot of communication problem. Most of them have very little computer knowledge and does not have proper corporate etiquette. There were incidents, where we had to fax 30 portfolios just because they cannot operate their email or use MS office. They also are callas about the compliance issues and are regularly sending incomplete forms. If this continues, the list of incomplete accounts might get out of control and may become a big problem for our compliance department

Lack of Dedicated Brokers

Most clients complain about the fact that we have only one dedicated broker. So our management should think about this and try to come up with a solution for our client satisfaction.

Lack of Marketing

Since we are a service oriented entity, our main focus should revolve around marketing. Raising product awareness is a key element in this industry. We should breach the shackles of the traditional belief of merchant bank marketing and set a milestone which other banks would follow. Instead of using the pull strategy (Bringing the customers to us), we should use the push strategy (Taking the product to the customer). This could be achieved by appointing a sales team which will be solely responsible for marketing and raising awareness. By doing this, we would be introducing the concept of direct marketing in the investment industry. We should also increase the frequency of advertisement to let the investor know about our product.



Reengineering Process

(Standard Operational Procedure)



Purpose

BRAC EPL Investments Limited (BEIL) operates a proprietary investment account, in order to maximise revenue and increase the value of the company. This is done through purchase and sell of shares with a view to making long and short-term gains by investing in good, fundamentally backed equities through the use of research analysis to determine entry and exit points and duration of investments.

This Standard Operation Procedure (SOP) has been developed by management to prescribe the management process of the Proprietary Investment Account.

This SOP is designed to illustrate the details of activity required to perform each particular tasks. The guidance provided thorough this SOP is vetted and finalized by all the concern functions of BEIL.

Scope

The Scope of the SOP entails in detail, the trading parameters of the Proprietary Account, initiating from the basic proposal generation stage, to the decision making, implementation, monitoring and reporting on the investments made. Job responsibility and departmental contributions are highlighted for the different stages of the investment process. Outline of the strategies to be implemented and the tools through which the process will be accomplished are provided along with the risk management guidelines that will be adhered to in managing the Proprietary Account of BEIL.

Investment Account Management

Composition & Strategy of Fund Allocation

The Investment in the Proprietary Account shall be allocated to trading in equity scripts as well as fixed income products. The Portfolio shall be divided into long and short-term holding. The time-frame will be determined through our own Research and Research provided by BESBL, in which we will be taking into account both fundamental and technical aspects of the stock. Short term stock holding period will be 3 months and beyond that Management approval will be required with proper justification. Long term holding will be 6-12 months and anything beyond that will be approved by Management with proper justification. A fundamental analysis approach is preferred over any technical indicators for primary investment decisions; however technical indicators and previous price history will be used to determine our entry and exit points.

Investment Strategy will have Two Broad Plans of Action

1. In a bull market, where the market performs across a large number of stocks, we will be reshuffling the account on a regular basis, taking short-term gains and re-investing again to create a cycle of quick gains, as the opportunities arise in the market. During such times, we will have our majority investment in short-term holdings (up to 80%) during these times.

Details	Equity
Bullish Market	
Long Term	Up to 20%
Short Term	Up to 80%
Bearish Market	
Long Term	Up to 80%
Short Term	Up to 20%

2. In a bear market, where the market performs across only a handful of stocks, we will be using the opportunities to enter fundamental stocks that reach a corrected level of price, in a view of holding it through the bearish trend. When the bull returns, the fundamentally strong stocks are usually the first to move, and having purchased these shares at a low price during the downturn, we will be in a position to take full advantage of the bull cycle. Hence, during bearish trends in the market, we will focus on such long-term picks, and have an exposure of up to 80% on long-term holdings during such times.

Sector and Single Stock Exposure Limit

The total exposure in a single stock or a particular sector is set to the limit as follows:

Particular	Maximum Exposure
Single Stock Exposure Limit	25%
Single Sector Exposure Limit	40%

The percentage is based on the total allocation fund in the Proprietary Account at any given time.

Exceptions can be made in this regard, due to changing market scenarios, or the presentation of an opportunity. However, proper reasoning highlighting reasons to increase said exposure limit will have to be formally prepared, and a memo will be required to be approved by the CEO to increase the limit.

Primary Strategy for Investment: Diversification

The secondary market in our country is known for its volatility, vulnerability and the presence of news and rumours have been seen to significantly affect even the strongest fundamental shares. Hence, in order to hedge our risk in investing, we will be using the tool of diversification in both stock and sector-wise allocation of investment.

The level of diversification in the portfolio will depend on the current market movements and trends. Bearish and bull markets will have different levels of diversification methods that will accommodate the latest market scenario in our investment objective and strategies.

In line with the investment strategies highlighted above, the level of diversification will be in-line with whether the market is in a bull run (more short-term, less long-term holding) which will see larger diversification amongst shares and sectors; or in a bear run (more long-term, less short-term holding) will see a smaller diversification amongst shares and sectors.

The stock and sector-wise diversification will be ensured as per single and Sector-wise exposure limit highlighted in point 5 of this SOP under the Sector and Single Stock Exposure Limit.

Risk Management Guidelines

The following conditions will be applicable for the Proprietary Investment Portfolio:

- The proprietary or equity investment will be executed through an Investment Committee (IC) consisting of three members, namely The CEO, Head of Portfolio Management and a Manager.
- The investment committee will sit before taking any investment decision. The decision will be executed through the manager, with relevant paper trails maintained for audit purpose.
- In case of any buy or sale in the equity investment, the concerned manager will take formal approval from the CEO through office memo before execution.
- The concerned manager will prepare proposals to invest in companies that he considers to have good growth potential and having sound corporate governance through the evaluation process of both technical & fundamental analysis. These proposals will be presented to the IC for their approval.
- The Proprietary Account shall be Growth-Value Blend basket of large caps as well as small-cap stocks.
- The manager shall ensure that trading policies are not in violation of this SOP, rules of the regulators or laws of the land.
- The manager must comply with the composition and diversification strategies as mentioned above.
- The equity investment can be diverted through an investment in pre IPO placement considering the potentiality and fair value of the upcoming stock and properly backed up by research.
- In order to protect the capital potential, the manager shall have the flexibility to use market timing to move between tactical and strategic holdings in any percentage they deem prudent, when investment conditions change. However, the IC will have to be notified and must give their approval based on the justifications provided by the manager, prior to any such movement.
- Capital appreciation will be the primary consideration and dividend income will be the secondary consideration in making short term and tactical investments.
- The gain and loss realization decision will be taken by the investment committee considering the market condition.
- Any deviation of the policy will have to be approved by the Board.

Process of Trading on Proprietary Investment Account

Brain Storming & Proposal Formulation Stage

- Stock selection with analysis
- Investment horizon
- Set quantity and price limit

Research

Decision Making Stage

- Evaluate Proposal
- Formal approval/opinion

Investment Committee

Implementation Stage

- Prepare data report and allocation of trade
- Trading instruction
- Reporting trade status to IC
- Ensure compliance issues

Manager, Proprietary Account

Implementation Stage

- Trade execution
- Final Reporting to IC

Trading Team

Reporting & Documentation

- Prepare report on Portfolio Status on Daily, Weekly and Monthly basis highlighting gain/loss and performance of stocks under management.
- All relevant paper works to be maintained for future reference
- Provide Single Stock and Sector-wise Exposure Report on a regular basis to IC

Manager, Proprietary Account

Recovery of Negative Equity Accounts & Margin Loan Portfolio

The major steps to be taken for which this SOP is being designed are:

Segregation - all NEA will be segregated from the rest of the portfolio. This segregation will mean that personnel of PMD will no longer be allowed to trade in any such code.

Special Assets Management (SAM) Team – this team will consist of personnel from the Finance, Risk and Operations departments. They will report to the Head of Finance who will report directly on NEA to the CEO. They will be responsible for managing the risk in the NEA and monitoring cash and equity recovery on a daily basis. Their role will also involve advising the CEO on investments decisions in the NEA.

Chinese wall – Chinese walls will be built into the existing mBank software to ensure personnel of PMD can't access NEA codes. Only members of SAM will have system access to NEA codes. Further, processes will be realigned to ensure personnel of PMD are not involved in the NEA recovery process.

Investment Advisor – it has also been decided to appoint BRAC EPL Stock Brokerage Limited's Research Team as an investment advisor for NEA codes. Their scope of work will be to analyze the entire stock holding in the NEA codes and advise on how to reinvest/swap stocks to allow BEIL to recover equity losses in these codes. The detailed cope will be finalized in a separate SLA with them.

Trading in NEA – trade execution in NEA will be done by a separate trading team in BEPSL. Execution orders will be placed by the SAM team and daily execution reports will be provided by the trading team of BEPSL.

Negative Equity Management & Trading Process

Investment Advisory

- Advise a number of stocks for reinvestment of NEA/swap with existing stocks of NEA.
- Advise portfolio structure
- Set investment horizon
- Advise quantity and buy and sell price ranges

Research

Analysis & Allocation

- Evaluate BESL's advisory
- Assess fund requirement (if any)
- Analyze entire portfolio and draw up allocation plan for individual NEA codes.
- Form an investment plan for approval

SAM Team

Approval

- Evaluate investment plan.
- Provide approval

**Chief Executive
Officer**

Execution

- Written execution order by SAM team to BESL's designated trading team.
- Trade execution carried out by Trading Team.
- Day end report given on status of execution.

Trading Team

Reporting

- Day end reporting to be done to CEO and Head of Finance on overall status of NEA portfolio

SAM Team

Roles & Responsibilities

The respective roles and responsibilities are set out below:

Portfolio Management Department (PMD) – the only responsibility of personnel of PMD in connection to NEA will be to attract deposits and cash recovery from these customers.

Special Assets Management Team (SAM) – this team will comprise of personnel from Finance, Risk and Operations and will report to the Head of Finance who will ultimately report to the CEO for purposes of this SOP. SAM will essentially be a risk management team whose sole responsibility will be to ensure daily monitoring of NEA performance and advising the CEO on best steps to recover as much equity as possible from such codes. SAM will also be responsible for trade allocation of investment plans.

Chief Executive Officer (CEO) – the CEO will be the sole decision making authority in NEA codes. He will take decisions based on investment advisory from BESL and from the SAM team.

BRAC EPL Stock Brokerage Limited (BESL) – BESL will be involved in two aspects in as per this SOP:

Investment Advisor – their scope of work will be to analyze the entire stock holding in the NEA codes and advise on how to reinvest/swap stocks to allow BEIL to recover equity losses in these codes. The detailed cope will be finalized in a separate SLA with them.

Trading in NEA – BESL will designate a separate trading team for execution of trades in NEA codes. They will only execute as per written execution orders from the SAM team. They will communicate with the SAM team related to any complications. At each day end they will report back to the SAM team on the status of execution orders (if any order issued for that). They will maintain complete confidentiality related to trades in NEA codes.

Organizational Capacity Building

BRAC EPL Investments Limited is expected to get a surge in the volume of clients or business, once it implements the alternative distribution strategy through BRAC BANK Limited. The main problem to focus on right now is that of **capacity building**. The two main problems while getting work done on capacity building is that of trained human resource and floor space. It is apparent that even now we are struggling with the space we have. After talking to employees and management, we have come down to few categories regarding what criteria's should be in place for assessing the capacity of BRAC EPL. The three main categories are:

The ratio of Clients to Relevant Employees

Since there is a surge expected in the number of clients that we are suppose to get from pursuing an alternative distribution strategy, it is important to maintain an important a proper ratio between the number of clients and the relevant employees. It will not be possible for the portfolio management department with the current number employees to give proper efficient service to the growing number of clients. Soon the steam will run out of the employees in the department from working overtime everyday and the level of service that we provide will start to falter as well. Along with this the back office staff like the settlements, accounts, finance etc. will need a boost in the number of employees as well just to cope with increasing volume of business. A standard should be made regarding the ratio of the number of clients and relevant employees.

Floor Space

With the increase in employees, we will need more space to accommodate the growing number of employees. Our current space is not sufficient to help the capacity build up.

The amount of over time that each employee has to give on average and how much they deviate from their job description to help in other departments

It is very common for employees everywhere nowadays to be at work over time. Another common problem arising with this is the problem of employee burn out. Even if we don't have to come to work on weekends, when workers constantly stay at work for hours after the office hours, burn out does take place. It also de-motivates the employees and reduces their job satisfaction. This way we may lose many trained, dedicated and experienced staff to competitors within the industry.

Evaluating the Workers Efficiency

A quarterly evaluation of the employees on their work performance, their job satisfaction and time taken for completion of the job can be used as criteria for assessing the capacity of BRAC

EPL. It will also help the management be tuned to the pulse of the general work environment and the needs of the office.

Mission Statement, Vision, Strategy and Goals

Mission, vision, and strategy are the driving forces that give the organization its purpose and direction. Without knowing the organizations directions, it will be difficult to assess the future needs of the organization and build our capacity in a pre-emptive way, rather than doing when already the need will arise. So far BRAC EPL does not have any mission statement or vision displayed or officially written.

Employment Training

To make a more efficient workforce, the employees should go through a training period. This will raise the efficiency level of the employees and also make them more competent in their jobs. A training manual for employees can also be created to make the system more structured.

Software up Gradation

The current M-bank software that BRAC EPL uses is local software and serving its purpose now. When there will be an increase in volume of trade and clients, the software might not be performing as well. The software might become slow and make things slow. Looking into other avenues for getting similar software that can be more efficient and can take on the extra load of data will do well for BRAC EPL. Strict government regulations and parameters remain as a hurdle in this regard, as they may not allow brokerages' or a merchant bank to set up their own software's.

Other problems that remain in trying to build up capacity are the number of traders' available and terminal setup for trading. In order to get a terminal, permission has to be taken from DSE and SEC. It takes almost four months to get license for a trader, after training and exams. Therefore, employing new recruits and making them into a trader will also take almost four months. On the other hand, if we get a broker from another brokerage house by offering him better salary etc., it will take almost two months as they have to wait for clearance from the SEC. Getting adequate space and human resource is crucial at this stage to build BRAC EPLs capacity. Other things can be worked on simultaneously and build up.

Components of Organizational Capacity

Capacity is an abstract term that describes a wide range of capabilities, knowledge, and resources that nonprofits need in order to be effective. What makes an organization effective?

Six components of organizational capacity are necessary for high performance: governance and leadership; mission, vision, and strategy; program delivery and impact; strategic relationships; resource development; and internal operations and management. These interdependent factors all contribute to the health and performance of an organization.

1. ***Governance and Leadership:*** The organization's board of directors is engaged and representative, with defined governance practices. The board effectively oversees the policies, programs, and organizational operations including review of achievement of strategic goals, financial status, and executive director performance. The organization is accomplished at recruiting, developing, and retaining capable staff and technical resources. The organization's leadership is alert to changing community needs and realities.
2. ***Mission, Vision, and Strategy:*** The organization has a vital mission and a clear understanding of its identity. It is actively involved in regular, results-oriented, strategic, and self-reflective thinking and planning that aligns strategies with the mission and organizational capacity. The planning process involves stakeholders in an ongoing dialogue that ensures that the organization's mission and programs are valuable to the neighborhood or constituency it serves.
3. ***Service Delivery and Impact:*** The organization operates resources that demonstrate tangible outcomes commensurate with the resources invested. Services are high quality and well regarded. The organization utilizes program evaluation results to inform its strategic goals. The organization has formal mechanisms for assessing internal and external factors that affect achievement of goals.
4. ***Resource Development:*** The organization successfully secures support from a variety of sources to ensure that the organization's revenues are diversified, stable, and sufficient for the mission and goals. The resource development plan is aligned with the mission, long-term goals, and strategic direction. The organization has high visibility with key stakeholders, and links clear, strategic messages to its resource development efforts.
5. ***Internal Operations and Management:*** The organization has efficient and effective operations, and strong management support systems. Financial operations are responsibly managed and reflect sound accounting principles. The organization utilizes information effectively for organizational and project management purposes. Asset, risk, and technology management are strong and appropriate to the organization's purpose.
6. ***Mission, Vision, and Strategy*** are the driving forces that give the organization its purpose and direction. ***Program delivery and impact*** are the nonprofits primary reasons for existence, just as profit is a primary aim for many for-profit companies. ***Strategic***

relationships, resource development, and internal operations and management are all necessary mechanisms to achieve the organization's ends. Absent any one of them, an organization flounders or does not reach its full potential. *Leadership and governance* is the lubricant that keeps all parts aligned and moving. The model also suggests the need for constant feedback from the external environment, and routine monitoring of program audience and outcomes to inform mission and strategy. When assessing the capacity of nonprofit organizations, it is best to examine each element separately, in relation to others, and within the organization's overall context.

A variety of factors can influence an organization's needs at any time, including:

- Age and developmental state of the organization
- Size of the organization
- Kind of work the organization does
- Cultural or ethnic identity of the organization
- Environment in which the organization functions

Sustainability with the competitive industry

Risk Management Approach

As an institution BRAC EPL Investments Ltd. faces several types of risks over the short-term as well as the long-term. While the likelihood and impact of the different types of risk varies, at BEPLI we have a central, proactive strategy towards risk management. This framework follows on the basic principle of risk planning i.e. identify, assess and mitigate.

The following is a description of the common risk categories and their mitigations:

Market Risk and Credit Risk (Portfolio Management)

Market risk is the uncertainty regarding the values of certain variables that are determined in the financial markets (Money market and Capital market). Among these variables, as a Merchant Bank, BRAC EPL Investments is exposed to interest rate risk and stock price risk. A large part of the revenue of the firm is generated from margin loan channeling. For most products, rate on margin loan remains fixed at some pre-contracted level whereas the rates on the loan facility that the firm gets from different Banks and FIs may change on short notice. There is a real possibility that the firm face a zero or negative spread on loan channeling business for a short period of time.

Unlike developed capital markets, Bangladesh capital market is yet to be introduced the sophisticated Derivative products that can deal with market risk and credit risk. At BRAC EPL we have only a few measures to deal with the market risk. They are:

- ***Optimum Diversification in Proprietary Portfolio (PP):*** the fund manager follows a much-diversified style of portfolio management. At present, the proprietary fund is well diversified in various industry and sectors such as Banks, NBFIs, Pharmaceuticals, Textiles, Power, Insurance, Telecom, Foods and Allied and Tannery etc. Diversification across so many industries is the first defense in the face of market risk.
- ***Fundamentals based Stock Selection for the PP:*** The second line of defense against market risk is to practice stock selection based on fundamentals. It can be assumed that fundamentally based issues that are valued at a fair level have lesser possibility of severe losses than the junk issues.

Client Diversification: As per SEC rules, BEPL follows a cap on single client exposure. No single client is given a margin loan in excess of BDT 10 crore. Again BEPL maintains a list of

approved securities within which clients must invest. Both these steps minimize the level of credit risk to which BEI is exposed to at any given time.

Operational Risk

Operational Risk is a form of risk that summarizes the risks a company or firm encounters when it attempts to operate within a given field or industry. Operational Risk is the risk of losses that will incur directly or indirectly due to an event or action causing the failure of technology, processes, infrastructure, personnel, unauthorized activities, non-compliance of regulatory or corporate governance, failure to meet internal processes and other risks having an operational impact. Common sources of operational risks are:

- Operational errors
- Changes in statutory requirements
- Technological obsolescence
- Turnover of trained staff
- Money laundering
- Late or incorrect payments
- Inadequate or incorrect documentation.
- Natural disasters, fire, theft

Managing Operational Risk

Suitable internal control measures are in place at BEIL, to address operational risks. BEIL has also established a Legal & Compliance Department to address operational risks and to frame and implement policies to encounter such risks. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and management, or from external events. BEIL's operational risk management aims to minimize unexpected and ruinous losses and to manage expected losses. The Internal Control & Compliance Department also develops policies, processes and procedures for managing operational risk in all of the company products, activities, processes and systems by identifying and assessing the risks inherent in operations

Risk control and measurement techniques taken by BRAC EPL are as under:

- The Internal Control & Compliance Department undertakes periodic and on demand audit to review the operation and compliance to statutory requirements
- Suitable delegated authority level
- Maintenance of assets through maintenance agreement with vendor
- Proper risk transfer measures by taking appropriate insurance coverage for all assets of the Company
- Infusing organizational values and ethics in employees
- Strict compliance of Employees Code of Conduct
- Building favorable working environment for the staff

BEIL's business and operational processes are largely dependent on the IT infrastructure and associated systems. To ensure smooth functioning of these processes a strong IT risk management framework is in place to deal with major threats. Following are the key measures adopted to minimize risk exposure:

- Implementation of proper data backup system
- Regular upgrading of hardware and software to keep it up to state-of-the-art level
- Regular preventive maintenance for server boxes, server systems and other critical network equipment
- Frequent maintenance and health-checks to ensure network quality and security
- Ensuring security related patches, hot fixes, anti-virus updates, and other updates are applied to the designated boxes on time
- In-house IT expertise to carry out primary trouble shooting to reduce down-time
- Enforcement of strict SLA (service level agreement) with third party application providers to minimize system down time
- Reviewing health check reports and signaling early warnings for proactive action

Business Risk Management

BEIL's Investment Banking Division (IBD) provides Issue Management & Corporate Advisory services to its clients along with underwriting services. While rendering these services IBD faces certain risks associated with its business processes. Correctly identifying and addressing these risks is critical for the IBD.

1) Market Risk

Market risks such as inflation rate, exchange rate fluctuation, interest rate go hand in hand with any investment. As such, the value of investment may decline over a given time period simply because of economic changes or other events with impact large portion of the market. Asset allocation and diversification can project against market risk because different portion of the market tend to underperform at different times.

a) **Global** – Though the world is on the road to recovery from the Global Recession, the developed world is still suffering from high levels of unemployment, slow growth and investment protectionism. Bangladesh has been quite resilient to such negative shocks; however, it has been affected indirectly by remittances, foreign inflow of income by overseas workers, which is one of the crucial drivers of the economy. The health of the global economy has been negatively affected and major shortfall in FDI and development loans from international donors such as the World Bank, IMF etc. are further slowing down infrastructure and power projects.

Mitigations: In order to stay healthy in the midst of the Global recession, BEIL has targeted markets which have remained resilient throughout the slowdown. The investment banking

team has completed cross-border deals with multinational and foreign companies with strong fundamentals. They have also served clients in the local markets with strong revenue potential, conservative, cost structure, and macro development driven vehicles for the economy. This is what drives sustainable growth for BEIL Investment Banking services; we hand-pick our clients, sectors, markets, people and processes which are built to last. We partner with companies that look forward to stable and durable growth.

b) **Local** - Business demand is directly affected by macroeconomic factors such as output, current account balance, asset valuation, foreign exchange rates, health of the banking system and its ability to lend, etc. Currently, Bangladesh is in the midst of a correction in its equity capital markets. Therefore, the appetite of clients for one of our key investment banking services such as raising capital through equity by issuing initial public offerings has gone down. On the other hand, there has been a rise in corporate advisory solutions or services rendered by investment banks as companies are more cautious and plan their business expansions once the equity market begins to accumulate growth again.

Mitigation: Bangladesh has been recognized as “The Next 11” by Goldman Sachs Asset Management. As one of the top investment destinations in the global arena among frontier markets, Bangladesh continues to deliver robust GDP growth year over year. BRAC EPL believes BRICs along with frontier markets will account for 60% of worldwide growth in the future. Secondly, Bangladesh’s immense population growth and young demographics of labor force will continue to drive domestic production and export competitiveness abroad. Most importantly, the emergence of the increased middle class, their income growth, spending power and living standards will fuel domestic consumption and growth prospects. Therefore, Bangladesh is well positioned to achieve continuous growth in the coming years. However, whatever the growth trajectory of the nation, we are present to serve the country’s corporate leaders and their need for capital to grow their business in a healthy and stable manner.

2) **Liquidity Risk** – Liquidity risk pertains to issue of liquidity in the banking system in Bangladesh. This is by far the largest risk that is affecting businesses and their future growth across the country. The nation has experienced a cycle of oversupply of money to a credit crunch in the past year. In order to combat inflationary pressures, the government raised CRR to tame banks’ aggressive exposure to the equity capital markets and the real-estate market. One is highly volatile and the other highly illiquid and both have reached their peak in the recent years. This is detrimental to expansion, start-up, and investment plans of clients who are looking for growth by raising capital.

Mitigation: If the overall banking system faces liquidity crisis, it is difficult for investment banks to overcome the crisis. However, as a leading investment bank in the country, we try to arrange the financial resources from diversified sources. Besides the local banking channel,



BEIL has access to funds from foreign lenders, i.e. DEG, FMO, NORFUND. We are also able to partner with international investment banks, i.e. Merrill Lynch, Barclays Capital, and foreign funds to provide equity support required for establishment of new projects or expansion of businesses.

3) **Inflation Risk** – Inflation risk directly affects purchasing power of businesses across Bangladesh. It forces businesses to be cautionary with costs and make most of its profits as it increases cost of capital as well as cost of production. For an investment bank, however, it creates uncertainty in timing investment solutions for its clients and in predicting the markets, raising capital, strategizing investment schedules, etc.

Mitigation: We provide customized fund raising solution for our clients as per their requirement. We design the transaction structure for individual clients in such a fashion so that the cost of capital for the client is minimum. If the inflationary pressure results in liquidity crunch in the local banking system, we can arrange the funds with low cost from foreign sources. Besides, we do trend analysis of the macroeconomic factors which may affect the business to be able to take precautionary steps and thus advise to our clients.

4) **Regulatory Risk** – Regulatory risks pose a major threat to investment banking activities in this country. Especially after the correction in the capital markets, the Bangladeshi people have lost confidence in the healthy functioning of capital markets. Regulatory bodies have therefore become strictly conservative and overly cautious in designing consequent rules and regulations to police merchant banks and their activities. Recent restrictions on Book Building method has slowed down the business of Investment Banking.

Mitigation: As for the regulations of the capital market, the regulators along with the participants of the capital market are trying to develop the rules, regulations and Acts to protect the investors of the market. Bangladesh capital market has been facing rapid growth over the past couple of years and emerging as a frontier market which attracted the foreign investments. However, being a major participant of the capital market as an investment bank, BEIL is always cooperative with the regulators in an effort to develop the regulatory system in order to drive the growth of the capital market. Government has already taken initiative to reform the regulatory system to restore investors' confidence and sustain the growth. We also believe that the government is taking appropriate measures to support the growth of the Capital Market.



Chapter-6

(Findings & Recommendations)

Findings

Enhancing Capital Market Activities

Merchant Banks around the world carry out a significant role in the development of the capital market. Strong institutional support is necessary for a vibrant capital market which is the core of economic development in any market based economic system. Merchant Banks through their merchant banking wing can act in this regard. A total of 30 companies are now listed as merchant banks in Bangladesh, of which 23 are full-fledged, 6 are issue managers, and only one is a portfolio manager. Only nine Merchant Banks have registered with SEC for performing merchant banking activities. But their activities in the capital market are rather limited (Financial Sector Review, Bangladesh Bank, 2006). Active participation of merchant banks is essential to accelerate the capital market activities which can expedite the economic growth of the country. The success of merchant banking operations is largely linked to the development of the security market. So Merchant Banks should concentrate more on their opportunities in the capital market.

Alternative Sources of Funds

The finance and leasing companies across the world are using different sources for collecting funds. Merchant Banks in Bangladesh may also explore the possibilities of gaining access to new sources of funds like issuance of commercial paper and discounting or sale of lease receivables. However, in releasing such new products, some regulatory changes have to be made. Another innovative and promising source of funds may be the securitization of assets.

Market Segmentation

It has been discussed earlier that though banks and Merchant Banks compete with each other they can also perform complementary functions. To function as complementary institutions both banks and Merchant Banks should follow some ethical and technical norms. 15 Banks wishing to enter in the leasing business, which is essentially a core operation of Merchant Banks, should do so through opening subsidiaries so that a level playing field for Merchant Banks can be maintained. This is needed as banks have access to lower cost funds compared to Merchant Banks, which puts the former in an advantageous position. Alternatively, banks can go for joint financing under syndication arrangements with leasing companies on any project proposal. Again, banks can concentrate on working capital finance and foreign exchange operations, which matches more with their asset- liability management.

Competition and Product Diversification

Merchant Banks in Bangladesh are operating in a highly competitive environment. The competition for Merchant Banks is even more challenging as they have to compete with banks. Given the changes in the business environment, the need for product diversification is very important. At present, lease financing constitutes 55 percent of the total long term assets of Merchant Banks. The remaining part concentrates mainly on term financing and housing finance. Some of Merchant Banks are primarily engaged in leasing, some are also diversifying into other lines of business like merchant banking, equity financing etc. Currently, 22 Merchant Banks (out of 29) specialize in lease financing. Merchant Banks are permitted to undertake a wide array of activities and therefore should not confine themselves to one or two types of product only. Leasing, no doubt, presents a good alternative form of term financing but Merchant Banks should also venture into diversified use of their funds such as merchant banking, venture capital financing, factoring, etc. for a healthy growth of the capital market.

Issues of Taxation

The financing mode of lending and leasing are totally different from one another. The concept and procedure particularly the accounting and taxation system are also quite different. So it is advisable not to mix up the two different operations, otherwise it might distort the basic financial norms. As the tax treatment is totally different in leasing business, mixing up of lending and leasing in the same business portfolio might create the possibility of tax fudging.

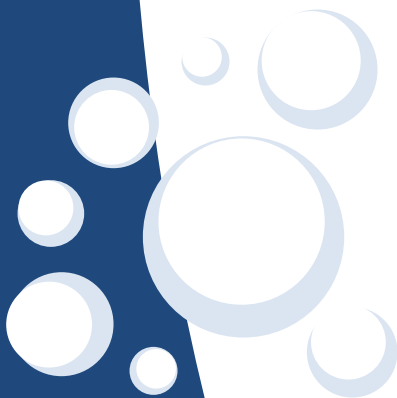
Recommendations

- In house research activities should be increased to provide analysis support to clients.
- Employee training should be increased to make them aware of fundamental and technical analysis.
- Customer care department is urgent need for the firm. The activities of the department will be to give present stock position to the clients, how many shares are saleable, balance amount of his account and any other previous transaction related information. Requisition for cheque and physical shares will be collected by the department after properly checking the client's account position. If a client has loan at BEIL account, physical shares will not be given to him. This department will supply account opening form to new clients and make them understand how to fill up the form.
- Proper marketing policies are required for increasing client. Still maximum people of our country don't understand with share and securities are. Proper marketing policy should be taken to make them understand about what the firm does.
- As competitors are rapidly increasing; management has to be clear and careful about future plan. Branches are not quite enough, they need to start new branches in those areas where this type of firm will get client.
- Some client complains that the commission rate is high, even though the company service is a standard from other firms, the company can relax the commission form specific clients according to their trading.
- They can charge commission on trade volume of a client for each day. If a client's transaction exceeds certain amount a certain commission should be charged.
- The company can arrange open discussion among big clients and employees specifically trading department can exchanges information about certain issued share. It will help to take decision about a transaction.
- According the change in political situation our stock market also changes. So the company can charge less commission when market is dump, more commission for boom market.
- The firms should be more careful about the investment of clients. Employees will discuss with clients about what to do and Clients policy statements without just executing orders.
- Clients also are given training about how they will operate their business safely and profitably.
- Even though BEIL offer loans to clients along with BESBL, IDLC. This is not enough for BEIL clients. Some clients also complain about the rate of interest of these loans. More loans with less interest rate surely increase the company profit.

Some clients completely depend on employees about their investment, they influence employees to operate the business as he want. This will create misunderstanding in future. To avoid such problems employees has to be careful.

Chapter-7

(Conclusion)



Business Reengineering Process will only be successful if the activities in which the processes are based are directly related to the needs and objectives of the business. The impact Business Reengineering Process to the Bangladeshi organizations cannot be over-emphasized with the economic situation of this country, because it helps in meeting the domestic and industry needs or pursuance of better and high performance. Business Reengineering Process has helped in the achievement of the organization over-all objectives.

Merchant bank plays an important role to smooth follow of fund from surplus unit to deposit unit of the society. Merchant bank has wide range of activities such as advisory function, underwriter function, investment banker, transaction broker and so on which also ensure the expansion and improvement of the capital market and economic growth. Although 37 merchant banks are operating, officials said only a few are active while the performance of the rest is far from being satisfactory. The merchant banks should focus on forming their own portfolios in making the market sustainable. They should diversify their functions other than lending. In order to maintain sustainability they should diversify their activities because underwriting, advisory and syndication are not large enough in our weak and small economy. Merchant bank is highly necessary to raise fund for the public and private sector from the capital market in order to expansion and improvement of the corporation, take new project, diversify their products or services and so on. Merchant bank is making capital market more strong and powerful.

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