



## A 10-point plan for capital market development



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This divergence is detrimental to transparency and accountability in the financial sector. An agreement is needed that listing with a stock exchange shall be subject to differential regulations. A high-level inter-regulatory coordination framework should work to reconcile regulatory differences.

8) Two stock exchanges currently operate in Bangladesh. Their boards of directors, after the demutualisation of the exchanges, have not met market expectations. Critics often complain that the majority of independent non-executive directors lack relevant knowledge about finance, accounting, and capital markets. It is imperative that the board of directors of stock exchanges comprise independent people with relevant skills

and competencies. The current stock exchange boards are often dysfunctional due to their irrelevance for the oversight of stock exchanges. The existing board and administrative regulations of stock exchanges are substandard and need to be amended.

9) A real-time platform for corporate reporting and market disclosure is long overdue for seamless corporate regulatory filing by listed companies, brokers, asset management companies, merchant bankers, and other capital market intermediaries. A centralised Extensible Business Reporting Language (XBRL) Bangladesh, a not-for-profit but fiscally sustainable company, may revolutionise regulatory filings of capital market intermediaries. Such a technology platform will substantially reduce manual

The performance of the asset management industry is frustrating for investors.

PHOTO: REUTERS



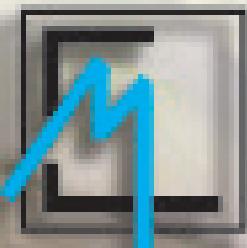
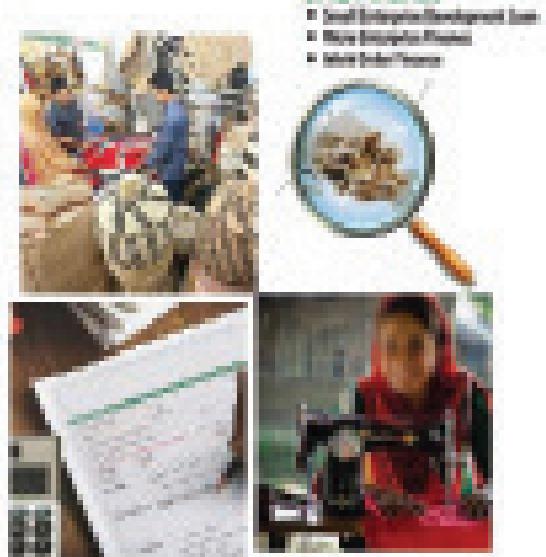
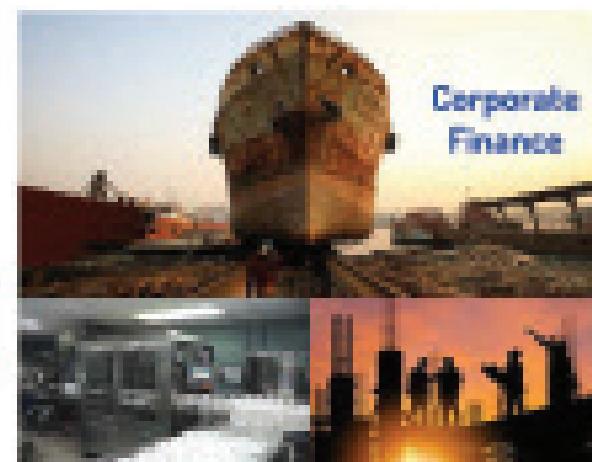
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MIDAS Centre



**Double Money Deposit Scheme**



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processing of paperwork across regulatory agencies. An XBRL platform may evolve into a centralised corporate information system where hundreds of thousands of business enterprises file their corporate information online to be seamlessly retrieved by different regulatory authorities according to their differential reporting regulations.

10) A tax policy revision is necessary so that corporate tax rates for listed companies are always 10 percentage points lower than those for unlisted companies. The option to be listed with stock exchanges involves rising compliance costs, and companies need to be compensated by tax savings. The corporate tax regime is biased against listing with stock exchanges. The actual tax burden of an unlisted company is believed to be substantially lower than that of a listed company.

One explanation for this widening divergence is the presumptive and discretionary nature of taxation of corporate turnover and profits by tax authorities. Corporate taxation is often done without reliable books of accounts or proper accounting and auditing of financial statements. The corporate tax code in Bangladesh significantly diverges from accounting recognition and measurement principles as stipulated by the International Financial Reporting Standards (IFRSs).