



বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন

জীবন বীমা টাওয়ার (১৫, ১৬, ১৭ ও ২১তম তলা), ১০ দিলকুশা বা/এ, ঢাকা-১০০০, বাংলাদেশ।

নং-এসইসি/এনফোর্সমেন্ট/২১৮৮/২০১৪/৯২

তারিখঃ ১৯ মার্চ ২০১৫ ইং

বাংলাদেশ জেনারেল ইন্সুরেন্স কোম্পানি লিমিটেড, ৪২ দিলকুশা সি/এ, ঢাকা-১০০০।

বিষয়: আদেশ।

কমিশনের ১৯ মার্চ ২০১৫ ইং তারিখের আদেশ নং-এসইসি/এনফোর্সমেন্ট/২১৮৮/২০১৪/৯১ এর সত্যায়িত অনুলিপি আপনার অবগতি ও প্রয়োজনীয় ব্যবস্থা গ্রহণের জন্য এতদসঙ্গে সংযুক্ত করা হলো।

বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশনের পক্ষে

মোহাম্মদ হোসেন খান
উপ-পরিচালক

বিতরণঃ

প্রধান নির্বাহী কর্মকর্তা, ঢাকা স্টক এক্সচেঞ্জ লিমিটেড
প্রধান নির্বাহী কর্মকর্তা, চট্টগ্রাম স্টক এক্সচেঞ্জ লিমিটেড

অবগতির জন্য অনুলিপি:

- ১। নির্বাহী পরিচালক, আইন, বিএসইসি
- ২। নির্বাহী পরিচালক, মিউচুয়াল ফান্ড ও এস পিভি, বিএসইসি
- ৩। নির্বাহী পরিচালক, এমআইএস, বিএসইসি
- ৩। চেয়ারম্যান মহোদয়ের দপ্তর, বিএসইসি



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আদেশ

যেহেতু, কমিশন এর আদেশ নং BSEC/MF&SPV-MF-112/2013/02/636 dated June 24, 2014 এর মাধ্যমে একটি তদন্ত কমিটি গঠিত হয় এবং উক্ত তদন্ত কমিটির দাখিলকৃত প্রতিবেদন অনুযায়ী findings and contravention's নিম্নরূপ:

“Quote

“----- **Under TOR 1:** বিধিমালার আলোকে ফান্ডের ব্যাংক একাউন্টগুলো যে সকল কারণে খোলা হয়েছে, সে সকল কারণে উক্ত হিসাবসমূহের লেনদেন হয় কিনা তা নিরীক্ষা করা;

Findings # 01:

- (i) Frequent inter-account fund movement among the Operational Bank Accounts of the same mutual fund under management of LR Global without any logical ground and
- (ii) specially the inter- account fund movements from high interest bearing account to low interest bearing operational account creates significant interest loss on the fund.

Information: According to the Trust Deed, A fund manager of a mutual fund can open different bank accounts as per operational requirement for smooth functioning of its operation subject to authorization/approval of the trustee of the said fund. According to approved standard trust deed of the commission for a mutual fund, the types of bank account may be for seven types of operational natures those are presented in the following table. Again, in reviewing the statement of LR Global, we found that the following fund wise existing bank accounts:

Type	AIBL MF	DBH MF	GD MF	LRGB MF	MBL MF	NCCB MF
Sponsor A/c						
Pre-IPO A/C	01		01	02	01	01
IPO A/C (BDT)	01	01	01	01	01	01
IPO A/C (FC)	03	03	03	03	03	03
Dividend A/C	01	02	-	01	01	01
Custodian A/C	01	01	01	01	01	01
Operational A/C	03	07	08	06	07	07
Total	10	14	14	14	14	14

Opinion of LR Global: In response to the query of the Enquiry committee the LR Global replied among others as “For better transparency and ease of fund’s operational activities, each funds needs separate account for:

1. Sponsor investments
2. Pre-IPO investments
3. Collection of IPO proceeds in BDT
4. Collection of NRB Proceed in three currencies
5. Settlement Account with Custodian

Opening of these accounts is necessary to start the operation of any mutual fund. It is worth mentioning that settlement account with custody is a non-interest bearing account; in effect depriving our investors from interest income. To generate yield on the cash balance, different interest bearing accounts with different bank have been maintained.....” These accounts are termed as “Operational Account” in their correspondence.



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Observation of the Enquiry Committee:

In reviewing their documents we found that the bank accounts have opened for the abovementioned reasons is in line with the provision of Trust Deed. However, they also opened multiple bank accounts in the name of “Operational Account” subject to approval of the Trustee claiming that to generate higher yield on available cash balances. According to their report the fund wise number of operational accounts are stated below:

Name of the Fund	No. of Operational Accounts
DBH First Mutual Fund	07
Green Delta Mutual Fund	08
AIBL 1 st Islamic Mutual Fund	03
MBL 1 st Mutual Fund	07
LR Global Bangladesh Mutual Fund Once	06
NCCBL Mutual Fund One	07

In reviewing the transactions in the above operational accounts, we found no strong ground to maintain multiple operational accounts. According to the transactions nature it reflects that as custodian account i.e. settlement account is non-interest bearing; so, operational accounts should be used for all the activities other than settlement transaction of the fund; and specially for the transaction of IPO subscription, FDR investment and to meet the regular operational expenses.

In reviewing the transactions we found that one operational bank account is mainly maintained for transaction with the Custodial account for trade settlement purpose and also some transaction for fund's operational expenses. But the rest operational accounts are used mainly for transferring fund from one operational account to another account except a few transaction for investment in IPOs and FDR investment; whereas these two functions (i.e. investment in IPOs and FDRs) can also be performed by the single interest bearing operational account.

Although the AMC is claiming that multiple operational accounts are maintained for higher yield but in reality in most cases fund movement from one operational account to another operational accounts creates loss of interest. In reviewing all the transaction other than equal or above Tk. 10.00 million in the operational bank accounts we found that almost 50% of the debit sum is for intra-account transfer among the operational accounts of the respective fund. The transaction conducted in the operational accounts are categorized as per its purpose (equal or above Tk. 10.00 million) for the period of January 01, 2013 to March 31, 2014 and placed in the following tables for three funds (for example and ready reference) under management of LR Global :

Fund Name	Inter A/C Transfer *	IPO Investment	FDR Investment	Inv. in Private Equity	Trade Settlement	Others
DBH Ist MF	58.33%	27.75%	7.23%	0.48%	1.09%	5.12%
LRGB 1 MF	43.07%	15.01%	11.61%	2.35%	11.63%	16.33%
NCCBL 1 st MF	42.43%	20.22%	23.61%	5.22%	7.01%	1.51%

*Note: We excluded all the inter account fund movement for IPO subscription and FDR Investment for this calculation head



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From the above table it reflects that the highest volume of available balance (equal or above Tk. 10.00 million) was in movement among the operational accounts and lowest volume of the available balance was used for trade settlement.

Contravention of Rule 33 for fact under Findings # 01 by LR Global:

LR Global Bangladesh AMC Limited has contravened Rule 33(1) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচুয়াল ফান্ড) বিধিমালা, ২০০১ as such activities reflect the fund manager did not take rationale steps in opening multiple operational bank accounts and maintaining those bank accounts. As the purposes of multiple operational accounts are same, so there was no need to open multiple operational accounts with lower interest rate than existing one. The details of it are discussed on Findings # 02 below. The Rule 33 (1) is as under:

“৩৩। সম্পদ ব্যবস্থাপকের কর্তব্য ও দায়-দায়িত্ব।- (১) সম্পদ ব্যবস্থাপক মিউচুয়াল ফান্ডের কার্যক্রম ব্যবস্থাপনা ও উহার স্কীম পরিচালনার জন্য যুক্তিসংগত ও প্রয়োজনীয় সকল পদক্ষেপ গ্রহণ করিবে এবং কোন স্কীমের সহিত সংশ্লিষ্ট তহবিলের বিনিয়োগ যেন এই বিধিমালা ও ট্রাস্ট দলিলের পরিপন্থী না হয় উহা নিশ্চিত করিবে।”

Findings # 02: LR Global Opened & maintaining multiple operational bank accounts for the same fund at much lower interest rate albeit there is prevailing operational A/Cs with higher interest rate.

Opinion of LR Global:

According to the statement of LR global among others that they opened multiple operational bank accounts for better fund management and risk minimization, concentration in a single bank is not given even with higher interest rate. In their response to the committee they mentioned among others as “.....Although our primary consideration is to ensure high yield, we also consider respective bank’s risk features to ensure the safety of funds. From a fund’s unit holders’ perspective, generating superior risk adjusted return on investment (in this case, cash & cash equivalent investment) is more important than choosing “high risk-high return” or “low risk-low return” investment options.....”

Since 2010, we have been maintaining multiple operational accounts across few banks for each fund. We opened few operational accounts in The City Bank, Mercantile Bank Ltd and NCC Bank Ltd. and some of their operational accounts resulted low interest yields. In Feb 2011, we opened multiple bank accounts for each fund in The City Bank based on the attractive feature of their deposit product as given below:

- I. Interest rate 4.00% p.a. for < BDT 1 crore
- II. Interest rate 7.50% p.a. for < BDT 5 crore
- III. Interest rate 8.00% p.a. for < BDT 10 crore
- IV. Interest rate 8.50% p.a. for > BDT 10 crore

But the said bank was calculating interest on monthly average balance. The monthly average balance for the month fell below 1 crore (lowest slab), resulting in low yield; soon after realizing that, we subsequently transferred the balance amount to another bank in next week to get higher yield on day end balance. Since then, we have never maintained any balance in the said bank due to its different calculation methodology (monthly average balance).....”

Observation of the Enquiry Committee:

It reveals from their statement of detail bank accounts that the LR Global has opened operational bank accounts at lower interest rate although there exists operational accounts with comparatively higher interest rate. A brief of the statements is in the following table that reflects that multiple operational accounts opened with lower interest rate albeit operational

