

রেজিস্টার্ড নং ডি এ-১

বাংলাদেশ



গেজেট

অতিরিক্ত সংখ্যা
কর্তৃপক্ষ কর্তৃক প্রকাশিত

মঙ্গলবার, জুন ১৩, ২০১৬

[বেসরকারি ব্যক্তি এবং কর্পোরেশন কর্তৃক অর্থের বিনিময়ে জারীকৃত বিজ্ঞাপন ও নোটিশসমূহ]

BANGLADESH SECURITIES AND EXCHANGE COMMISSION

NOTIFICATION

Dated: 19 June 2016

No. BSEC/CMRRCD/2016-353/186/Admin/68.—In exercise of the power conferred by sub-section (1) of section 24 of the Bangladesh Securities and Exchange Commission Act, 1993 (Act. No. XV of 1993) read with section 33 of the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969); the Bangladesh Securities and Exchange Commission hereby makes, after prior publication, the following Rules, namely:—

CHAPTER I

PRELIMINARY

1. Short title.—

These Rules may be called the Bangladesh Securities and Exchange Commission (Exchange Traded Fund) Rules, 2016.

2. Definitions.—

- (1) In these Rules, unless there is anything repugnant in the subject or context,
 - (1) “Act” means the Bangladesh Securities and Exchange Commission Act, 1993 (Act. No. XV of 1993);
 - (2) “actively managed ETF” means an ETF which does not represent any selective index;

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- (3) “arbitrage” means the practice of an authorized participant to take advantage between the price difference of the ETF’s Net Asset Value (NAV) per unit and the transaction price per unit through creation of ETF units at NAV directly with the fund and sale of units in the secondary market; or through redemption of ETF units at NAV directly with the fund by purchasing from the secondary market;
- (4) “asset manager” means a ‘সম্পদ ব্যবস্থাপক’ registered under the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচুয়াল ফান্ড) বিধিমালা, ২০০১;
- (5) “authorized participants (AP)” means a registered stock broker and stock dealer, as defined under the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (স্টক ব্রোকার, স্টক ডিলার ও অনুমোদিত প্রতিনিধি) বিধিমালা, ২০০০, that has entered into an authorized participant agreement (APA), and participates in the creation and redemption of ETF units;
- (6) “base index” means an index number which is selected at the base period for the index calculation;
- (7) “basket of securities” means the index constituent (i.e. securities) based on which an ETF unit is issued or redeemed;
- (8) “benchmark index” means the index specified in the constitutive documents of the ETF;
- (9) “cash component” means the difference between the applicable net asset value (NAV) of a creation unit and the market value of the portfolio deposit and this will represent accrued dividend, accrued annual charges including operation and management fees, and residual cash or cash equivalent in the scheme;
- (10) “collected fund” means the total amount of fund paid up, in value of index constituents or cash or both, by unit holders out of the fund’s target size;
- (11) “constitutive documents” means the principal documents and agreements governing the formation of a fund including the trust deed, placement memorandum, subscription agreement, investment management agreement, authorized participant agreement, prospectus, abridged offer document and all other related material documents;
- (12) “creation of ETF units” means new issuance of units by the asset manager outside the secondary market for the authorized participants in creation unit size;

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- (13) “creation of units in cash” means issuance of ETF units in exchange of cash to be delivered to the asset manager of ETF by an authorized participant either on its own account or on behalf of its client(s);
- (14) “creation unit size” means the smallest block of ETF units for creation and redemption as declared by the asset manager in the constitutive documents;
- (15) “custodian” means a “হেফাজতকারী” registered under the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচুয়াল ফান্ড) বিধিমালা, ২০০১;
- (16) “cumulative investment plan (CIP)” means an option of dividend distribution where investors are eligible to receive new ETF units at the day end NAV per unit of preceding trading day valued at market price against the amount of dividend accrued in his favour;
- (17) “eligible investors” means participants eligible and competent to understand the risk and return potentials to invest and commit to subscribe to any exchange traded fund; and be either a registered local or foreign asset manager or a company incorporated in Bangladesh or abroad or a statutory body or a local government authority or a bank or a financial institution or an insurance company or a co-operative society or a merchant banker and portfolio manager or a stock dealer or a market maker or a mutual fund or a collective investment scheme or an alternative investment fund or an approved pension fund or a recognized provident fund or an approved gratuity fund or an approved superannuation fund or a registered trust fund or a registered foreign fund or a foreign individual or a high net worth resident or non-resident Bangladeshi individual or any other institution registered with the Commission or any other category as declared by the Commission;
- (18) “exchange traded fund” or “fund” or “ETF” means a fund under “Collective Investment Scheme (সমন্বিত বিনিয়োগ স্কীম)”, which is to be constituted in the form of a trust and shall bear the following minimum criteria;
- (i) is structured as an open end fund but tradable in exchange(s);
 - (ii) is to be framed as an “actively managed ETF” or as a “passively-managed ETF” or any other type of fund as approved by the Commission from time to time;

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- (iii) primarily collects subscription by way of private placement;
- (iv) is a pooled investment vehicle that collects index constituents or cash or both, as disclosed in the constitutive documents, from the investors with the purpose of investing in accordance with a defined investment policy for the benefit of its investors; and
- (v) shall be listed with the exchange, but creation and redemption shall be directly with the fund at outside the exchange.
- (19) “fund size” means net asset value of the fund derived by value of the assets under the fund at closing market price net off value of the outstanding liabilities of the fund on a particular date;
- (20) “foreign fund” means a fund registered outside Bangladesh as mutual fund or collective investment scheme or such other funds by whatever name called;
- (21) “index fund” means a fund under collective investment scheme of which principal objective is to track, replicate or correspond to a benchmark index, with the aim of providing or achieving investment results or returns that closely match or correspond to the performance of the benchmark index;
- (22) “index provider” means an exchange or a person approved by the Commission to serve for this purpose;
- (23) “investment management agreement” or “IMA” means an agreement between asset manager and trustee depicting details procedure of investment management of an exchange traded fund;
- (24) “investment committee” means a committee formed by an asset manager to approve investment management functions of the fund;
- (25) “Islamic fund” means an ETF which invests in the securities under a Shariah compliant benchmark index;
- (26) “market maker” means a “বাজার সৃষ্টিকারী” registered under the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (বাজার সৃষ্টিকারী) বিধিমালা, ২০০০;
- (27) “money market instruments” means the transferable money market instruments as defined by the Bangladesh Bank;
- (28) “mutual fund rules” means the সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন (মিউচুয়াল ফান্ড) বিধিমালা, ২০০১;

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- (29) “NAV per unit” means Net Asset Value (NAV) of a fund divided by total number of units outstanding at a given point of time;
- (30) “net asset value” or “NAV” means total assets of a fund excluding total liabilities at a given point of time;
- (31) “Ordinance” means the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969);
- (32) “passively managed ETF” means an index based ETF that invests in a basket of listed securities of the said index;
- (33) “portfolio deposit” means a pre-defined basket of securities that represents the benchmark index together with a cash component, if any;
- (34) “register” means the register (physical or electronic) for recording the detailed information of the units and unit holders of the fund;
- (35) “Schedule” means the schedule annexed to these Rules;
- (36) “Shariah council” means a body of Shariah experts who certifies the index and its constituents as Shariah-compliant;
- (37) “subscription agreement” means an agreement, between the asset manager and the eligible investors for subscription to the fund;
- (38) “target size” means the initial size of fund which is declared in the constitutive documents to be collected from the investors for fund formation;
- (39) “tracking error” means the variability in relative returns between the ETF and its benchmark index in a given period and calculated using a methodology declared in the constitutive documents;
- (40) “trust” means a trust established under the Trust Act, 1882 (Act No. II of 1882) for the purpose to constitute an exchange traded fund;
- (41) “Trustee” means a “ট্রাস্টি” registered under the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচুয়াল ফান্ড) বিধিমালা, ২০০১;
- (42) “trust deed” means the deed executed between the sponsor(s) and the Trustee in respect to the fund; and

- (43) “Web show” means electronic presentation by an asset manager to eligible investors (EI) about the issuance of the ETF disclosing all the features.
- (2) Unless otherwise specifically provided, words and expressions used herein and not defined, but defined in the Trust Act, 1882 (Act No. II of 1882), the Registration Act, 1908 (Act No. XVI of 1908), the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969), ব্যাংক-কোম্পানী আইন, ১৯৯১ (১৯৯১ সনের ১৪ নং আইন), Bangladesh Securities and Exchange Commission Act, 1993 (Act. No. XV of 1993), আর্থিক প্রতিষ্ঠান আইন, ১৯৯৩ (১৯৯৩ সনের ২৭ নং আইন), কোম্পানী আইন, ১৯৯৪ (১৯৯৪ সনের ১৮ নং আইন), ডিপজিটরি আইন, ১৯৯৯ (১৯৯৯ সনের ৬ নং আইন), and বীমা আইন, ২০১০ (২০১০ সনের ১৩ নং আইন) shall have the same meaning as assigned to them in the said Acts and Ordinances, and Rules and Regulations made there-under.

3. Coverage.—

These Rules shall apply only to the passively - managed Exchange Traded Funds (ETFs) unless otherwise specified by the Commission.

CHAPTER II

EXCHANGE TRADED FUNDS (ETFs)

4. **Formation of ETF.**— An ETF applying for registration with the Commission shall comply with the following requirements:
- (1) An exchange traded fund shall be constituted in the form of a trust under the Trust Act, 1882 (Act No. II of 1882) and registered under the Registration Act, 1908 (Act No. XVI of 1908).
 - (2) Before registration of the trust, the trust deed shall be prepared in accordance with the provisions of উপ-বিধি (৪) of বিধি ১৫ of the সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন (মিউচুয়াল ফান্ড) বিধিমালা, ২০০১ and these Rules; and shall be approved by the Commission.
 - (3) The name of the fund shall contain the words “Exchange Traded Fund” or “ETF”.
 - (4) A fund shall be formed either as a “passively managed ETF” or “actively managed ETF” to make a particular type of investment and operate entirely in its respective investment arena only according to the constitutive documents.

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- (5) A fund may be operated broadly as an index fund; but in the category either as a general index fund or an Islamic index fund.
- (6) An exchange traded fund shall have the following criteria:
- (a) minimum fund size at formation shall be at least Tk.500,000,000.00 (taka five hundred million) and subscription by the sponsor(s) shall not be less than 10% (ten percent) of the fund's target size;
 - (b) minimum investment by the asset manager shall be at least 2% (two percent) of the fund's target size:
Provided that if the asset manager also acts as sponsor of a fund, this additional investment requirement is not required; and
 - (c) the fund size may be changed through creation and redemption only by authorized participants (AP).
- (7) Investment of the sponsor and asset manager shall have a lock-in of 02 (two) years since the listing date of the fund:
Provided that the sponsor(s) shall maintain a continuous investment of 1/10th (one-tenth) of its initial contribution.
- (8) An exchange traded fund shall declare dividend as per the dividend policy specified in the constitutive documents.
- (9) The asset manager and sponsor(s) shall disclose their investment and disinvestment in the exchange traded fund to the Trustee when the investment or disinvestment is made, and to the investors in the annual reports.
- (10) In case of Islamic Index Fund, the fund shall comply with the requirements prescribed by the Shariah Council; which shall be responsible for ensuring the overall Shariah compliances of the fund including the following:
- (a) preparing guidelines and methodologies for selecting/screening of securities and index to be acceptable as per Shariah principles;
 - (b) recommending the securities and index for investment, consistent with the guidelines and methodologies;

- (c) certifying or approving the criteria of identifying prohibited incomes and recommending distribution of those prohibited income to any charitable organization or in any other form;
- (d) providing certificate about shariah compliance at the end of each accounting year along with the financial statements;
- (e) observing any other responsibilities as determined by the Commission or specified in the constitutive documents.

5. Registration of exchange traded fund.—

- (1) On and from the commencement of these Rules, no exchange traded fund shall be formed or operate unless it has obtained registration from the Commission.
- (2) The sponsor and asset manager shall jointly submit an application for registration of the fund to the Commission as per Schedule –“A” and with an application fee of Tk. 100,000.00 (taka one lac) only through a bank draft or payment order issued in favour of the Bangladesh Securities and Exchange Commission.
- (3) On receipt of the application under sub-rule (2) above, the Commission shall examine it, and if it is satisfied that all the requirements of these Rules are fulfilled, may accord registration to the fund and issue a registration certificate as per Schedule- “B” within 30 (thirty) working days of receipt of the completed application:

Provided that before issuing the registration certificate for the fund, the certified copy of the registered trust deed and confirmation regarding the contribution of sponsors and asset managers along with the required registration fee of the Commission shall be submitted to the Commission:

Provided further that the asset manager shall pay a registration fee @ 0.10% of the fund’s target size only through a bank draft or payment order issued in favour of the Bangladesh Securities and Exchange Commission.

- (4) If the Commission finds that the applicant does not fulfill all the requirements of these Rules or any additional submission is required, it may, within 25 (twenty five) days of receipt of the application, direct the applicant to fulfill the requirements within such time as the Commission may determine, and the Commission may accord registration within 30 (thirty) days of such fulfillment.
- (5) If the Commission finds that the applicant does not fulfill all the requirements of these Rules or applicable provisions of mutual fund rules, where a direction to fulfill such requirements was given under sub-rule (4) above and the applicant fails to fulfill such requirements, the Commission may reject the application, stating the reasons thereof.

6. Conditions of registration of fund.-

- (1) The registration granted under these Rules shall, inter alia, be subject to the following conditions:
 - (a) the exchange traded fund shall abide by the provisions specified for collective investment scheme in the সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন (মিউচুয়াল ফান্ড) বিধিমালা, ২০০১, these Rules, other applicable laws, rules and regulations;
 - (b) the fund shall not carry on any other activity other than those permitted; and
 - (c) parties of the fund shall forthwith inform the Commission in writing, if any information or particulars previously submitted to the Commission are found to be false or misleading in any material particular or if there is any material change in the information already submitted.
- (2) An exchange traded fund which has been granted registration for a particular category of investment, shall not change its category subsequent to registration.
- (3) A fund shall collect commitments from the eligible investors up-to a period of six months from the date of its registration or any other period set by the Commission; and shall declare to the Commission the figure of final commitments collected, which shall not be increased after the said period:

Provided that the Commission may extend the period by maximum 03 (three) months under any special situation to collect commitment.

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- (4) A fund may collect security from the eligible investors at the time of commitment, as per declaration in the constitutive documents, which may be forfeited by the fund if the committed amount is not paid up at call, by any eligible investor:
Provided that the asset manager shall give additional three working days time after the mature date, if the eligible investors failed to honor the aforementioned call.
- (5) A fund shall collect commitments of at least 50% (fifty percent) of the fund's target size within a period of six months from the date of registration and in the event of failure to which, the asset manager shall refund the amount realized from the investors without any deduction as per the process declared in the constitutive documents.
- (6) If the Commission is satisfied with the submission as per sub-rule (3) and (5) above, shall give approval to collect the basket of securities or in combination of securities and cash, if any, from the eligible investors as per the constitutive documents.
7. **Annual fee of the fund.**-The fund registered under these Rules shall determine an annual fee for the Commission @ 0.07% on year end fund size and shall pay the fee in advance before start of the financial year. Any adjustment required in this regard shall be adjusted with the immediate next payment of annual fee. Penalty regarding delay in payment of annual fee shall be determined in accordance with the provision applicable for mutual fund in the mutual fund rules.
8. **Cancellation of registration of a fund.**- The Commission, if thinks fit, may cancel the registration of a fund after informing the Trustee and providing the asset manager and the Trustee an opportunity of being heard if:
- (a) the Commission determines that such action is necessary in the interest of the unit holders;
 - (b) the 3/4th (three-fourth) majority unitholders propose to the Commission on reasonable ground(s), for winding –up of the fund; and
 - (c) the Trustee satisfies the Commission, on reasonable ground(s) that continuation of the fund may be detrimental to the interest of its unitholders.

9. Effect of cancellation of registration of a fund.-

- (1) Where the Commission decides to cancel the registration of a fund, the Commission shall instruct the Trustee to proceed for winding-up of the fund as per the process applicable for mutual fund in the mutual fund rules.
- (2) The liquidation of assets and distribution of the fund upon revocation of the trust shall be made by the Trustee in accordance with the winding-up procedure applicable for mutual fund in the mutual fund rules.
- (3) The trust shall stand extinguished after disposal of all assets and distribution of proceeds to the unit holders.

**CHAPTER III
OFFERING OF ETF UNITS**

10. Subscription process of ETF. –

- (1) Subscription process for ETF can be through private placement and initial public offer (IPO), if any, in the following manner:
 - (a) **Subscription through private placement:** an ETF may be offered among the eligible investors through private placement subject to following conditions:
 - (i) such type of offer is mandatory for index based ETF, unless otherwise exempted by the Commission under any special situation;
 - (ii) the asset manager shall submit a placement memorandum for approval of the Commission within 15 (fifteen) days of receiving the registration certificate of the fund:

Provided that the Commission may extend time for submission of placement memorandum under special situation.
 - (iii) the authorized participants, in favour of the asset manager, are required to collect the basket of securities or cash, or in combination of both from the eligible investors (EI) as per their committed subscription to the

ETF under a subscription agreement; and the AP shall deliver those to the ETF only in the form of basket of securities within 30 (thirty) days of receiving the approval as per sub-rule (3) of rule 5 of these Rules;

- (iv) the authorized participants, in this regard shall transfer the securities and cash in against the committed subscription in a separate account(s) created for this purpose under its own control and shall keep the client wise record;
- (v) in case of cash subscription by the eligible investors, the authorized participants are responsible to convert such subscription into the index constituents before delivery to the ETF as per the authorized participant agreement (APA):

Provided that the asset manager shall declare in the constitutive documents including in the authorized participant agreement about the required time and process of such conversion of cash into the index constituents by the authorized participants;

- (vi) the contents of all sorts of subscription agreement shall be approved by the Trustee.

- (b) **Subscription through public offer:** an ETF may be offered to all sorts of investors through an initial public offer (IPO) subject to fulfillment of the following conditions:

- (i) such type of public offer may only be conducted subject to prior approval of the Commission:

Provided that only the asset manager can seek approval for “subscription through public offer” from the Commission who has already collected the final commitment of at least 50% (fifty percent) of the fund’s target size or the minimum fund size as per clause (a) of sub-rule (6) of rule 4 of these Rules, whichever is higher, under the “subscription through private placement” as per clause (a) of sub-rule (1) above;

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- (ii) the asset manager shall submit a draft prospectus and abridged version of prospectus to the Commission and the exchange(s) as per these Rules and clauses (a), (b) of sub-rule (1) of rule 4 and sub-rule (2) of rule 13 of the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015 within 15 (fifteen) days of such approval under sub-clause (i) above;
 - (iii) the asset manager, under the initial public offering (IPO) of the ETF, the asset manager shall follow the public issue application process for subscription collection as described in the consent letter;
 - (iv) the asset manager shall follow the same process outlined for cash subscription collection and delivery to the ETF under sub-clauses (iii), (iv) and (v) of clause (a) of sub-rule (1) above.
- (c) **Obligations of authorized participant in subscription collection:**
- (i) the authorized participants shall, in accordance with the authorized participant agreement (APA), hold the basket of securities or cash or both received against the commitment of the eligible investors under their own custody before giving delivery to the ETF in the separate Beneficiary Owners (BO) account created in the name of the fund for issuance or creation of ETF units:

Provided that the AP shall submit the status of the account to the asset manager as per process outlined in the APA;
 - (ii) the AP, in favour of the asset manager, shall also conduct a subscription agreement with the eligible investors, and the agreement format must be vetted by the asset manager with due approval of the Trustee;
 - (d) after completion of the subscription collection asset manager shall apply to the Commission for final approval of the scheme;

- (e) the asset manager shall disclose in the constitutive documents in details about the valuation process of the index constituents, and issuance of ETF units for the investors;
- (f) after approval of the scheme by the Commission, the asset manager shall get 15 (fifteen) days time to construct the index fund:

Provided that on application of the asset manager the Commission on special ground may allow further time to construct the index fund.

(2) **Listing of ETF with the exchange(s):**

- (a) the ETF shall be listed according to the provisions of mutual fund rules and as per the listing regulations of the exchange(s);
- (b) the ETF shall only start trading in the exchange(s) after fully investing in the benchmark index:

Provided that the Commission may allow trading of the ETF in the exchange(s) with a maximum of 3% cash component in the fund:

Provided further that Commission may relax the above limit of 3% (three percent) during payment of cash dividend or any other reasonable ground.

CHAPTER IV

APPOINTMENTS OF PARTIES OF THE ETF

11. Appointment of an asset manager.-

- (1) A registered asset manager, shall be eligible to apply to be an asset manager of ETF; if it has completed successful operation of at least 03 (three) years and has experience of fund management for at least one registered mutual fund or collective investment scheme; and the eligible asset manager shall also fulfill the following conditions:
 - (a) shall have adequate financial, technical, infrastructural and organizational facilities and human resources, and employ appropriate systems, procedures, technologies, processes and personnel to discharge exchange traded fund management services in a proper and efficient manner on an ongoing basis;

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- (b) shall have adequate financial resources above the required paid-up capital of the asset manager as per mutual fund rules to subscribe for each ETF as per clause (b) of sub-rule (6) of rule 4 of these Rules;
 - (c) neither the asset manager, nor any of its directors is a loan defaulter;
 - (d) neither the asset manager, nor any of its affiliates or directors has any relation with the Trustee, custodian, authorized participant, and market maker of the exchange traded fund;
 - (e) shall have no track record of default, negligence or non-compliance with any of the securities laws for discharging its securities market related duties;
 - (f) shall have satisfactory internal control and compliance and risk management addressing all applicable regulatory requirements;
 - (g) shall have an investment committee with at least three members;
 - (h) shall have at least two officials who have successfully completed the Commission approved course.
- (2) On receipt of the application under sub-rule (1) above, the Commission shall examine it, and if it is satisfied that all the requirements of these Rules are fulfilled, the Commission may accept the applicant as eligible asset manager.
 - (3) If the Commission finds that the applicant does not fulfill all the requirements of these Rules or any additional submission is required, it may, within 25 (twenty five) days of receipt of the application, direct the applicant to fulfill the requirements within such time as the Commission may determine.
 - (4) If the Commission finds that the applicant does not fulfill all the requirements of these Rules, or where a direction to fulfill certain requirements was given under sub-rule (4) above and the applicant fails to fulfill such requirements, the Commission may reject the application, stating the reasons thereof.

12. **Duties and responsibilities of an asset manager.-** In addition to the roles and responsibilities specified in the mutual fund rules, the asset manager shall also perform the followings:

- (a) manage the fund in accordance with the constitutive documents and all applicable laws including notifications, circulars, guidelines and directives issued there under those in the interest of unit holders, without gaining any undue advantage for itself or any of its connected persons;
- (b) make agreements with the “authorized participants” in the name of “Authorized Participant Agreement (APA)” as per Schedule-`E`;
- (c) carry out all transactions involving the fund on an arm’s length basis;
- (d) ensure collection of Know Your Client (KYC) and other documents from the eligible investors;
- (e) collect undertakings from the eligible investors to the effect that they have understood the constitutive documents and fully aware of the risk and return potentials of the investment in the fund;
- (f) prepare an ‘investment and fund management guidelines’ with approval of the Trustee and ensure strict compliance of the said guidelines;
- (g) ensure that the investments made are properly identified and held for the benefit of the unit holders in accordance with the provisions of the constitutive documents, these Rules and all other applicable laws;
- (h) ensure that all investments are made as per the investment and fund management guidelines and approved by the investment committee before investment; and
- (i) not delegate its fund management functions to any other person.

13. **Annual asset management fee.-**

- (1) The asset manager shall be entitled to get an annual fund management fee up to 0.75% (zero point seven five percent) of weekly average NAV of the fund for managing ‘passively managed ETF’ and up to 1% (one percent) of weekly average NAV of the fund for managing an ‘actively managed ETF’.

- (2) The asset manager shall be entitled to an incremental fee on the net annual increase in fund size by creation @ 0.50% (zero point five zero percent) on year end incremental amount:

Provided that the asset manager may share the incremental fee with its selling agents under an agreement with each of them.

14. Appointment of the trustee. –

- (1) A registered trustee, shall be eligible to be a trustee of ETF; if it has completed successful operation of at least 03 (three) years and has experience as a trustee of at least 03 (three) registered mutual funds and/or collective investment schemes, of which at least one fund being open end in nature.
- (2) It shall have at least two officials who have successfully completed the Commission approved course.

15. Duties and responsibilities of the trustee. – In addition to the roles and responsibilities specified in the mutual fund rules, the Trustee shall also perform:

- (a) the duties and responsibilities outlined in these Rules and those described in the trust deed concerned;
- (b) approve an investment committee for the fund upon recommendation of the asset manager;
- (c) shall authorize the asset manager on its behalf to open, operate and close bank accounts, BO accounts and securities trading accounts in the name of the fund including approving the signatories of those accounts; and
- (d) shall immediately inform the Commission regarding any action of the asset manager that contravenes any provision of the constitutive documents, these Rules or any other applicable laws.

16. Annual trustee fee.- The Trustee shall be entitled to an annual Trustee fee of maximum 0.25% (zero point twenty five percent) of the year end fund size as per trust deed.

17. Appointment of the custodian. –

- (1) A registered custodian, shall be eligible to be a custodian of ETF; if it has completed successful operation of at least 03 (three) years and has experience as a custodian of at least 03 (three) registered mutual funds and/or collective investment scheme, of which at least one fund being an open end in nature.
- (2) The custodian shall also have at least two officials who have successfully completed Commission approved course.
- (3) The custodian shall make a tripartite agreement with the trustee and asset manager detailing its roles, responsibilities, obligations, required infrastructures and facilities and other issues set among them including the fee structure.
- (4) The annual custodian fee shall not be more than 0.15% (zero point one five percent) of the year-end fund size.
- (5) The custodian of the ETF shall be a separate entity from the Trustee and shall not have any relation with the parties of the ETF.

18. Transfer or change of parties involved in fund. - The transfer or change of the parties of the ETF (i.e. Trustee, Custodian, Asset Manager) shall be conducted in compliance with the provision of the সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন (মিউচুয়াল ফান্ড) বিধিমালা, ২০০১ in this respect:

Provided that such transfer or change shall be decided by at least 3/4 (three-fourth) majority of the unit holders by value in the fund present and voted in a general or special meeting, and subsequently approved by the Commission.

19. Appointment of authorized participant.-

- (1) The asset manager shall appoint at least 02 (two) authorized participants (APs) who shall directly participate in the issuance and redemption of ETF units, for its own accounts or for the account of other persons, and who shall also participate in the secondary trading of the ETF units.
- (2) Before appointment of an authorized participant the following conditions shall be fulfilled:

- (a) shall be a stock-dealer and stock-broker;
 - (b) shall enter into an agreement (APA) with the asset manager;
 - (c) shall have successful operating experience since last 05 (five) years;
 - (d) shall have adequate resources, including competent staff, and appropriate systems, procedures and processes to execute transactions in ETF units in a proper and efficient manner;
 - (e) shall have adopted adequate and effective internal control procedures and satisfactory risk management procedures; and
 - (f) in case of an AP handling more than one exchange traded funds, the asset manager, before appointing such AP, shall have identified areas that may arise issues relating to conflict of interest and adopted measures to avoid, if not eliminated such conflicts.
- (3) For each ETF, there shall be at least two APs, of which at least one shall be market maker, the AP shall perform such additional duties and responsibilities, including acting as a market maker in accordance with the agreement with the ETF, the legal requirements of the exchange and the Commission.
- (4) The authorized participant may also act as selling agents of the fund as per the সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন (মিউচুয়াল ফান্ড) বিধিমালা, ২০০১.

20. Appointment of index provider.-

- (1) The trustee shall appoint an index provider if the ETF is index linked fund.
- (2) The trustee shall enter into a tripartite agreement with asset manager and index provider.

21. Appointment of market maker.-

- (1) The asset manager shall appoint at least one market maker for an ETF.

- (2) The market maker shall also act as authorized participant as per rule 19 of these Rules.
- (3) In order to participate in the ETF trading, the market maker shall apply to the exchange as per the সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন (বাজার সৃষ্টিকারী) বিধিমালা, ২০০০.
- (4) The market maker shall fulfill such requirements that may be imposed by the Exchange and the Commission, including appointment of at least two (02) officials who have successfully completed a Commission approved course.
- (5) The appointment of an ETF market maker and the accreditation of authorized participant shall be valid for a period of two (02) years, unless sooner terminated under these Rules, the appointment and accreditation may be renewed thereafter subject to compliance with the requirements of the Exchange.
- (6) Each market maker shall comply with the obligation throughout the duration of its appointment.
- (7) The Exchange shall outline detail duties and responsibilities of the ETF market maker with due approval of the Commission.

CHAPTER V

ISSUANCE OR CREATION AND REDEMPTION OF ETF UNITS

22. Issuance and redemption of ETF units. -

- (1) Units of an ETF shall be issued upon delivery of the basket of securities constituting an index or cash or in combination of both by the investors through the authorized participants;
- (2) Regarding issuance and redemption of ETF units the asset manager shall disclose in its constitutive documents the following:
 - (a) the terms and conditions for issuance including among others, the valuation of underlying, timing, and procedures thereof;
 - (b) process of instructions for issuance and redemption in creation unit size or multiple(s) thereof;

- (c) process of instructions for issuance and redemption of ETF units for the clients under the respective authorized participants and for the clients outside the authorized participants;
- (d) the terms and conditions for redemption of units accumulated by an investor and the authorized participants, including the general manner by which such redemption shall be implemented.

23. Creation and redemption of ETF units outside the secondary market.-

- (1) Only authorized participants shall be allowed to submit said creation and redemption instructions to the asset manager outside the secondary market:

Provided that any person who has accumulated the basket of securities comprising the index or the ETF units equivalent to a creation unit size may cause the authorized participants to present the said basket of securities or ETF units for creation or redemption on his behalf.

- (2) For outside the secondary market operation of the fund, the asset manager shall ensure that-
 - (a) the authorized participant agreement (APA) sufficiently covers the details of procedure for creation and redemption of ETF units; and
 - (b) the orders for creation and redemption of ETF units are originated or routed through the AP only and each order shall be properly documented.
- (3) Asset manager may change the creation unit size of the ETF units only if it is permitted in the constitutive documents; and shall subject to the prior approval of the trustee:

Provided that any change approved in the creation unit size shall be intimated by the asset manager in writing to the exchange where the ETF is listed at least 03 (three) working days prior to the effective date of such change.

- (4) The asset manager shall create or redeem in creation unit size or its multiple(s) upon demand within the pre-approved ceiling by the trustee.
- (5) The asset manager of an ETF shall ensure issuance of creation units upon completion of transfer of title of the portfolio deposit or cash or both in the name of the ETF.
- (6) For the incremental fund size by creation after launching of the fund, the trustee of an ETF shall be primarily allowed to approve the incremental size to the extent up to twice of initial fund size and shall seek permission of the Commission for the next ceiling, if any.
- (7) Creation and redemption of ETF units shall be conducted at day end NAV per unit valued at market price basis.
- (8) Creation and redemption shall be completed within the declared settlement period.

24. Issuance of ETF Units in exchange of cash. - In exceptional cases, an asset manager may allow the issuance of ETF units in exchange of cash only outside the secondary market subject to the following conditions:

- (a) this option, when exercised, is not prejudicial to the interest of existing unitholders and will not result in disruption of an orderly market;
- (b) to meet up any operational expenses or fees that are to be incurred by the fund;
- (c) such option is prescribed in the constitutive documents, including the exceptional cases under which said option may be exercised;
- (d) only authorized participants, for their own accounts, are allowed to exercise such option;
- (e) the Commission reserves the right to disallow the exercise of said option after determining that the in-cash arrangement is not consistent with the interest of the public or the investors or the conduct of an orderly market.

25. Direct redemption of ETF Units. -

- (1) Subject to recommendation of the trustee and approval of Commission, an ETF may provide for a direct redemption mechanism for the secondary market investors in exceptional circumstances such as, but not limited to:
 - (a) when an ETF is de-listed; or
 - (b) when the secondary trading of ETF units is disrupted over an extended period; or
 - (c) when the market price of the ETF units varies significantly from NAV per units.
- (2) The threshold for said price variation and such other market circumstances as well as the manner and procedure for direct redemption shall be stated in the constitutive documents:

Provided that maximum threshold of such variance shall be 20% of the NAV at market price and such variation shall continue for at least period of 30 days.

CHAPTER VI**INDEX AND INDEX PROVIDER****26. Criteria to be an index fund.-**

- (1) An index fund shall seek to track an index by replication of or substantially all of its constituents of the underlying index as disclosed in the constitutive documents.
- (2) The index shall be transparent and published in an appropriate manner.
- (3) The index shall be objectively calculated and based on predetermined criteria.
- (4) The methodology shall be well documented, consistent and transparent.
- (5) The name of the scheme must reflect the nature of an index fund.
- (6) The word “index” or “tracking” or “tracker” is expected to appear in the name of the scheme.
- (7) The Commission may instruct to follow the existing index or any specific index as benchmark index.

27. **Selection of constituents of an index.** - An index fund shall comply with the following conditions:

- (1) Shall enter into an agreement with an index provider before using the index designed, constructed and calculated by the said index provider.
- (2) Shall identify and fully describe the index that it plans to track.
- (3) The constituent securities shall be sufficiently liquid, and may be readily acquired or disposed of under normal market circumstances and in the absence of trading restrictions.
- (4) Shall not be allowed to select or use indices or such index whose rebalancing frequency is less than 03 (three) months period:

Provided that the Commission may allow on reasonable ground to select or use indices or index whose rebalancing frequency is less than the above limit.

- (5) Shall provide in its constitutive documents, among others, the following information:
 - (a) initial composition of the index:

Provided that only asset manager and authorized participants shall keep the weights of the index constituents under a confidentiality clause covered in the agreement with the index provider ;
 - (b) methodology used in the selection of the securities comprising the index and the rationale thereto;
 - (c) methodology used in the calculation of the index and the rationale thereto.

- (6) Shall immediately disclose in a current report any change in the above-stated items.
- (7) Shall also accordingly disclose the information required for mutual funds regarding its portfolio under the provision of the সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন (মিউচুয়াল ফান্ড) বিধিমালা, ২০০১.
- (8) Asset manager and index provider shall disclose the anticipated level of tracking error in normal market conditions and the description of the factors that may affect the ability of the ETF to track the performance of the index:

Provided that the ETF and its index provider shall also disclose the size of the tracking error in annual and quarterly reports together with an explanation of the divergence between the anticipated and realized tracking error for the period:

Provided further that both the asset manager and the index provider shall provide explanation to the Commission about the above divergence of tracking error at above 4% for the said period within three days of such divergence above the limit.

- (9) Asset manager and index provider shall adopt measures reasonably designed to prevent misuse of non-public information between the ETF and the affiliated index provider.

28. Disclosure requirements for index fund.—

- (1) In addition to the other disclosure requirements for an ETF under these Rules, the offering document of an index fund must make the disclosure and warnings as per Schedule - “F”.
- (2) Any material change relating to the index, such as, methodology for compiling or calculating the index or a change in the objective or characteristics of the index, shall immediately be notified to the unit holders through stock exchange.

CHAPTER VII

INVESTMENT CONDITIONS AND RESTRICTIONS

29. Investment scope and conditions.— All investments from the investible fund shall be made subject to the following conditions:

- (1) The asset manager shall make such investments which are in conformity with the restrictions imposed for mutual funds under the rule 56 of the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচুয়াল ফান্ড) বিধিমালা, ২০০১ and any other restrictions imposed in the constitutive documents:

Provided that for any Islamic fund, it shall get flexibility in each segment of the investment restriction ceilings by additional 5% above the prescribed ceilings in the rule 56 of the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচুয়াল ফান্ড) বিধিমালা, ২০০১.

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- (2) The investible fund shall not be invested in such securities where the issuer of the securities has relation in any form with the asset manager or the Trustee or the sponsor or the custodian of the fund:
- Provided that for index based fund the above restriction is not related with sponsor(s) of the fund.
- (3) Investment parameters:
- (a) at least 95% (ninety five percent) of the fund size shall be invested in constituent securities, if it is a general index fund;
 - (b) at least 90% (ninety percent) of the fund size shall be invested in Shariah approved securities, if it is an Islamic fund;
 - (c) in case of delay in portfolio formation as per the constitutive documents for each type of funds above under clauses (a) and (b), the unused portion of collected fund may be invested in cash and cash equivalents up-to a period of maximum 06 (six) months from the date of fund formation.
- (4) In case of an Islamic fund, the activities of the investees must be Shariah compliant.
- (5) In determining the Shariah compliance status of the investee and investments, the asset manager shall disclose the Shariah screening methodology prepared by the Shariah council in the constitutive documents.
- (6) Investment by an Islamic fund shall be made only in the securities or companies classified as Shariah compliant as per the screening methodology and declared as Shariah compliant by the Shariah Council.

30. Investment restrictions of index fund.—

- (1) The value of a scheme's holding of securities issued by any single issuer shall not exceed 10% of ETF's fund size.
- (2) However, the ceiling mentioned at sub-rule (1) above shall not be applicable in such constituent securities, where:
 - (a) each constituent securities accounts for more than 10% of the weighting of the index; and
 - (b) the scheme's holding of any such constituent securities may not exceed their respective weightings in the index, except where weightings are exceeded as a result of changes in the composition of the index and the excess is only transitional and temporary in nature:

Provided also that a waiver of clause (b) may be granted by the Commission on a case-by-case basis; after considering the factors including whether the waiver is necessary for the scheme to achieve its objective to track the index.

CHAPTER VIII

Contents of Placement Memorandum and Prospectus

31. Contents of placement memorandum and prospectus:—

- (1) An ETF, subject to fulfillment of the provisions of clause (a), (b) of sub-rule (1) of rule 10 of these Rules and rule 43 of the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচুয়াল ফান্ড) বিধিমালা, ২০০১ shall prepare a placement memorandum or prospectus which shall contain the relevant information required under “Fourth Schedule - (1)” of rule 43 of mutual fund rules and other provisions specified in these Rules.
- (2) The following additional information shall be incorporated in the placement memorandum and prospectus:
 - (a) description of Underlying Index, if index fund;
 - (b) other Information regarding the Index, if Index fund;
 - (c) means by which investors may obtain relevant information regarding the ETF and the index;
 - (d) parties of ETF and their roles;
 - (e) due diligence certificate of asset manager and trustee (Schedule # C and D);
 - (f) creation and redemption procedures;
 - (g) dividend distribution policy;
 - (h) taxation issues;
 - (i) reporting and accounts;
 - (j) warnings or risk issues;
 - (k) termination of the ETF;
 - (l) authorization conditions and waivers granted to the ETF, if any;
 - (m) arbitrage mechanism and market making functions; and
 - (n) any other information if the Commission deem necessary and appropriate.

- (3) In addition to the provision of sub-section (1) and (2) above, an ETF shall include the detail public subscription process in the prospectus published under clause (b) of sub-rule (1) of rule 10 of these Rules.
- (4) The asset manager shall give a summary of the features and operational process of the ETF in Bengali and English for each level of investors.
- (5) Commission may instruct to incorporate any further information in the placement memorandum or prospectus, which the Commission may deem necessary or appropriate for the protection of investors.

CHAPTER IX

Disclosures and Reporting

32. Disclosures and reporting:—

- (1) An ETF shall fulfill the requirements of the provisions of the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচুয়াল ফান্ড) বিধিমালা, ২০০১ relating to disclosures, preparation and adoption of financial statements and reporting to the Commission, exchange, or any other parties if not otherwise specified in these Rules;
- (2) In addition to fulfillment of sub-rule (1) above, an ETF shall also fulfill the requirement of these Rules relating to disclosures and reporting;

Provided that the Commission may instruct the parties of the fund to disclose or report any other information.

33. Disclosure in the official website:—

- (1) An ETF shall maintain own web site with a hyperlink to the exchange, which shall be freely accessible by the public and which shall provide on a daily basis the following information:
 - (a) the index that the ETF plans to track;
 - (b) the component securities and other assets held by the fund;
 - (c) the component securities of the index;
 - (d) the number and type of securities comprising the basket of securities with which the ETF could create or could redeem in creation unit size; and,
 - (e) the performance of the index together with the NAV of the fund (including premium or discount information).

- (2) An ETF shall disclose on its official web site the following information:
- (a) the extent and frequency with which market prices of ETF units have tracked the fund's NAV;
 - (b) the prior business day's last determined NAV;
 - (c) the market closing price of its units;
 - (d) the premium or discount of the closing price to NAV; and
 - (e) the extent and frequency with which market prices of fund units were with premium or discount to NAV on monthly basis.

34. **Disclosure in the exchange:**— An ETF shall disclose the following information in its own website along with a hyperlink to the Exchange:

Components	Frequency	Measurement
ETF Transaction Price	Real time	Per unit
Day End ETF transaction Price	Last trading day	Per Unit
Intra-day NAV (iNAV)	One hour interval on trading day	Per unit
Day end NAV (at cost price)	Each trading day	Per unit
Day end NAV (at Market price)	Each trading day	Per unit
Units Outstanding	Last trading day	No of units
Units created	Last Week	No of units
Units redeemed	Last Week	No of units
Total Cash Component	Last trading day	Per unit
Benchmark Index	Real time	As declared in the constitutive documents
Tracking Error and divergence in tracking error	Weekly	Graph or as determined in the constitutive documents

35. Other disclosures:—

The Commission may from time to time require additional information to be disclosed on real-time or any other interval, as it may deem necessary.

CHAPTER X**Arbitrage Mechanism****36. Arbitrage process:—**

- (1) An ETF shall operate with an arbitrage mechanism designed to minimize the potential deviation between the market price and NAV of ETF units.
- (2) In order to facilitate the arbitrage mechanism, the designated authorized participant(s) must participate in the arbitrage when the price difference between NAV at market price per unit and traded price per unit of ETF is more than 10%.
- (3) The Commission may instruct or impose any other conditions to facilitate the arbitrage if deemed necessary or appropriate for the protection of investors.

CHAPTER XI**MISCELLANEOUS****37. Enquiry and inspection.—**

- (1) The Commission may, on its own motion or upon receipt of any information or complaint, appoint one or more persons as enquiry or inspection authority to undertake enquiry on any matter or inspection of the books of account, records and documents relating to an ETF, the asset manager, the trustee, custodian, authorized participant, market maker, index provider or any other party of ETF or person for any of the following reasons, namely:—
 - (a) to ensure that the books of accounts, records and documents are being maintained in the manner specified in these Rules;
 - (b) to enquire or inspect complaints received from unit holders, investors or any other person, on any matter having a bearing on the activities of the ETF or any other person related to it;

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- (c) to ascertain whether the provisions of the Act, the Ordinance and these Rules are being complied with;
- (d) to enquire or inspect the affairs of an ETF, the parties of the Fund in the interest of the securities market or the investors.
- (2) The enquiry or inspection against an ETF, asset manager, trustee, custodian, authorized participant, market maker, index provider or any other party of ETF or person shall be conducted in accordance with the relevant provisions of the Act, Ordinance, and the mutual fund rules.
- (3) **Contravention.**— If any ETF, asset manager, trustee, custodian, authorized participant, market maker, index provider or any other party of ETF or person violates any of the provisions of these Rules, the Act or the Ordinance; or furnishes any false, incorrect or misleading information; or suppresses any information, the Commission may take appropriate actions under the Bangladesh Securities and Exchange Commission Act, 1993 (Act. No. XV of 1993), or the Securities and Exchange Ordinance, 1969, or the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচুয়াল ফান্ড) বিধিমালা, ২০০১.

38. Power to call for information and documents.—

- (1) The Commission may at any time call for any information and documents from an ETF, asset manager, trustee, custodian, authorized participant, market maker, index provider or any other party of ETF or person with respect to any matter relating to the fund.
- (2) Where information and documents are called for under sub-rule (1) it shall be furnished within the time specified by the Commission.

39. Allowable fees and expenses.—

- (1) The asset manager is entitled to charge the following fees and expenses to the fund:
- (a) Expenses relating to formation and floatation of the fund;
- (b) Management fees at pre-scheme formation

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- (c) Fees payable to the Commission;
 - (d) Trustee fee;
 - (e) Custodian fee;
 - (f) Fund management fee and Incremental fee;
 - (g) Auditors' fee and Valuer's fee, if any;
 - (h) Index Provider fee;
 - (i) Legal expenses of the fund;
 - (j) Selling agents' Commission;
 - (k) Listing fee, depository fees; and
 - (l) Any other fees and expenses specifically disclosed in the constitutive documents.
- (2) The annual fees and expenses to be charged by the asset manager shall be recommended by the Trustee and clearly disclosed in the constitutive documents.
 - (3) All the fees and expenses to be charged shall be disclosed in the annual reports of the fund in detail with head wise break-up and with prior year comparison.
 - (4) The annual operating expenses of an ETF except otherwise specified in these Rules, the ceiling of such expenses shall not be above 3% on weekly average of net asset value of the fund for index fund and for other types of ETF the above ceiling is not more than 4% weekly average of net asset value of the fund.
 - (5) The initial issue expenses shall not be more than 4% of the collected fund size.
 - (6) Asset manager shall be eligible for management fee at pre-scheme formation period at the same rate as specified in the sub-rule (1) of rule 13 of these Rules on collected fund size.
 - (7) All the fees and expenses before listing of the fund shall be categorized as initial issue expenses and shall be amortized within 10 (ten) years of launching of operation.

40. **Dividend distribution process.**— In distributing dividend by an exchange traded fund, it shall give both option of cash distribution or cumulative investment plan (CIP) to the investors:

Provided that investors are always allowed to take dividend in any of the dividend distribution options by giving his confirmation to the asset manager in any form within 15 (fifteen) days of dividend declaration:

Provided further that investors those who failed to inform the asset manager within the above timeframe about his choice of cash dividend, he shall be considered as option taker of cumulative investment plan.

41. **Short sale of ETF.**— Authorized participants and market makers may be allowed for short sale of ETF as per procedure prescribed by the Commission in this regard.

42. **Clarifications, Instructions and Orders.**—

In the interest of the market or the investors, the Commission may provide clarifications of any provision of these Rules and may also issue instructions or orders, if necessary; and that shall be binding to all persons.

SCHEDULE – A

[See Rule 5(2)]

Application for registration of an Exchange Traded Fund

A. Information to be furnished:

- (1) Name of the fund:
- (2) Type of the fund:
- (3) Target size of the fund:
- (4) Name and brief description of the sponsor(s) along with amount and percentage of contribution to be made by each of them:
- (5) Name of the asset manager with registration number & date:
- (6) Name of the trustee, custodian, authorized participants, market makers with registration number & date:
- (7) Description of Shariah council, in case of Islamic funds;
- (8) Name of the index provider, if the fund is index based :
- (9) Details about the index:

B. Documents to be submitted:

- (1) Structure of the fund;
- (2) Draft trust deed;
- (3) Draft subscription agreement;
- (4) Draft investment management agreement;
- (5) Due diligence certificate of the asset manager (as per Schedule- 'C');
- (6) Due Diligence Certificate of the Trustee (as per Schedule- 'D');
- (7) Copies of appointment letter and registration certificate of the trustee;
- (8) Copies of appointment letter and registration certificate of the asset manager and other parties of the fund;
- (9) Brief profile of the key members of the investment team of the asset manager;
- (10) Brief profile of the members of the investment committee for the fund;
- (11) Brief description of the Shariah council, if applicable;
- (12) Draft valuation methodology; and
- (13) Draft investment and fund management guidelines.
- (14) Certified copies of draft agreements with :—
 - (a) Authorized Participant (AP)
 - (b) Index Provider
 - (c) Market Maker
 - (d) Selling Agents or any other parties

(Name, signature with date and
stamp of the Sponsor)

(Name, signature with date and
stamp of the Asset Manager)

SCHEDULE – B

[See Rule 5(3)]

Certificate of Exchange Traded Fund

In exercise of the power conferred by section 10 of the বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন আইন, ১৯৯৩ (১৯৯৩ সনের ১৫ নং আইন) read with sub-rule (3) of rule 5 of the Bangladesh Securities and Exchange Commission (Exchange Traded Fund) Rules, 2016, the Commission hereby grants a certificate of registration to _____, to register as an Exchange Traded Fund (name of the fund) subject to the conditions specified in the Act and the Rules, or as may be imposed hereafter by the Commission.

Category of the Exchange Traded Fund shall be : General Index Fund or Islamic Index Fund.

For and on behalf of

BANGLADESH SECURITIES AND EXCHANGE COMMISSION

Authorized Officer

Schedule – C**[See Rule 31(1)(c)]****Due Diligence Certificate of the Asset manager**

The Chairman
Bangladesh Securities and Exchange Commission

Sub:(Name of the proposed fund)

We, the under-noted manager to the above-mentioned forthcoming exchange traded fund, state as follows:

1. We, while act as asset manager to the above mentioned exchange traded fund, declare and certify that the information provided in the application, including that provided in the attached sheets and documents enclosed, is complete and true in all respects;
2. We further certify that we shall inform the Bangladesh Securities and Exchange Commission immediately of any change in the information provided in the application and the documents attached with that; and
3. We warrant that we shall comply with and be bound by the Securities and Exchange Ordinance, 1969, Bangladesh Securities and Exchange Commission Act, 1993 (Act. No. XV of 1993), কোম্পানী আইন, ১৯৯৪ (১৯৯৪ সনের ১৮ নং আইন), the Bangladesh Securities and Exchange Commission (Exchange Traded Fund) Rules, 2016, and the Rules, guidelines, circulars, orders and directions that may be issued by the Bangladesh Securities and Exchange Commission from time to time in this respect.

WE CONFIRM THAT:

- (a) the draft placement memorandum or prospectus forwarded to the Commission is in conformity with the documents, materials and papers relevant to the fund;
- (b) all the legal requirements connected with the said fund have been duly complied with; and
- (c) the disclosures made in the draft placement memorandum or prospectus are true, fair and adequate to enable the investors to make a well informed decision for investment in the proposed fund.

For the Asset manager

(Name, signature with date and stamp of the Chief Executive Officer)

Schedule – D
[See Rule 31(1)(c)]
Due Diligence Certificate of the Trustee

The Chairman

Bangladesh Securities and Exchange Commission

Sub: (Name of the proposed fund)

We, the under-noted trustee to the above-mentioned forthcoming fund, state as follows:

1. We, while act as trustee to the above mentioned fund on behalf of the investors, have examined the draft placement memorandum or prospectus, legal and other documents and materials as relevant to our decision; and
2. On the basis of such examination and the discussions with the asset manager and it's officers, and other agencies; independent verification of the statements concerning objects of the fund and the contents of the documents and other materials furnished by the asset manager: -

WE CONFIRM THAT:

- (a) all information and documents as are relevant to the issue have been received and examined by us and the draft placement memorandum, draft trust deed and other constitutive documents forwarded to the Commission have been approved by us;
- (b) we have also collected and examined all other documents relating to the fund;
- (c) while examining the above documents, we find that all the requirements of the Bangladesh Securities and Exchange Commission (Exchange Traded Fund) Rules, 2016 have been complied with;
- (d) we shall act as trustee to the issue as mentioned above as per provisions of the trust deed to be executed with the sponsors and shall assume the duties and responsibilities as described in the trust deed and other constitutive documents;
- (e) we shall also abide by the Bangladesh Securities and Exchange Commission (Exchange Traded Fund) Rules, 2016 and conditions imposed by the Commission as regards of the fund;
- (f) we shall act to our best for the benefit and sole interests of the unit holders of the fund; and
- (g) the above declarations are unequivocal and irrevocable.

For Trustee

(Name, signature with date and stamp of the Chief Executive Officer)

Schedule – E**[See Rule 12(b)]****Minimum Contents of the Authorized Participant Agreement (APA)**

Both parties mutually agreed, among others, to the following areas:

- (a) Adherence to constitutive documents, applicable rules, regulations, laws and other procedures devised by asset manager from time to time;
- (b) Relationship and role of each party to the agreement;
- (c) Procedure for creation and redemption of units;
- (d) Procedure for settlement of Cash Component;
- (e) Procedure of subscription collection and delivery to the ETF;
- (f) Conditions where Bids and Offers can be withdrawn by AP, if the AP is market maker (such as at upper & lower caps);
- (g) Fees (if any), and disclosure on charging of fees;
- (h) Notification to AP by asset manager for changes in index weights and composition;
- (i) Indemnification from AP to the asset manager (to cover the areas where asset manager cannot regulate the AP);
- (j) Availability of Information;
- (k) Standard format of notices and procedures to be followed between the parties;
- (l) Procedure for making amendments to the Agreement;
- (m) Effectiveness, termination of agreement and dispute resolution;
- (n) Governing Laws;
- (o) Declarations, if the Commission impose or instruct further conditions;
- (p) Signatories to the agreement and witnesses; and
- (q) Any other issues.

Schedule – F
[See Rule 28(1)]

Minimum disclosure requirements of an Index Fund

The minimum disclosures requirements of an index fund shall be, among others, as follows:

- (i) a description of the market or sector that the index aims to represent; additionally a description of the index performance, if the ETF follow an established index;
- (ii) the characteristics and general composition of the index and, where applicable, concentration in any economic sectors or issuers;
- (iii) a disclosure about lack of discretion to adapt to market changes due to the inherent investment nature of index funds and that falls in the index are expected to result in corresponding falls in the value of the scheme;
- (v) a statement to the effect that there is no guarantee or assurance of exact or identical replication at any time of the performance of the index;
- (vi) circumstances that may lead to tracking errors and the related risks, and strategies employed in minimizing such errors;
- (vii) a brief description of the index methodology, by which investors may obtain such information (for example, by providing the website address of the index provider or asset manager);
- (viii) the means by which investors may obtain the latest index information and other important news of the index;
- (ix) a warning that index composition may change and securities may be de-listed;
- (x) any circumstances that may affect the accuracy and completeness in the calculation of the index;

- (xi) the Commission reserves the right to withdraw the authorization of the scheme if the index is no longer considered acceptable;
- (xii) following the authorization of the scheme, a replacement of the underlying index may only be made in accordance with the provisions of its constitutive document and with the prior approval of the Commission;
- (xiii) any other information which is relevant and material for investors to make an informed investment decision.

By Order of the Bangladesh Securities and
Exchange Commission

Dr. M. Khairul Hossain
Chairman