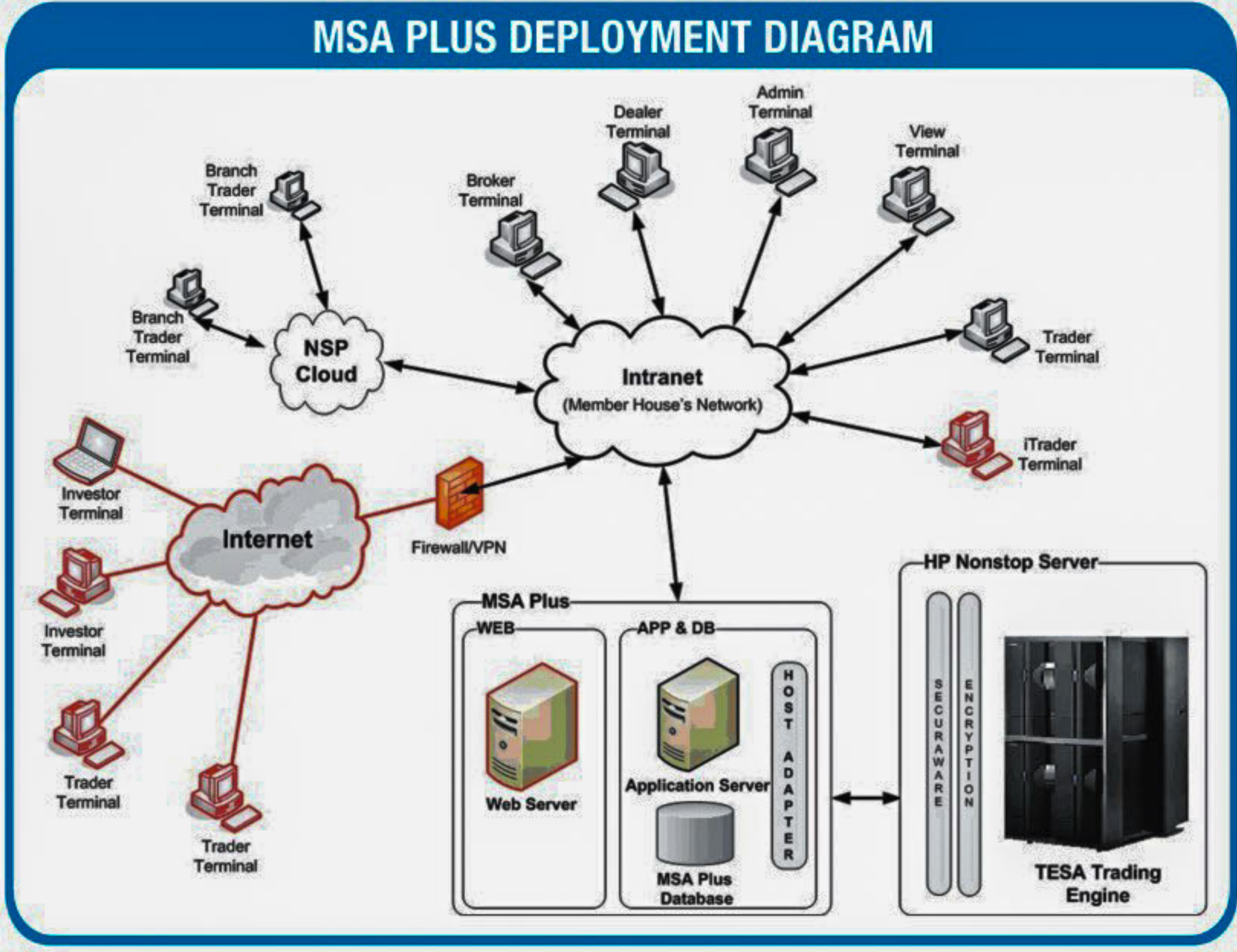


Buzz of e-trading in the air



Ahsanul Islam



As many people -- from students to government employees -- are getting involved in share business, the demand for online or internet trading is increasing day by day so that an investor would not have to be present physically in brokerage houses

SARWAR A CHOWDHURY

IF you are a stock investor then you might have seen or heard about a physical trading floor where traders are found waving, yelling and signalling to each other. There were days in Motijheel, when curb market traders were used to shouting 'sell-sell-sell' or 'buy-buy-buy', holding paper shares in hands and flaunting sheaves up in the air. Those days are gone, especially after 1996's share scam when stock prices at first bubbled fabulously and then deflated, shattering the dreams of thousands. The physical trading floors also turned into virtual ones in 1998 with the introduction of automated trading. Since then, automated trading system has been running based on TANDEM NonStop K204 System (mainframe server), which the Dhaka Stock Exchange (DSE) claims is fault-tolerant, scalable and maintainable. The system software used in the premier bourse is HP proprietary NonStop Kernel and the database is NonStop SQL, which handles database functionality successfully. The central trading system, being on the stock exchange premises, runs round

the clock, round the year. The application software, the electronic system architecture (TESA), was developed on 32-bit application architecture for global securities markets. It has high processing speed, high message integrity and fully automatic recovery. Though the transaction was automated and the network within the exchange was developed through local area network (LAN), physical presence of investors was compulsory to do share trading. In 2000, wide area network (WAN) was introduced on the Dhaka Stock Exchange, the premier bourse, and the trading was extended from main brokerage houses to branch offices outside the bourse building. The introduction of WAN enabled an investor to give buy or sell order to authorised traders over telephone. By that time, share business was gaining popularity and spreading across the country. Share trading expanded to district level in 2005 with a great development in data connectivity. Currently, investors from over 30 districts can participate in share trading. The share business saw its highest momentum in the last two to three years with over 30 lakh beneficiary owners'

(BO) accounts and around 3,000 trading workstations across the country. As many people -- from students to government employees -- are getting involved in share business, the demand for online or internet trading is increasing day by day so that an investor would not have to be present physically in brokerage houses. They now want such a system through which they can give buy or sell order, from anywhere -- be it office or home or any other place, thorough internet. To meet the potential growth of trade and prospective investors, the Dhaka bourse is all set to upgrade its current 'TESA Trading Software (Client Part) MSA (member's server application)', to 'MSA-Plus', through which electronic trading will be introduced. It means, stock investors will not have to place buy or sell orders with authorised traders, rather the investors will be able to do it directly from any location after logging into the trading web server using passwords. After the launch of the MSA-Plus system, every BO account holder will get a password from the DSE so that he or she can log into the server. After logging into the trading server, the investor, however, must change the password to maintain secrecy.

"The existing trading system is basically based on desktop, in which investors give buy or sell order in an order sheet and some authorised traders execute these," said Ahsanul Islam, convenor of DSE's ICT development committee. "With the e-trading system in place, stock investors will not need to place buy or sell orders through traders. They can give orders through the internet after logging into the trading web server," he added. The Dhaka bourse will introduce electronic trading (e-trading) in the stockmarket in July, in a move to create a virtual marketplace for share transactions. "We have been working for the last 10 years on e-trading," said Islam, also senior vice-president of the DSE. Electronic trading will enable investors to trade from home, offices or workplaces, and from anywhere having internet access, he added. "They won't have to be present at any brokerage house." When an investor gives order through internet, it will come to the trading terminal, the authorised traders will just press a button, and then it will go to the trading engine and the order will be executed. "Every stock-

broker will become an exchange." "It will also ensure transparency in share transactions, increase management efficiency and reduce risks at the client's end," Islam said. "It's a shift from electronic transaction to electronic trading." The investors can also see the financial statement of their portfolios at any time from anywhere, he said, adding that short-selling of shares cannot be done in the e-trading system. Short selling is the practice of selling securities that have been borrowed from a third party with the intention of buying back identical assets later to return to the lender. Although short selling is not allowed in Bangladesh stockmarket, such selling happens occasionally, intentionally or by mistake. "MSA-Plus will be a bridge to real-time online trading, through which an investor himself or herself can execute the trading." However, Islam said, to reach this stage they will need a little more time -- may be two or three years. "Let's wait for the day when you can buy or sell shares from anywhere in the world."

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Prime bourse on the pages of history

STAR BUSINESS REPORT

THE necessity of establishing a stock exchange in the then East Pakistan was first felt in early 1952. Calcutta Stock Exchange did not allow transactions of Pakistani shares and securities. The provincial industrial advisory council soon thereafter set up an organising committee for the formation of a stock exchange in East Pakistan. A decisive step was taken at the second meeting of the organising committee held on March 13, 1953. Various aspects of the issue were discussed in detail in the cabinet room, Eden Building, under the chairmanship of A Khaleeli, secretary for the commerce, labour and industries department of the government of East Bengal. The then central government's proposal to open a branch of Karachi Stock Exchange in Dhaka did not find any favour in the meeting. It was felt that East Pakistan should have an independent stock exchange. It was suggested that Dhaka Narayanganj Chamber of Commerce and Industry should approach its members for purchasing of membership cards at Rs 2,000 each for the proposed stock exchange. The exchange was thought to be established either in Dhaka, Narayanganj or Chittagong. An organising committee for the exchange was appointed consisting leading commercial and industrial personalities of the province with M Mehdi Ispahani as convener. The chamber asked the members of its own and its affiliated associations whether they were interested to form the exchange. A meeting took place following the call with around 100 persons interested in the formation on July 7, 1953. The meeting invited eight persons to become promoters of the exchange with M Mehdi Ispahani as convener, and authorised them to prepare a memorandum and article of association and proceed to register under the Companies Act, 1913. The seven other promoters of the exchange were JM Addision-Scott, Mohammed Hanif, AC Jain, AK Khan, M Shabbir Ahmed and

TIMELINE		
Incorporated as East Pakistan Stock Exchange	April 28, 1954	
Formal trading starts	1956	
Renamed as East Pakistan Stock Exchange	June 23, 1962	
Renamed as Dacca Stock Exchange	May 13, 1964	
Trading restarts in Bangladesh era	August 16, 1976	
DSE All Share Price Index calculation is introduced	October 16, 1986	
DSE All Share Price Index calculation starts on the basis of IFC designed formula	November 3, 1993	
Automated trading starts	August 10, 1998	
DSE 20 Index in introduced	January 1, 2001	
Central Depository System takes off	January 24, 2004	
Launch of the government bond market	January 1, 2005	
DSE All Share Price Index is re-introduced	March 28, 2005	
DSE Chittagong office opens	November 22, 2007	
DSE Sylhet office opens	March 28, 2008	

Sakhawat Hossin. The membership fee was fixed at Rs 2,000 and subscription rate at 15 per month. The exchange was to be consisted of not more than 150 members. A meeting of the promoters was held at the chamber on September 3, 1953 where it was decided to appoint Orr Dignam & Co Solicitors to draw up a memorandum and article of association of the stock exchange based on the rules of the stock exchange existing in other countries and taking local conditions into account. The eight promoters incorporated the formation as East Pakistan Stock Exchange Association Ltd on April 28, 1954. As a public company the name was revised to East Pakistan Stock Exchange Ltd on June 23, 1962. Again on May 14, 1964 the name was changed to Dacca Stock Exchange Ltd. At the launch, authorised capital of the exchange was Rs 300,000 divided into 150 shares of Rs 2,000 each. The authorised capital was increased to Tk 500,000 divided into 250 shares of Tk 2,000 each on an extraordinary general meeting on February 22, 1964. The paid-up



People walk past the building of Dhaka Stock Exchange in Motijheel.

AMRAN HOSSAIN

capital of the exchange now stands at Tk 476,000 divided into 238 shares of Tk 2,000 each. However, each of the 35 shares out of the 230 shares was issued at Tk 80 lakh with a premium of Tk 79.98 lakh. Although incorporated in 1954, formal trading started in Narayanganj in 1956 after obtaining the certificates of commencement of business. But it was

shifted to Dhaka in 1958 and started functioning at the building of Narayanganj Chamber in Motijheel commercial area. On October 1, 1957, the stock exchange purchased a land measuring 8.75 kathas at 9F Motijheel commercial area from the government and shifted the stock exchange to its own location in 1959.