

## CHITTAGONG STOCK EXCHANGE (INTERNET BASED TRADING SERVICES) REGULATIONS, 2002

In exercise of the power conferred by section 34 (1) of the Securities and Exchange Ordinance, 1969 (XVII of 1969), the Chittagong Stock Exchange Ltd. makes, with the prior approval of the Securities and Exchange Commission, the following regulations, namely: -

### 1. Short title and extent of applicability:

- (i) These regulations may be called the Chittagong Stock Exchange (Internet Based Trading Services) Regulations, 2002.
- (ii) These regulations shall apply to all members of the Chittagong Stock Exchange Ltd. and their authorized representatives who are permitted to provide internet-based trading services to their clients under these Regulations for trading in the listed securities, as may be determined by SEC from time to time, for trading through ITS.

### 2. Definitions:

- (1) In these Regulations, unless there is anything repugnant in the subject or context: -
  - (i) 'Board' means the Board of Directors of the Exchange;
  - (ii) 'CSE' or 'Exchange' means the Chittagong Stock Exchange Ltd;
  - (iii) 'Designated Client' or 'ITS Client' means the customer of a permitted member who opens special account with the member as per Annexure-B to use ITS of CSE;
  - (iv) 'Internet Based Trading Services' or 'ITS' means the services provided by the Chittagong Stock Exchange Ltd. to its registered Stock Dealers/Stock Brokers for transmitting the designated clients' validated orders to CSE's main trading system through an automated order routing system, using the client's own password, for execution of trade of the said client;

Provided, CSE shall ensure that the provision of Section 8, sub-section (1) of the Securities and Exchange Ordinance, 1969 is not contravened in this respect;

- (v) 'Member' means a member of the Exchange;
- (vi) 'Permitted member' means a member of the Exchange who gets the permission from the Exchange to provide the ITS to its clients;
- (vii)'SEC' or 'Commission' means the Securities and Exchange Commission.

(2) Words and expressions used but not defined shall have the same meanings as are assigned thereto in the Securities and Exchange Ordinance, 1969 (XVII of 1969), the Securities and Exchange Commission Act, 1993 (XV of 1993), the Depository Act, 1999, the Companies Act, 1994, the Securities and Exchange Commission (Stock Dealer, Stock Broker and Authorised Representative) Rules, 2000, the Securities and Exchange Rules, 1987, the Chittagong Stock Exchange Trading Regulations, 1998, and rules, regulations and notifications issued under the aforesaid Ordinance and Acts.

### **3. Eligibility for Providing Internet Based Trading Services (ITS):**

A member shall be eligible to provide Internet Based Trading Services subject to the following conditions:-

- (i) It is a registered Stock Dealer or Stock Broker.
- (ii) It, at all time, maintains the net capital, the risk-based capital adequacy as determined by the Securities and Exchange Rules, 1987, and the net worth (excluding goodwill and fictitious assets) of Tk. 10 lac, or such amount as required by the Securities and Exchange Commission (Stock Dealer, Stock Broker & Authorised Representative), Rules, 2000, whichever is higher.
- (iii) It has no record of settlement failure, or to fulfil its obligation to its client, the Exchange or other members, or of any disciplinary action taken against him in the last one year.
- (iv) It provides safe keeping services for the ITS clients' security certificates and separate bank account for the ITS client's money with effective means of security, reliability and confidentiality.
- (v) It maintains adequate computers and equipment including back up facilities for power supply and data storage capacity. It also has adequate system capacity for handling data transfer and arranges for alternative means of communication in case of internet link failure.

- (vi) It has appointed Compliance Authority and appropriate number of Authorized Representatives as per the Securities and Exchange Commission (Stock Dealer, Stock Broker and Authorised Representative) Rules, 2000, competent to operate, control and monitor internet transactions and render client services as per the rules, regulations, notifications, etc.
- (vii) It shall not allow anybody to use ITS unless a Special Account is opened by the ITS Client fulfilling the prescribed account opening form (Annexure-B) and other requirements for the Internet Based Trading Services.
- (viii) It confirms CSE that it shall enter into written agreements with the ITS Clients concerned as per Annexure-C for providing ITS, and shall submit attested copies thereof simultaneously to CSE and SEC immediately after execution.
- (ix) It shall prominently display the names, registered numbers, license issue date and license expiry date in the web site.
- (x) It shall ensure through web site or otherwise the dissemination of information meant for investors' protection, the rules and regulations affecting client-broker relationship, complaints, arbitration and settlement procedures, investors protection rules, etc.
- (xi) It has sufficient verifiable information about clients and their introducers, including their geographic locations, to facilitate risk evaluation of clients.
- (xii) It ensures that, in addition to other mode, it shall send confirmation note to the clients through e-mail at the time specified in the relevant rules and regulations.
- (xiii) It ensures proper risk management and shall be responsible for settlement of each and every trade executed through ITS.
- (xiv) It agrees that an audit firm authorised by the Exchange only shall audit their accounts. The Exchange will publish a list of recommended auditors for the purpose.
- (xv) It agrees that it shall make periodic reporting to CSE and SEC, as specified by CSE/SEC.

#### **4. Application for permission to operate ITS:**

- (i) A member fulfilling the eligibility requirements mentioned in regulation 3 may apply to CSE in the format at Annexure-A for permission to operate Internet Based Trading Services for its designated clients. The member shall also provide further information or document as the CSE may require for disposal of the application.
- (ii) The Board shall grant written approval or reject the application in writing mentioning the reasons thereof, as the case may be, within 30 calendar days of the date of application properly submitted to the Exchange, and the decision of the Board shall be communicated to the applicant immediately thereafter, endorsing copy thereof to SEC.
- (iii) It shall deposit with the Exchange the requisite fee for installation and maintenance of the system after obtaining the permission. The Board, or its delegated Committee, will decide the amount of the installation and maintenance fees from time to time.

#### **5. Placing and validation of orders of the designated clients:**

- (i) The designated clients only having valid Special Account and Agreement with the permitted member as per the regulations shall be eligible to place order through the ITS.
- (ii) Every client shall use the User-id and the password to access the ITS module.
- (iii) The password shall be the key to the access and that respective client shall be liable for any misuse of the password. Any person of the permitted member found responsible for misuse of the password shall be prosecuted under appropriate laws, rules and regulations.
- (iv) The permitted member shall be responsible for setting the limit for trade for each designated client for both scrip and money. If the order is within the limit, it will be automatically routed to the CSE's main trading system for matching according to set algorithm. Any error or omission shall not indemnify the permitted member from the responsibility of settling any trade validated against wrongly set limit or otherwise.
- (v) In case of margin arrangement between the designated client and the permitted member, the limit set by the member for the client shall also commensurate with the Margin Rules, 1999.
- (vi) The system will accept Limit Orders only.
- (vii) Orders placed through the system and confirmation notes generated automatically will not need any manual signature.

## 6. CONTINUOUS COMPLIANCE OF RULES AND REGULATIONS:

- (i) The permitted member shall ensure adherence to all the rules and regulations set by the Commission and the Exchange in respect of trading, settlement and other rules and regulations. All requirements, conditions, procedures, obligations of the dealer and broker in vogue shall be applicable.
- ii) The permitted member and the CSE shall ensure that ITS is not used for cross trades by the designated client himself.

## 7. SUSPENSION AND CANCELLATION OF THE PERMISSION FOR PROVIDING ITS:

- (i) The Exchange or SEC may suspend the permission given to a member for providing facilities of ITS if it violates any of these regulations, and that the suspension will continue until and unless the member complies with the regulations it violated in the manner prescribed by the Exchange or SEC, as the case may be.
- (ii) The Exchange or SEC may cancel such permission if suspension continues for 15 days. The member may be given a seven days notice before proceeding for cancellation of the permission given to the permitted member for providing facilities of ITS.
- (iii) The member may appeal to the Board, or to the Commission through CSE, as the case may be, for revival of the permission to provide the facilities of ITS.

## 8. CSE OBLIGATIONS IN RESPECT OF RISK MANAGEMENT FOR ITS:

(1) CSE shall ensure that -

- (i) records maintained in electronic form by the permitted members are not susceptible to manipulations;
- (ii) the permitted members duly adhere to the uniform written procedures prescribed by CSE to handle contingency situations and for review of incoming and outgoing electronic correspondence;
- (iii) facilities for on-line registration of complaints by the designated clients on web-sites of CSE, and the permitted members, if available, are properly maintained;
- (iv) the permitted members have system-based control on the trading limits of the designated clients, and exposures taken by the clients, and also that there are predefined limits on the exposures and turnover of each client; and
- (v) the members ITS systems are capable of assessing the risks of the clients as soon as the orders come in.

(2) CSE shall also ensure that the following security measures are made mandatory-

- (i) User id;
- (ii) First Level Password (Private Code);
- (iii) Automatic expiry of passwords at the end of a reasonable duration;
- (iv) Reinitialise access on entering fresh passwords;
- (v) All transaction logs with proper audit facilities are maintained in the system;
- (vi) Suitable firewalls between trading set-up directly connected to CSE trading system and the internet trading set-up are maintained;
- (vii) All permitted members follow similar logic/priorities to treat client orders and maintain all activities/alert logs with audit trail facilities; and
- (viii) The permitted members' web server, if applicable, have internally generated unique numbering for all-client orders/trades.

**ANNEXURE-A**

**APPLICATION FORM FOR PROVIDING PERMISSION FOR INTERNET BASED TRADING SERVICES TO THE DESIGNATED ITS CLIENTS**

We, M/s.....(Membership No.....) having our registered office at ..... are registered stock broker/stock dealer of the Chittagong Stock Exchange Ltd., hereby apply under the Chittagong Stock Exchange (Internet Based Trading Services) Regulations, 2002 for permission of the Exchange for providing Internet Based Trading Services to our Clients.

**Member Company's Information**

<i>Address of Operation office(s)</i>	<i>Tel: Fax:</i> <i>E-mail: Website</i>	<i>SEC Registration No.</i> <i>.....Dated.....</i> <i>SEC Registration expiry date:</i>
<i>Name of the Nominated Director for this purpose and his/ her position in the Board of the Member Company (Certified copy of the Board resolution to attach)</i>	<i>Address of the Nominated Director</i> <i>Tel: Fax:</i> <i>E-mail:</i>	<i>Safe Custody Services provided to clients as per CSE Regulations</i> Y <input type="checkbox"/> N <input type="checkbox"/>
<i>Risk-based capital adequacy calculated as per the Securities and Exchange Rules, 1987 as on the date of this application:</i>	<i>Details of Hardware available for ITS (use separate sheet, if necessary)</i>  <i>Are the same machine(s) used for other purpose? If yes, please specify</i> Y <input type="checkbox"/> N <input type="checkbox"/>	<i>Is the Back office and system for Clients accounts automated?</i>  Y <input type="checkbox"/> N <input type="checkbox"/>
<i>Net Worth calculated as per the Securities and Exchange Commission (Stock Dealer, Stock Broker &amp; Authorised Representative) Rules, 2000:</i>	<input type="checkbox"/> <input type="checkbox"/>	

**COMPANY'S PERSONNEL INFORMATION**

<i>Total number of personnel currently employed for clients services and back office personnel, etc.</i>	<i>Please enclose CV of the Authorised Representatives to handle the ITS. Please mention their training in ICT and related laws, rules &amp; regulations.</i> <i>Enclosed <input type="checkbox"/> No. CVs.</i>
<i>How many are registered Authorised Representatives as on the date of this application?</i>	<i>In case of absence of the Nominated Director, who will be the contact person:</i> <i>Name:</i> <i>Designation:</i>

We certify that all the information and statements are true and correct to the best of our knowledge. We are aware that in case any of the statements or information are found to be incorrect or false, we are liable for disciplinary action.

We undertake to ensure continuous compliance with the requirements of the Exchange, the rules, regulations, policies, directives and other requirements of CSE and SEC in this regard as may be issued from time to time.

<i>Signature of the Nominated Director, Date and Seal:</i>	
<b>For CSE use only</b>	
Application received on: _____ Approved/Disapproved on: _____	
Reason, if any, for Disapproval _____	
<b>SIGNATURE:</b> _____	<b>NAME:</b> _____ <b>DESIGNAION</b> _____

(Name of the Member with No.)

**Annexure-B**

(Address, phone, fax and SEC Registration No.....Dated.....)

**Designated ITS Client Special Account Application Form for ITS**

Photo of the Designated Client

**For Member's use only**

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**Personal Information of the Client**

<i>Client's Name</i>	<i>Date of Birth</i>	<i>SEX : MALE / FEMALE</i>
<i>Father's/Husband's/MD or CEO's (In case of organization) name:</i>	<i>Nationality</i>	<i>Country of legal Residence / Place of registration in case of firm:</i>
<i>Postal Address</i>	<i>E-mail address</i>	<i>Business Phone:</i>  <i>After Business Hour Phone:</i>
<i>Is your employer a registered stock broker/dealer? If yes, see your compliance officer or employer for written approval, which we must receive prior to opening your account</i>	<i>Specify occupation / In case of organization main area of business:</i>	<i>Major Shareholder, Officer or Director of any Stock Exchange/Listed Company?</i> Yes ( ) No ( )  <i>If yes, name of the Stock Exchange/Listed Company</i>

**INTRODUCER, AUTHORISED PERSON, BENEFICIARY OF THE CLIENT**

<i>Name with address, of the authorized person of the client (if the client is an organisation)</i>	<i>Signature of the authorized person of the client</i>
<i>Name &amp; full address (with reference no./particulars, if any) of the person introducing the client</i>	<i>Signature of the person introducing the client</i>
<i>Name &amp; Address of the Designated Beneficiary, if any</i>	<i>Signature of the designated beneficiary</i>

**ACCOUNT TYPE**

<b>Cash Basis</b>	<b>Margin Basis</b>
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*I hereby affirm that all information provided and the statements made in this Special Account Opening Form are true and correct and are not misleading. I am of legal age to contract. I acknowledge that I have received, read and agree to be bound by the terms and conditions as currently set forth in the Member-Customer Agreement and as amended from time to time. I acknowledge that the Member does not provide investment, tax or legal advice or recommendations.*

<i>Signature of the Designated Client</i>	<i>Date</i>
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**For Member's use only**

I have received this application and believe the account is suitable for cash/ margin basis.  
Approval \_\_\_\_\_ Date \_\_\_\_\_ (Signatures of the Managing Director and Compliance Authority with Seal of the Member Company)



**Permitted Member-ITS CLIENT Agreement for ITS**

This deed of agreement is made and executed at this .....day of  
..... 200

Between

....., (Member No.....of the Chittagong Stock Exchange Ltd. with SEC Registration No. Dated..... ), a Company` incorporated under the Companies Act, 1994 and having its registered office at.....Bangladesh (hereinafter referred to as "Member" which expression shall, unless repugnant to the meaning or context thereof, be deemed to mean and include its successors and assigns);

**And**

..... an individual or company/trust//firm or any other body duly formed and registered under the relevant Act, (hereinafter referred to as "CLIENT" which expression shall, unless repugnant to the meaning or context thereof, be deemed to mean and include its successors and assigns), having his/her/its address /registered office at .....

Whereas the MEMBER is registered as Stock Broker/Stock Dealer of Chittagong Stock Exchange Ltd. with SEC, bearing Registration No.....Dated....., and got permission from the Exchange to provide the internet based trading services to its clients;

Whereas the CLIENT is interested for investing in the eligible securities listed with the Exchange and to place orders through internet;

Whereas the CLIENT has the legal capacity to enter into this Agreement and is capable of performing his/her/its obligations and undertakings hereinafter, and that the CLIENT has satisfied himself/herself/itself of the capability of the Member to deal in securities and wishes to execute his/her/its orders through the Member, and that the CLIENT shall continue to satisfy himself/herself/itself of such capability of the MEMBER before executing orders through him;

Whereas the MEMBER has satisfied and shall continuously satisfy itself about the genuineness and financial soundness of the CLIENT and investment objectives relevant to the services to be provided;

Whereas the MEMBER has taken steps and shall take steps to make the CLIENT aware of the nature of the Member's liability for business to be conducted, including any limitations on its liability and the capacity in which it acts.

**Now it is hereby agreed by and between the parties hereto as follows:**

- The CLIENT agrees that the MEMBER shall act as the Client's agent to complete all transactions authenticated by the password assigned to the client by the Member, or by such means as the MEMBER may require from time to time. The CLIENT shall at all times be liable to pay to the MEMBER the brokerage, commission, and other transaction expenses as agreed upon between the MEMBER and the Client.
- Any written instruction given by an authorized person of the CLIENT shall at all time be binding on the CLIENT.
- The CLIENT acknowledges that the MEMBER shall not be under any obligation to provide him with any tax, legal, accounting, investment advice or advice regarding the suitability or profitability of investment of any kind nor do the MEMBER give any advice or offer any opinion with respect to the nature, potential value or suitability of any particular transaction or investment strategy.
- The CLIENT agrees that any request for cancellation/modification of an order shall be made if the order is not acted upon or executed or it is not outside the control of the MEMBER to make any cancellation or modification to such order. An order shall be deemed to have been executed or cancelled only after the CLIENT has received a statement from the MEMBER intimating him of the status of his order.
- The CLIENT agrees and undertakes to deposit with the MEMBER such cash, securities or other acceptable securities as may be required as a margin prescribed by the Exchange for the purpose of using ITS.
- The CLIENT shall be responsible for keeping the CLIENT-id and the password allocated to the Client by the Member confidential and secure and shall be solely responsible for all orders and transactions that are entered and executed using the password.
- The CLIENT agrees that the MEMBER or the EXCHANGE shall not be liable for the non-execution of the orders of the CLIENT caused due to any suspension, interruption, non-availability or malfunctioning at the CLIENT / MEMBER / EXCHANGE end.
- The Exchange or SEC may cancel a trade suo-moto without giving any reason thereof. In the event of such cancellation, the MEMBER shall be entitled to cancel relevant contract(s) with the CLIENT.
- The MEMBER shall also send the Confirmation Note through E-mail to the CLIENT within. ....(maximum within 24 hours from the trading day) from the time of execution of order/trade on the Trading System of CSE, as the case may be. The Client agrees that the information sent by the

MEMBER by E-mail is deemed to be a valid delivery of such information by the MEMBER.

- The CLIENT accepts full responsibility for monitoring and safeguarding of the Client's accounts. The CLIENT shall immediately notify the MEMBER in writing delivered via e-mail and Registered AD:
  - (a) If the CLIENT become aware of any loss, theft or unauthorised use of the Client's password, as the case may be, and account number; or
  - (b) Any failure by the CLIENT to receive a message from the MEMBER indicating that an order was received and executed; or any failure by the CLIENT to receive an accurate confirmation of an execution; or
  - (c) Any receipt by the CLIENT of confirmation of an order and/or execution which the CLIENT has not placed; or
  - (d) Any inaccurate information in the account balances, investment products position or transaction history.
- The MEMBER requires that stock certificate be in the Account and in good deliverable form prior to the acceptance of a sell order.
- The CLIENT understands and agrees that for mutual protection, the MEMBER may electronically record any of the Client's telephone conversations conducted with the MEMBER.
- This Agreement shall stand terminated by mutual written consent of the parties by giving at least one month written notice. Such cancellation or termination shall not have any effect on transaction executed before the date of such notice of termination and the parties shall enjoy the same rights and shall have obligations in respect of such transactions
- The MEMBER and the CLIENT are aware of the provisions of the Bye-Laws, Rules and Regulations of the Exchange and SEC relating to resolution of disputes/differences through the mechanism of arbitration provided by the Exchange or SEC and agree to abide by the said provisions
- All trades, transactions executed by the parties pursuant to this Agreement shall, at all times, be subject to the relevant laws, rules, regulations and bye-laws of the concerned regulatory bodies having jurisdiction over the transactions. The parties to such trade shall be deemed to have submitted to the jurisdiction of the Court of Bangladesh.
- The client further understands and agrees that any information or documents, as and when sought by SEC, in respect of the activities, transactions, etc. of the client shall be provided by the member to the SEC without any reference to the Client.

In witness whereof, the parties hereto have executed this agreement on the day, month and year mentioned above

Signed for and on behalf of the  
ITS permitted member

Signed for and on behalf of the  
Client

Signatures  
Title (MD and Compliance Authority)

Signature  
Title

Witness:

Witness: (the Introducer)

By order of the  
Chittagong Stock Exchange Ltd.

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