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Aims plea to raise size of fund gets SEC nod

By Raihan M Chowdhury

The Securities and Exchange Commission (SEC) Wednesday finally agreed to accord consent to retain public subscription against Aims First Guaranteed Mutual Fund (MF) to the extent of Tk 60 million in place of Tk 10 million.

According to sources, the regulatory body earlier had twice turned down the Aims plea to increase the size of the fund without showing any specific reason.

Later, SEC Chairman MA Syed Tuesday convened an emergency board meeting to settle the issue and gave the final nod in favour of Aims plea, considering the interest of general investors.

Market observers have termed the SEC decision as a landmark one.

"Had SEC remained tough on their earlier decision, it could only favour the big investors and brokers which might in turn create a scope for manipulation and windfall profit for the intermediaries at the cost of small investors," a market expert told this correspondent.

The initial public offering (IPO) of the country's first private mutual fund worth Tk 10 million was oversubscribed by more than eight times when it floated public shares between the period of March 5 and March 16 last.

Subscription of the fund attracted a broader client base among investors of the stock market.

Out of total Tk 50 million, Tk 40 million was subscribed by sponsors and pre-IPO investors.

The non-resident quota of the MF has also been oversubscribed by two times.

The Wednesday's decision of SEC said the allotment shall be

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made among the non-resident Bangladeshis and general investors strictly in conformity with the allotment procedures.

Aims will hold lottery for allotment at 11-00 am Saturday at city's ICMAB auditorium while the refund warrants will be sent to the unsuccessful applicants by April 25.

With the face value of Tk one only, the MF has a market lot of 2500 shares valuing Tk 2500 for the benefit of small investors which organisers believe will help ensure liquidity in the secondary market.

The Fund's face value Tk one denomination, the ever lowest in the share market, has been proposed following active performance of low denomination shares in the country's two bourses since their automation.

The sponsors of the Fund are Southeast Bank Ltd, IPDC of Bangladesh Ltd, Sandhani Life Insurance Company Ltd, Pangaea Partners (Bd) Ltd, Uttara Finance and Investment Limited, IDLC of Bangladesh Ltd, Sandhani Credit Cooperative Society Ltd and Bangladesh Industrial Finance Company Ltd.

Bangladesh General Insurance Company Ltd (BGIC) and Standard Chartered Bank have been made trustee and custodian respectively of the Fund.

The capital of the Fund is fully guaranteed and that is why the initial subscription amount will be paid back at maturity (redemption period) even if the per share net asset falls below par at the market at that time.

Mentioning the investment areas of the Fund, the Aims of Bangladesh executives said the Fund will make investment in both equity and fixed income securities.

The Aims Fund has been registered under the Trusts Act 1882 and Registration Act 1908 while it will be operated in accordance with the SEC Mutual Fund Regulations 1997.

The market regulatory body framed Securities and Exchange Commission (Mutual Fund) Regulations, 1997 on May 14, 1997 allowing four parties to create a mutual fund. The parties are sponsor, trustee, asset management company and custodian.