



CHITTAGONG STOCK EXCHANGE LTD.

Regulatory Monograph

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1. Introduction

Chittagong Stock Exchange (CSE) has been demutualized on the 21st November, 2013 under The Exchanges Demutualization Act, 2013. CSE adopted a strong self regulatory organization (SRO) model through separation of exchange's SRO functions from its commercial activities by instituting a separate Regulatory Affairs Division (RAD) headed by Chief Regulatory Officer (CRO). The RAD is accountable to the Regulatory Affairs Committee (RAC) which is a Board Committee comprised solely with the Independent Directors.

The RAC hereby adopts the following Regulatory Monograph of Chittagong Stock Exchange.

2. Objectives of the document

The functions, duties and responsibilities of the exchange are governed by rules and regulations framed by BSEC and CSE from time to time. This document describes CSE's regulatory approach/philosophy, goals and principles particularly for the benefit of external parties/ potential stakeholders who might have interest in CSE's policies towards governing the market. However, the existing stakeholders would also be benefited through these guidelines as they would be getting a clear understanding of CSE's regulatory policies through this document.

3. CSE as a Frontline Regulator

CSE serves as a frontline regulator of the Bangladesh capital market. CSE works closely with the relevant regulatory authorities, including the Bangladesh Securities & Exchange Commission (BSEC) to develop and enforce rules and regulations with a view to maintain and promote a fair, transparent and orderly market and stakeholders' confidence by offering practical and competitive regulatory policies and regulations in line with international standards.

4. Regulatory Approach / Philosophy

In striving to build a market of quality and integrity, CSE is guided by Regulatory Principles to achieve the following goals:

- Investors' protection to remain at the core;
- High standards of business conduct by brokers, dealers and general investors;
- Monitor and promote compliance and corporate governance by listed issuers and other market participants;
- Efficient and effective regulation; and
- Elevating the level of education and awareness in the industry

5. Regulatory Principles

CSE is guided by the following regulatory principles which are aimed at achieving its regulatory goals and ensuring a consistent and cohesive approach to its actions and decisions. These principles might also be embedded in different rules and regulations. The regulatory principles will ensure greater parity of regulatory actions across the different segments or parties regulated and overall greater effectiveness in regulation. These principles relate to how we target what we regulate and how we devise our rules and conduct our regulatory activities.

The guiding principles are as follows:

1. Easily accessible rules and requirements

- Rules and regulations are posted in the website
- Issue guidance wherever necessary

2. No more regulation than necessary

- Balance competing needs of regulation and business efficacy
- Ensure costs and burden of regulatory compliance are proportionate to the benefits

3. Principles-based approach

- Move towards a principles-based approach to regulation, where appropriate but issue guidance where necessary

4. Outcome focused

- Target outcomes through our regulatory actions or decisions rather than mere compliance with rules
- Propose regulatory amendments, where the spirit of the rules can still be achieved, where the business can be facilitated without harming other stakeholders or where the burden of complying far outweighs the benefits
- Always be guided by our regulatory objectives and the current regulatory concern

- Consider the impact of our regulatory actions or decisions before and after taking each action or decision

5. Innovative and competitive

- Facilitate innovation, for example, by avoiding unreasonable restrictions on regulatees
- Maintain the competitive position of CSE as an automated exchange

6. Risk-based approach

- Emphasize on risk-based supervision rather than "one-size fits all" regulation
- Facilitate early detection of problems, issues and trends, enabling prompt pre-emptive actions

7. Values-based approach

- Enforce the rules without fear or favour
- Act professionally with integrity and fairness
- Exercise our powers and discretion consistently whilst also considering the particular facts of each case and different points of view
- Act promptly, in a proactive manner

8. Transparency

- Make our regulatory approaches and processes more transparent
- Communicate clearly and effectively about what we do

9. Benchmarked and globally collaborative

- Observe and benchmark to international standards and best practices
- Respond and co-ordinate with other regulators globally

10. Consultative approach

- Adopt a consultative approach and actively seek feedback from industry participants, other stakeholders and the public
- Interact and leverage on relationships with stakeholders

CSE believes that its regulatory model is the most appropriate for our market at this time. However, CSE is committed to vigilance in reviewing the efficacy of its regulatory policies and in adapting it appropriately in the light of experience and market developments.