



BANGLADESH SECURITIES AND EXCHANGE COMMISSION

JIBON BIMA TOWER (14, 15, 16 & 20 FLOOR), 10 DILKUSHA C/A, DHAKA-1000, BANGLADESH

No. SEC/CMRRCD/2009-193/175/Admin/---62---

July 08, 2015

DIRECTIVE

The Bangladesh Securities and Exchange Commission (BSEC), in exercise of the power conferred by section 20A of the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969), and বিধি ৮১ of the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচুয়াল ফান্ড) বিধিমালা, ২০০১, hereby supersedes the Directive No. SEC/CMRRCD/2009-193/153 dated October 10, 2013 and directs the sponsors, assets managers, trustees, custodians, selling agents of mutual funds, stock exchanges, and depository to comply with the following Guidelines in respect of conversion of close-end mutual fund's scheme to open-end mutual fund's scheme:

1. Any conversion of mutual fund's scheme shall be treated as a change in the fundamental attributes of the related scheme and the scheme shall be required to comply with the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচুয়াল ফান্ড) বিধিমালা, ২০০১ (hereinafter referred as "Rules") and any other relevant Rules or Regulations in this regard.
2. If the existing asset manager initiates the proposal of conversion to the trustee of the fund, the contents of proposal along with cost bearing issue must be approved by the Board of the asset manager. Thereafter the modalities of the conversion shall be approved by the Board of the trustee, after they ensured that the interest of unit holders under all the concerned scheme(s) have been protected in the said proposal. The decision of the trustee must be at least 150 (one hundred fifty) days before the maturity of the scheme and intimate the decision to both the Commission and exchange(s) on the same date. The decision shall contain the date of trade suspension, and the effective date.
3. The trading of the units of the scheme shall remain suspended from the effective date. "Effective Date" means immediate next day to the date of trade suspension when the trustee of the fund shall take control over the fund as per clause 5 of this Guidelines.
4. The trustee shall publish notice of conversion proposal in at least two national dailies (Bangla and English each) and also to the website of the stock exchange(s) [for at least 2 (two) times at 3 (three) days interval for exchange only] including the date of unit holders meeting and date of trade suspension. Notice of the above conversion proposal must be circulated at least 30 (thirty) days before the effective date and the complete conversion process shall not take more than 60 (sixty) days from the effective date.
5. Control and Management of all properties, assets and liabilities along with allied balances of the fund shall be transferred to the trustee of the fund on the effective date. The trustee of the fund shall not change any status of the fund up to the conversion date.
6. Asset manager shall publish a general notice to settle claim on the fund (if any) with a stipulated time frame before trade suspension.



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7. No later than 10 (ten) days of the effective date, the unit holders' meeting shall be conducted. If the unit holders required as per বিধি ৫০গ of the Rules do not accept the conversion proposal in the said meeting, the trading of the fund shall remain open from the next working date of the said meeting and the trustee shall hand over the assets of the fund as it was before to the asset manager.
8. No later than 4 (four) days from the date of meeting of the unit holders, the trustee of the scheme shall make an application to the Commission for conversion accompanied with a copy of the special resolution, attested voting cards (i.e. ballot papers), un-edited and un-interrupted audio visual recording (DVD format) of the meeting proceedings, and also all other necessary documents in favour of the conversion. Upon approval of the Commission, the trustee shall publish this information in two daily newspapers (Bangla and English each) and intimate it to the exchange(s) as Price Sensitive Information (PSI).
9. A draft of the communication format to unit holders at their meeting shall be submitted to the Commission before at least 5 (five) working days of the unit holders meeting which shall include the following as minimum:
 - (i) the latest portfolio of the scheme (NAV at cost price and market price);
 - (ii) details of segment wise break-up of the portfolio of the fund (like the capital market portfolio including listed securities, OTC securities, debt instruments; other than listed securities including FDR and any other investments);
 - (iii) details of the estimated cost required to be charged on the fund either at conversion or at liquidation and cost bearer;
 - (iv) details of previous financial performance, dividend payment history of the scheme;
 - (v) details of the conversion process;
 - (vi) option of selection of new or existing trustee, asset manager and custodian of the open-end fund;
 - (vii) nature of the unit fund, unit sale and repurchase process;
 - (viii) unit issue process under conversion (i.e. unit issue process under dematerialized form with the depository);
 - (ix) any others.
10. If conversion proposal is recommended in the unit holders' meeting, conversion cost related to holding of the meeting and trustee's fee for conversion activities shall be borne by the newly selected asset manager. If the conversion proposal is not approved in the unit holders' meeting, the cost related to holding of the meeting and trustee's fee for doing conversion activities shall be borne by the existing asset manager of the scheme:

Provided that the trustee can not claim the fee for conversion related activities more than Tk. 6.00 lac for a single scheme of conversion.



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11. Immediately after control over the Trust Property as per clause 5 of this Guidelines, the trustee of the fund shall start the process to select auditor(s) (other than the existing statutory auditors of the fund, trustee, custodian and asset manager) and took approval at the unit holders meeting. The auditor(s) so appointed shall be responsible for valuation of the fund. The statutory auditor shall also prepare Audit Report of the fund separately. In the Audit Report, the auditor shall give opinion along with other aspects, the accuracy of the documents and financial statements. And in the Valuation Report, the auditor shall report among others NAV per unit, detail valuation process of each type of securities and other assets, opinion about illiquid securities & its valuation process, and any other issues. Both the reports of the auditors (Audit Report and Valuation Report) shall be submitted to the Commission within 20 (twenty) days of unit holders' meeting.
12. Since the scheme shall re-open for fresh subscriptions, the disclosures contained in the existing offer document of the scheme shall be revised and updated. A copy of the draft prospectus and other legal documents including draft Trust Deed, Investment Management Agreement shall be filed with the Commission in line with the Rules within 10 (ten) days of unit holders' meeting.
13. The asset manager shall prepare and submit all the legal documents related to formation of the fund in line with the Rules.
14. The Commission shall communicate its observations on the offer document, if any, within the time period prescribed under the Rules. The offer document shall be issued only after the final observations communicated by the Commission have been incorporated and final copies of the same have been filed with the Commission within 7 (seven) days of approval of prospectus.
15. Under conversion, the legal requirement of minimum subscription of the sponsor of the scheme as per Rules is exempted; however, the existing unit holders shall be treated as Initial Subscribers to the scheme and previous sponsor shall issue letter of appointment to the parties of the fund as per বিধি ৯(গ) of the Rules according to the decision in the said unit holders' meeting:

Provided that the time period to collect initial subscription collection as per বিধি ৪৭ of the Rules is exempted, however, shall complete the initial subscription collection through public offering, if any, within the stipulated period of conversion.
16. The Commission shall approve the conversion scheme after submission of the Valuation Report and Audit Report of the scheme & other documents.
17. The Audit Report and Valuation Report shall properly be disclosed in at least two national dailies (Bangla and English each) with a copy to the Commission and to the stock exchange(s) where the scheme was listed within 3 (three) days upon receipt of this approval.



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18. The trustee shall hand over the Trust Property of the earlier fund to the asset manager of the converted fund within 3 (three) days after receiving the consent of the Commission about the new scheme formation.
19. The asset manager of the new scheme shall issue letter of entitlement within 07 (seven) working days of receiving the consent of the Commission and issue unit certificate/allotment letter to the unit holders as per Rules:

Provided that the units of open-end fund shall be in dematerialized form with the depository and may be listed with the stock exchange(s), as and when designated by the Commission.
20. Issue and conversion expenses shall be disclosed in the prospectus in detail; and issue and conversion expenses shall not be more than 1.30% of the collected fund size of the converted fund:

Provided that asset manager shall not claim more than 0.80% of the collected fund size as fee related to conversion activities.
21. The starting date of open-end fund shall be the next day after the maturity date of the closed-end fund.
22. The Commission reserves the right to extend the time frame or clarify any issue regarding this Guidelines, if required.

This Directive shall have immediate effect.

By order of the Bangladesh Securities and Exchange Commission

Prof. Dr. M. Khairul Hossain
Chairman.