

The Daily Star Special on Automation of Stock Exchanges

# Bourses get automated but much of work will still be manual

By Moin Al Kashem

Under automated systems, the market promises to become more investor-friendly, once seen as the one for the brokers only. An analysis of what could be scenario in the days ahead.

Tabassum Hasan, a housewife, when her child is in school, usually drops by her broker's office. Sitting in the air-conditioned premises of the brokerage firm, she watches the transactions on the large monitor placed in the investors' lobby. Observing the market trend, she takes some instant decisions, and sells or buys accordingly. On her way to pick up her child from school, she does her calculations. She has made some money, or lost some, during her two hours on-line trading session.

This could be a common scenario in the coming days of Bangladesh's capital market since both Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) have entered into the automated world. In fact, this has already been the scenario in case of CSE brokers. For the last three days, Dhaka brokers have seen something similar.

The automated screen-based trading system has replaced the open cry out trading system, a fully manual operation. Sometimes subjective judgement (due to human limitation) taken by those supervising the auction did not reflect the market's direction and pace. Besides, the floor operators used to get the chance of trading on a particular stock for only once. Although trading hour lasted for a few hours, practically one scrip got only a few minutes to be dealt in.

The major drawback of the manual system was that investors did not have direct and immediate access to the market. This market was run by the

brokers and/or their authorised persons. It was the market for the brokers not for the investors. There was a common complaint from the investors that they did not get fair price. They did not know what actually happened on the floor. They had to depend on the broker's confirmation. And unfortunately many of the brokers lost trust of the investors. Investors want to be ensured that they are not being deceived. It is possible if they can remain with the market movement.

Now the automated trading system offers the investors the opportunity to be directly in touch with the market. They are able to react instantly according to the movement of the market by modifying their orders, placing new orders or withdrawing the existing orders in new automated trading system. The main facilities offered by automation are placing of orders both on-line and off-line. Brokers' Workstations - located in their office premises - allow investors to trade each and every scrip throughout the business hour. So, it becomes a market for the investors not for the brokers only.

Most of the brokers are preparing, or have already prepared, themselves for the change. They have upgraded their office equipment - fleet with a PC having at least 133 MHz Processor, 16 MB RAM, 1.2 GB Hard Disk, Modem etc. Most of them are also ready to provide well-decorated space with monitors for the investors who will be able to observe the market sitting in the air-conditioned

investors-lobby.

Then again, when the question of other operational issue particularly back office management arises, most of the brokers do not know what to do and how to do.

As mentioned earlier, in automated trading system the investors are able to react instantly according to the movement of the market by modifying their orders, placing new orders or withdrawing the existing orders. But it will be very difficult for the brokerage houses to allow their investors to avail of those options. Because, it involves a big amount of trust between the brokerage firms and the investors. An investor may sell a share without its physical transfer to the broker's firm's account or the investor may buy a share without transferring the fund to brokerage firm's account, in case the investor backs out, the broker's firm will be in deep waters. But if there is CDS or an automated fund movement facility the broker can transfer the shares or fund from the investor's account to its own account just after the transaction and be secured enough. A solution to the problem should be that investors will require to maintain an account with a large balance of both share and funds.

To deal with the problem of fund transfer some brokers are thinking of providing short-term credit line for their investors so that they can buy shares without depositing fund. But the brokers do not know whether any broker can open margin account for his clients

or not. The prevailing SEC rules do not say anything about this issue. Besides, the brokers feel that it is necessary investors be rated particularly the institutional investors to determine clients' credit-worthiness.

But the real problem lies with physical transfer of shares. Without CDS, an automated trading system, which will increase the trading volume significantly, may lead to a messy situation.

These are temporary problems, however, it can be safely concluded that the immediate positive impact of automation is transparency. And once transparency is ensured, investors' confidence will automatically be restored. There is no dispute about the fact that investors' confidence is the key to reviving ailing capital market in Bangladesh.

All brokers agree the automated trading system will give the investors the assurance that they are getting their due and the brokers will not be able to play with their money. This feeling will gradually restore investors' confidence. At the same time, however, the automated trading system will speed up the floor operation of the bourses, which will increase the trading volume significantly.

But automation's full benefits can only be ensured through establishment of a Central Depository System (CDS) and an automated fund transfer facility. One now expects that the CDS and the automated fund transfer facility will follow the automation immediately. The sooner the better.



Amir Khosru Mahmud Chowdhury, the CSE president, welcomed the DSE's going on-line saying the capital market was now better placed to move ahead but much would depend on establishing the central depository system.

"Early setting up of a CDS is an urgent necessity now to ensure benefits of automation. Without electronic fund transfer, the automated system will remain under-utilised and will not fully help regain investors' confidence," Chowdhury said in an interview with The Daily Star.

"A CDS will also ensure proper monitoring by regulators," he said.

## 'CDS is what we need now'

Star Business Report

Broker Workstation Ver 3.02 [CHITTAGONG STOCK EXCHANGE]

Access Windows Profile Query Reports Alerts Help

16:25 End-of-day

Script Code	Script Id	BuyQty	BuyPrice	SellPrice	SellQty	LastTrdPrice	OpenPrice
H BDDY	12018	100	190.00	195.00	20	194.00	195.00
H DYTEX	12019	3180+	24.00	24.50	3500+	24.00	24.50
H MITEK	12021	100	73.00	74.00	300	74.50	74.50
H DMLM	12023	40	60.50	62.00	200	61.00	61.00
H HRTXK	12024	100	90.00	96.00	50	96.50	96.50
H ANLYN	12025	200	87.00	97.00	400	97.50	97.50
H CMC	12028	50	20.50	21.00	1000	21.00	21.00
H SDPH	13002	20	766.50	774.00	40	767.00	773.00
H BDNF	13004			356.00	20	360.00	360.00

Fast Entry

Entry Type: B/S Script Qty Price Reten Days Client

Limit Order: [ ] BxPH [ ] 0 0.00 GFD [ ]

Batch Submit Ready Submit

Start BWS #Com Comm #Broa Broadc Brok 4:27 PM

## 'Monitoring, surveillance will be better'

By M Shamsur Rahman

M A Syed, the Securities and Exchange Commission (SEC) chairman, said he expected "a wholesome impact" on the market, congratulating both the bourses for adopting automated trading systems.

"The automated trading will help restore confidence of investors. It will also facilitate better surveillance and monitoring," he said, in an interview with The Daily Star yesterday.

"It will also shorten trading time as every trade would be conducted within a fraction of a



second. Now we are looking forward to establishment of a central depository.

"The potential of automation will not be realised till establishment of CDS. So, we are trying to expedite CDS. Perhaps in a year and half CDS should be in place.

"In many countries the exchanges played a prominent role in setting up CDS. We hope the DSE and the CSE will take a leading role in establishing CDS in our country," the chairman said.

## Business Briefs

### Filipinos eating less rice

MANILA: Filipinos are eating less rice because of a combination of poverty and the influence of fast foods, the agriculture secretary said Wednesday.

In a report to the president on rice and corn supplies, Agriculture Secretary William Dar said the average Filipino ate 97.2 kilograms (214 pounds) of rice last year, down from 103 kilograms (227 pounds) the previous crop year.

He said one reason for the drop is a decline in the purchasing power of people, particularly in rural areas. Many Filipinos in urban areas also have shifted to eating more bread and pasta because of the influence of fast food chains, he said.

Dar said the total rice supply this crop year is estimated at 9.55 million tons, including stocks of 1.8 million tons, production of 6.9 million tons and imports of 1.2 million tons.

As of June, the country has a 92-day supply of rice, he said.

On Tuesday, Dar said the Department of Agriculture has requested a 25 billion peso (\$580 million) annual budget for the next five years to "boost" the country's rice production.

Much of the extra money will go to irrigating more rice land and ensuring national rice self-sufficiency by 2003, Dar said.

## 'Come and invest'

By M Shamsur Rahman

Leading the Dhaka Stock Exchange into the automated world, Chairman M A Rakibur Rahman issued an invitation to all to "come and invest" in the capital market.

Rahman branded automation as the most important event in the 42-year history of the DSE, calling it a change for improvement.

"We have taken all the measures to make the brokers and dealers accountable to investors. Automation has abolished the scope for front running," he said. "Now come and invest," Rakibur Rahman in a message to investors said.

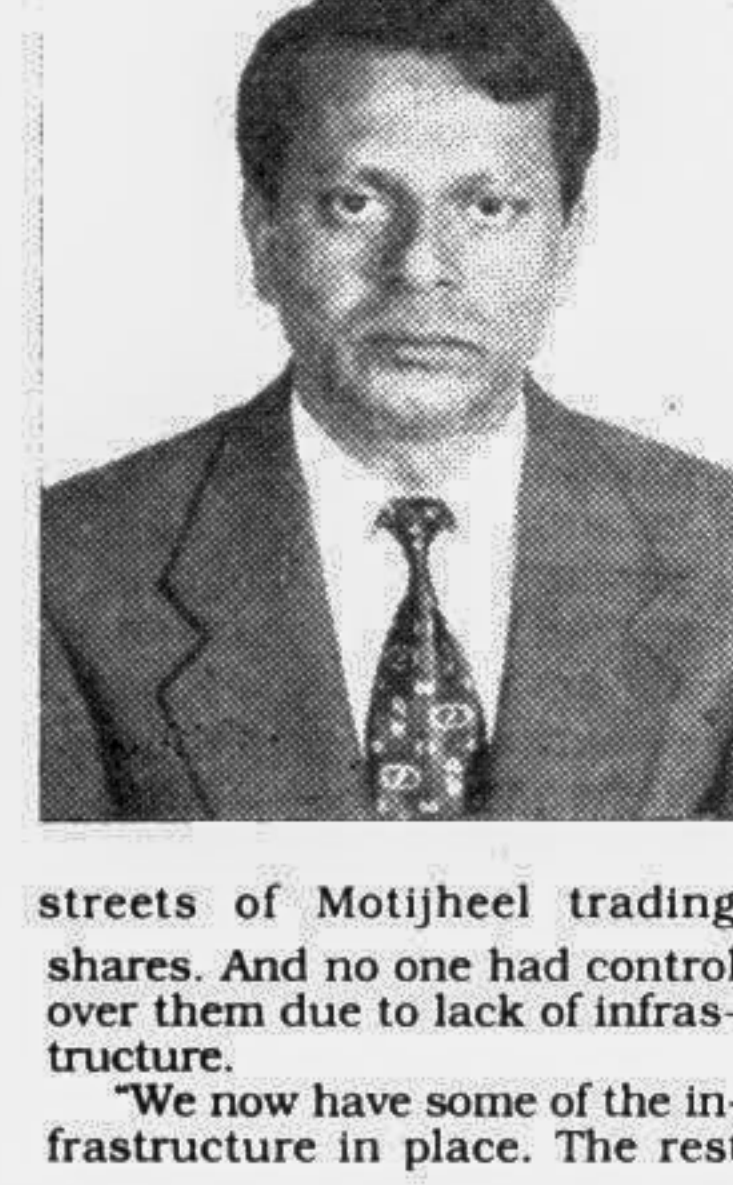
In an exclusive interview to The Daily Star ahead of today's formal launching, he said investors often misunderstood brokers. "They look at them with suspicion when prices start going high or down."

"Specially after the 1996 debacle, allegations against brokers ran high and now automation has created a chance for every broker to clear these charges by providing better services," the chairman said.

"With the beginning of automation trading has become transparent. This should help

restore lost confidence of the investors, and we hope the trading will surge in the coming days.

"In 1996, it was an uncontrolled market, there used to be around 20,000 investors on the



streets of Motijheel trading shares. And no one had control over them due to lack of infrastructure.

"We now have some of the infrastructure in place. The in-

will be completed with the introduction of a central depository.

"With these infrastructures in place the events of 1996 will never be re-enacted," he said.

Asked about CSE's complaints against settlement system, the DSE chairman said he was not aware of it. "If I was aware of it I could tell. But if they have any problems with settlements from three places then of course we can sit and discuss."

He said the DSE would have no objection to any kind of settlement as long as it prohibits short selling and carry forward.

On criticism about the early launching of automated trading without being ready, the DSE chairman said the schedule for the training of brokers and their representative was fixed by Tandem and Indigo, the hardware and software suppliers respectively.

"It was not upto us to decide when to launch. All the schedules were fixed by them. We just followed," he said.

He said that he became an active member of DSE in 1983. "And since then I was waiting for this day (automation)."

TESA Trader Workstation Application [NORMAL PUB Public Order Book]

INST	SESSION	BUY	PRICE	SELL	PRICE	LAST	
CODE	BASES	BOS	MO	QUANTITY	MO	BOS	PRICE
2NDICB	CTNG			10	363.00		367.00
3RDICB	CTNG						
4THICB	CTNG			20	300.00		
5THICB	CTNG			10	250.00		260.00
6THICB	CTNG			100	180.00		181.00
7THICB	CTNG			300	170.00		175.00
8THICB	CTNG	0		50	148.00		150.00
ABBANK	CTNG	0		400	110.00		112.00
ABBISCUIT	CTNG						
ACI	CTNG	0		300	39.40		39.80
AFTABAUTO	CTNG	5		90	193.00		195.50
AHADJUTE	CTNG						
ALHAJTEX	CTNG						
ALBARAKA	CTNG			2	790.00		
ALLTEX	CTNG	B		100	59.75		60.00
ALPHATOBA	CTNG			100	68.50		73.00
AMAMSEAFD	CTNG			5	681.00		700.00
AMRFFPHA	CTNG			50	39.30		40.00

Normal Pub Normal SPT Normal BLK Normal ODL Normal ORD Normal TRD SCL PUB

SCLSLTRD2 logged on to the trading system

WASHINGTON, Aug 12: President Bill Clinton and senior officials discussed Asian's deteriorating economic situation on Tuesday. Analysts said the United States may let the Japanese yen slide out of frustration with Tokyo's promise of reforms, says Reuters.

## US may let yen slide out of frustration

Tokyo's repeated failure to deal decisively with a banking crisis or to cut taxes and stimulate its economy appeared to make it nearly impossible to help Japan prop up its currency, as the United States did in June.

"Why would the United States waste its money if Japan is not going to do anything to address its fundamental problems," asked economist Norman Behravesch of Citicorp's Hill Inc. in Lexington, Mass.

Japan's economy, second only to the United States in size, has been stagnant for most of the 1990s and there is mounting concern its woes could drag the global economy into recession.

Stock prices worldwide tumbled on Tuesday, with the Dow Jones industrial average losing 112 points to close at 8,462.85 after being down more than 250 points earlier in the session.

The dollar shot up to 147.63 yen at one point, highest since August 1990 and well above the level at which the United States joined in a coordinated intervention with Japan on June 17, buying yen to support its value.

But analysts saw little prospect of renewed intervention soon because repeated Japanese pledges to act on its problems have not been fulfilled.

The difference between now and two months ago is that it has become fairly clear the problem is not that of a particular Japanese Prime Minister but a system that is entirely paralysed," Behravesch said.

He foresaw the yen sliding in value "easily beyond 150, probably to 160 and possibly 165 in coming months."

Japan's government, led by Prime Minister Keizo Obuchi who replaced Ryutaro Hashimoto last month, conceded on Tuesday its economic picture was grim but so far it has failed to persuade financial markets it is coming to grips with its problems.

Economist Sung Won Sohn of Norwest Corp. in Minneapolis similarly said he expected the yen's value to slide and said he doubted a coordinated intervention was in the works.

"Too many times now we've gotten the Tokyo tease and they've let us down on action too often," Sohn said. "I don't think the United States could justify an intervention on the

## 'Russia must collect \$ 2.1 b in taxes this month'

MOSCOW, Aug 12: Russia must collect at least 13.5 billion roubles (2.1 billion dollars) in taxes this month and its total budget revenues for August must top 23.5 billion roubles, top government officials said yesterday, reports AFP.

"The future of the country depends on fiscal receipts," Prime Minister Sergei Kiriyenko was quoted by Interfax as saying. "If we can prove that the country is capable of collecting taxes, we can start restructuring public debt."

Deputy Prime Minister Viktor Khristenko told journalists that total revenues for August, including receipts from "non-budget funds" such as customs collection, leasing of federal property and road taxes, should stand at 23.5 billion roubles (\$3.7 billion dollars).

"Without proper financing, Russia will turn into an organism that slowly loses blood," Khristenko said.

Poor tax collection has driven the Russian government to the verge of bankruptcy and touched off a financial crisis which has wiped 70 per cent from stock values this year and left the rouble teetering on the brink of devaluation.

Khristenko noted that the government has also drafted a lean 1999 budget that will need approval from the opposition-dominated state duma lower house of parliament this fall.

Russia's has set a 1999 budget revenue target of 376 billion roubles (59.7 billion dollars) and an expenditure limit of 456 billion roubles (72.5 billion dollars), Khristenko said.

## Move to popularise cultivation of BINA-Shail

MYMENSINGH, Aug 12: Bangladesh Institute of Nuclear Agriculture (BINA) has undertaken a massive programme to motivate the people to cultivate high-yielding variety paddy 'BINA-Shail', says UNB.

With this end in view, BINA with the help of AED, BAU extension centre and BINA sub-centres, has set up 135 demonstration plots and five big blocks throughout the country. It also supplied necessary seeds, fertilisers and pesticides to those plots, said a press release.

Director General of BINA said, the variety could easily be cultivated on the flood affected areas after the recession of flood waters which could meet the growing demand of aman paddy.

## Exchange Rates

American Express Bank Ltd foreign exchange rates (indicative) against the Taka to clients

Currency	Selling TT & OD	Buying TT Clean	Selling BC	Buying OD Sight	Buying TT & OD
USD	47.3050	46.9100	47.3450	46.7570	46.6850
GBP	77.5992	76.3480	77.5748	76.0970	75.9798
DEM	26.6913	26.3052	26.7139	26.2194	26.1790
JPY	0.3248	0.3197	0.3251	0.3186	0.3181
FRF	8.0185	7.9177	8.0253	7.7663	7.7543
SAR	12.6480	12.4727	12.6567	12.4321	12.4129
MYR	11.3441	11.1957	11.3537	11.1592	11.1420
AED	12.9146	12.7359	12.9256	12.6954	12.6758
KWD	159.1154	147.7946	159.2499	147.3125	147.0857
QAR	13.0317	12.8485	13.0427	12.8066	12.7869

USD usance export bill buying rates:

TT Doc	30 Days	60 Days	90 Days	120 Days	180 Days
46.8112	46.5191	46.1282	45.7373	45.3463	44.9545

US dollar London Interbank Offered Rate (LIBOR) as of August 12, 1998

	Buying	Selling	Currency	1 Month	3 Months	6 Months	9 Months	12 Months
Cash	446.6850	47.3050	USD	5.625	5.6875	5.71875	5.71875	5.75
TC	46.6850	47.3050	GBP	7.6875	7.6875	7.6875	7.6875	7.6875

Exchange rates of some Asian currencies against US dollars

Indian Rupee	Pak Rupee	Thai Baht	Malaysian Ringgit	Indonesia Rupiah	Korean Won
43.050/43.150	53.300/53.500	41.804/41.87	4.1904/4.210	12950/13150	1329/1334

Amex notes on Wednesday's market

The volume of USD sales against BDT has gone up because of an increase in forward sales of USD. However, as the market is flooded with USD, most of the trading is done within the central bank rate (46.95/47.25). USD trading was limited to 46.98-47.00 today.

Call money rates fell from 8.55 to around 8% as the liquidity of the market is enough to meet the demand for call loans. Most of the trading was done in the 7.75-8% level.

Concerns over joint US and Japanese intervention in USD/yen saw USD slip more than one yen from previous overseas levels in late Tokyo trade in Tokyo on Wednesday.

As dealers actively built long positions, USD slipped further, continuing the previous trend when USD lost 2 yen after comments from Japanese officials made the dealers wary.

As rumours of possible intervention spread, after Japan's finance ministry official USD slid to as low as 145.40 Yen, but quickly rebounded to 146 yen for the rest of the day.

The market is also concerned about the devaluation of Chinese currency, and although there is speculation of USD rebounding towards 148 yen, after position adjusting and profit taking is complete, dealers say that the recovery of USD against yen is short term and USD should remain in the 145 yen level. DEM/yen was firm around 82.09/12 in Europe.

DEM was soft against CHF (Swiss Franc) and was choppy against USD below 1.7800. In late New York Trading, USD/DEM was quoted at 1.7810/20. In Europe, it was 1.7732/39. DEM/GBP was steady and testing 2.890.

Washington, Aug 12: Treasury officials refused to comment on Rubins' discussions with Clinton.

## Dresdner to take over Paine Webber

FRANKFURT: Dresdner Bank, Germany's second largest, has been in intensive talks with the US brokerage firm Paine Webber Group over a possible takeover, the national business daily Handelsblatt reported Tuesday.

A Dresdner Bank spokesman declined comment on the report.