

# Constitution of Special Fund for Capital Market

## Source of the Fund:

- Banks can invest up to **BDT 200** crore each in the stock market beyond their regulatory limit for the next **five years** which will not be calculated with the regulatory limit of 25 percent of their capital.
- The banks can build up the fund from their own source or take the money from the central bank through **repo at 5% rate** (fixed) which would be **valid till February, 2025** and the banks would be allowed to take money under the scope till **January 13, 2025**.
- This money can be lent to their subsidiaries such as merchant banks and brokerage houses at not more than **7% interest** rate.
- No capital market exposure of the bank will be calculated on solo or consolidated basis up to February 2025.
- A loan made by a bank to a subsidiary company and any other merchant bank or the brokerage house (dealer) will not include in the ADR calculation of the respective bank. Such a loan will be seized as a long-term investment. However, required to report to CIB.
- Risk Weight will be 100% in case of such loan against capital reserve.

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## Distribution of the Fund:

- Banks can invest in the capital market through its **own portfolio** up to **40%**
- Banks can provide loans to its **subsidiary** for making investment through subsidiary account up to **20%**
- Banks can provide loan to the **merchant banks and brokerage houses of other bank's** or financial institution's up to **30%**
- Banks can provide loan to **other merchant banks and brokerage** houses up to **10%**

**\*Each of the entity must invest 10% of the fund in mutual fund and 10% in Special purpose fund.**

# Investment Guideline:

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## **Banks and Subsidiaries**

- Bank & Subsidiaries of that bank cannot invest the fund in its own/parent shares.
- Maximum limit to invest in other bank or NBFIs is 2% of its total number of shares.
- Maximum limit to invest in other listed companies except bank & NBFIs is 10% of its total number of shares.

## **Merchant bank or Brokerage house (Other than the Subsidiary of Banks)**

- Maximum limit to invest in other bank or NBFIs is 2% of its total number of shares.

## **Mutual Fund**

- Investment limit for close-end & open-end mutual fund is 10% & 15% respectively of its total number of units.

# Guideline for Selection of Securities:

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## Equity Share:

- The company which paid minimum 10% dividend (cash or stock) in last consecutive 3 years.
- Companies having free-float shares of up to 70%.

## Mutual Fund:

- Closed end mutual funds which paid 5% cash dividends in the last three years.
- Open end mutual funds whose net asset value is above the face value and which paid 5% cash dividend in the last three years.

## Bond or Debenture:

- Listed corporate bonds with minimum 10% coupon or Interest.
- Government bond or bill

## Special Purpose Fund:

- 10% of the fund can be invested in any securities issued and listed by Public sector Entity.
- Of the total allocate fund 40% can be invested in securities having credit rating 1st Tranche, 30% for 2nd Tranche and 20% for 3rd Tranche.
- Maximum 40% of fund can be invested in securities issued by a single private company whose term is up to February 9, 2025 and which are listed within 1 years from the date of the first subscription will be guaranteed by that company.