Dhaka Stock Exchange Ltd.

**INTERNSHIP REPORT**

 **ON**

**IPO APPROVAL & LISTING PROCESS OF BANGLADESH CAPITAL MARKET**

**Dhaka Stock Exchange Ltd.**



**INTERNSHIP REPORT**

**ON**

**IPO APPROVAL & listing PROCESS of bangladesh capital market**

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Subject: Submission of Internship Report about “IPO approval & listing process of Bangladesh Capital Market”.

Dear Sir,

It is my great pleasure to submit you my internship report on “IPO approval & listing process of Bangladesh Capital Market”. I have tried my best to complete this report properly following the guidelines provided by you.

I have confidence that the report preparation has increased both of my practical experience and theoretical knowledge to a great extent. I will be obliged to answer any questions that may arise during the evaluation of this report. So, I hope that you would accept my report and oblige thereby.

Sincerely Yours

Suraiya Sultana

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Major: Finance (BBA)

Spring 2018

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**DECLARATION**

I, Suraiya Sultana, a student of Bachelor of Business Administration (BBA) student ID: 111 132 226, major in Finance from United International University (UIU) would like to solemnly declare that the internship report on **“IPO approval & listing process of Bangladesh capital market”** has been authentically prepared. While preparing this report, I didn’t breach any copyright act intentionally or willingly. I am further declaring that I did not submit this report anywhere for awarding any degree, diploma or certificate.

**----------------------------------------**

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To accomplish any task successfully, the help of others is a must. Without the help of a number of persons, the success would have remain silent. I am very lucky to have the sincere advice and supervision of a number of people.

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**EXECUTIVE SUMMARY**

At some points of the business operation, each company has to raise the money. To do this, businesses can either borrow or issue shares, common or preferred. When a company raises fund through issuance of stock for the first time, it is known as Initial Public Offering (IPO).

My internship report on "IPO Approval & Listing Process from the Perspective of the Bangladesh Capital Market".

The IPO approval process starts with the submission of application to Bangladesh Securities and Exchange (BSEC). For helping the company issuing the common stock (known as issuing firm), the issuing firm appoints an issue manager from the list approved by BSEC. There are two methods in IPO process. One is fixed price method and the other is book building method. In fixed pricing method, the shares are offered at par value. If the issuing firm wants to issue shares at a premium, it has to follow the book building process. In book building method, the price of the share are determined following a road show. In the road show, the prospectus of the issue is sent to all eligible investors for submission of price of the impending issue. From the prices submitted by eligible investors, the IPO priced is fixed.

After getting the approval of the BSEC, the issuing firm has to invite subscription from the public. This is done through publication of prospectus in at least two national newspapers. Interested investors are asked to submit their subscription through their brokerage houses within the subscription period. The issue is oversubscribed, lottery is conducted to determine who, among the subscribers, will get the shares and who would not. If the issue is undersubscribed, the underwriters would take up the unsubscribed portion of the issue. The IPO ends after the allocation of the shares to the winning subscribers. Then the listed process starts.

The shares that are brought through IPO process, must be listed in at least one of the two stock exchanges – the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE). The listing is listed for the IPO shares to be traded in the stock exchange. There are certain processes to be followed to list the security. Both the IPO and listing processes are discussed in detail in this report.

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**SECTION I**

**INTRODUCTION OF REPORT**

#  Section One: Introduction of Report

## Background of the Study

Internship plays an important role in developing practical knowledge. It is a great opportunity for BBA students to earn practical knowledge through the Internship program. TO fulfill the prerequisite of BBA program I joined **Dhaka Stock Exchange (DSE)** for my internship program.A study on IPO approval process of Dhaka Stock Exchange (DSE) is assigned to me as a part of an internship report. I study from different sources about IPO approval Process and asked about the process to different employees on DSE. I collected data from the various sources and analysis data carefully. I believe this analysis will be a complete overview of the IPO Approval Process in Bangladesh.

## Objectives of the study

The objectives of the study can be divided into two 1 broad objectives and 2 specific objectives.

### Broad objectives

The main objective of this study is to fulfill the partial requirement of BBA program as an Internship report. Moreover, the objective of this study is to analyze the IPO Approval Process through fixed price and Book Building method in the capital market of Bangladesh.

### Specific objectives

The specific objectives of the study are:

* 1. To know about the IPO procedure system in Bangladesh.
	2. To gather knowledge about Bangladesh Capital Market.
	3. To know about the Dhaka Stock Exchange Limited
	4. To gather knowledge about the departmental functions of DSE.

## Methodology

The study is performed based on the information extracted from different sources collected by using a specific methodology. I have used two types of data in this study. These are primary and secondary data.

### Sources of Data

* Primary Data collection

Primary data collected through discussion one with another, ask different questionnaires of stakeholder’s of IPO investors and know the procedure of IPO approval Process from Executives of Listing Affairs Department and also by taking help of the supervisor’s suggestions.

* Secondary Data collection

Secondary data are collected from different published research articles, DSE website and archives, published journals, textbooks, websites and various published and unpublished materials. I also conducted some face to face interview as I worked in the Dhaka Stock Exchange.

## Organization of the Report

The Internship report on IPO APPROVAL PROCESS in perspective of Bangladesh capital market contains different analysis. The first chapter of the report includes introduction of the report, the second chapter contains the capital market of Bangladesh, the third chapter contains an overview of the Dhaka stock exchange limited, the fourth chapter contain IPO approval process, fifth chapter contain departmental task of listing affairs department, chapter six contain task of my internship period and chapter seven contain findings, recommendation, and conclusion.

## Limitations of the study

From the beginning to end, the study has been conducted with the intention of making as a complete and truthful one. However many problems appeared in the way of conducting the study.

The sources of the information are collected from the Dhaka stock exchange websites and its archives.

Every task has some limitations. I faced some usual constraints during the preparation of this study. These are as follows:

* Collecting information
* Inadequacy and lack of availability of required current data
* The Busy working environment of the officers
* Different format of data
* Limitation of times
* Sometimes officials deny disclosing some information as to maintain secrecy
* Sufficient books, publications, and journals were not available.

**SECTION II**

**CAPITAL MARKET OF BANGLADESH**

# Section Two: Capital Market of Bangladesh

## An overview

The capital market is one of the key determinants of economic development through the mobilization of dispersed resources and their allocation to appropriate areas. The liquidity, solvency, and efficiency of a country's economic system can be better ensured by a well-organized capital market. It acts as an intermediary between investors and companies seeking additional capital financing. The securities market allows listed companies to raise additional capital quickly and cheaply because they enjoy a good reputation. A dynamic and liquid securities market encourages increased savings by offering attractive and rewarding securities in terms of higher yield, lower risk, and easy cash conversion option. As a result, a dynamic capital market is likely to signal a robust economy.

Capital markets are long-term government securities, corporate bonds, equities, municipal bonds issued by local and state governments, and mortgages. A capital market is a market for debt and equity securities, where businesses and governments can raise long-term funds. It is defined as a market in which money is lent for periods longer than one year, because obtaining short-term funds takes place in other markets, for example, the money market. The capital market includes the stock market (equity securities) and the bond market (debt).

Capital markets include primary and secondary markets. The primary markets are those where new issues of shares and bonds are sold by subscription to investors. Secondary markets are the places where existing securities are sold and purchased from one investor or dealer to another, usually on a stock exchange, over-the-counter or elsewhere.

Industry and commerce, as well as government and local authorities, mobilizing capital in the capital market, which performs several important functions in the economic development process. The most important of these is the promotion of savings and investment and the efficient allocation of funds between competing uses.

Capital market participants are numerous. They include commercial banks, savings and loan associations, savings banks, banks, financial corporations, investment bankers, leasing companies, investment banks, investment companies, investment, investment clubs, and pension funds, stock exchanges, security companies, underwriters, portfolio managers and insurance companies and the individual investors.

##  Features of Bangladesh Capital Market

The capital market of Bangladesh is growing, albeit at a slower pace than many would like, with market development still at a nascent stage. The market has seen a lot of developments since the inception of the Securities and Exchange Commission (SEC) in 1993. After the bubble burst of 1996, the capital market has attracted a lot more attention, importance and awareness. But in 2010, DSE general index reached to the highest point. After climbing the highest point it started to fall sharply and it had broken all previous records of decreasing index. After that, BSEC has taken some steps to protect the investors, which has led to the infrastructure we have in the market today.

The main features of the Bangladesh capital market are discussed below:

###  Number of Listed Securities

The number of listed companies, in general, is very low in Bangladesh compared to that of our neighboring countries. Only 572 companies (until January 2018) are enlisted with DSE. It has been demonstrated that there are a number of commercially viable companies that can become public and enjoy the benefits of using float funds.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Name of the Industry** | **Quantity** |  |
| 1 | [Bank](http://dsebd.org/companylistbyindustry.php?industryno=11) | 30 |  |
| 2 | [Cement](http://dsebd.org/companylistbyindustry.php?industryno=21) | 7 |  |
| 3 | [Ceramics Sector](http://dsebd.org/companylistbyindustry.php?industryno=24) | 5 |  |
| 4 | [Corporate Bond](http://dsebd.org/companylistbyindustry.php?industryno=26) | 1 |  |
| 5 | [Debenture](http://dsebd.org/companylistbyindustry.php?industryno=91) | 8 |  |
| 6 | [Engineering](http://dsebd.org/companylistbyindustry.php?industryno=13) | 36 |  |
| 7 | [Financial Institutions](http://dsebd.org/companylistbyindustry.php?industryno=28) | 23 |  |
| 8 | [Food & Allied](http://dsebd.org/companylistbyindustry.php?industryno=14) | 18 |  |
| 9 | [Fuel & Power](http://dsebd.org/companylistbyindustry.php?industryno=15) | 19 |  |
| 10 | [Insurance](http://dsebd.org/companylistbyindustry.php?industryno=25) | 47 |  |
| 11 | [IT Sector](http://dsebd.org/companylistbyindustry.php?industryno=22) | 8 |  |
| 12 | [Jute](http://dsebd.org/companylistbyindustry.php?industryno=16) | 3 |  |
| 13 | [Miscellaneous](http://dsebd.org/companylistbyindustry.php?industryno=99) | 12 |  |
| 14 | [Mutual Funds](http://dsebd.org/companylistbyindustry.php?industryno=12) | 37 |  |
| 15 | [Paper & Printing](http://dsebd.org/companylistbyindustry.php?industryno=19) | 2 |  |
| 16 | [Pharmaceuticals & Chemicals](http://dsebd.org/companylistbyindustry.php?industryno=18) | 29 |  |
| 17 | [Services & Real Estate](http://dsebd.org/companylistbyindustry.php?industryno=20) | 4 |  |
| 18 | [Tannery Industries](http://dsebd.org/companylistbyindustry.php?industryno=23) | 6 |  |
| 19 | [Telecommunication](http://dsebd.org/companylistbyindustry.php?industryno=27) | 2 |  |
| 20 | [Textile](http://dsebd.org/companylistbyindustry.php?industryno=17) | 50 |  |
| 21 | [Travel & Leisure](http://dsebd.org/companylistbyindustry.php?industryno=29) | 4 |  |
| 22 | [Treasury Bond](http://dsebd.org/companylistbyindustry.php?industryno=88) | 221 |  |
|  | Total Companies: | **572** |  |

Table: Number of listed securities in DSE

 *Source: DSE website*

### Instability in Market

A market is unstable if stock prices have significant variations that are considered abnormal. Over the last ten years, there have been significant fluctuations in the index. The double-digit jump at the beginning of the second half of 1996 raised the index to more than 3600, but fell to 2300 at the end of the year, if not at the same pace. The decline was most pronounced in 1997 when the index was reduced to 756.8 in 1997. The downward trend continues in 1998 and 1999 at a slow pace, with some minor fluctuations. After that, the DSE index continued to increase over time to 2960 in 2009. In 2010, the main DSE index of December 5 was 8655. In April 2013, DSEX reduced to less than 3500. In 2016, the 25 January DSEX index was 4333.33 points.

###  Low Foreign Investment

The role of foreign direct investment (FDI) and foreign portfolio investment (FPI) in the development of Bangladesh's capital market is undeniable. However, the stock market crash of late 1996 and also in 2010 had particularly distanced foreign investors. FDI inflows as a percentage of GDP were only 0.9%, 1.1%, and 1.5% respectively in 2017, 2016 and 2015 and the FDI gross fixed capital formation were 5138.39 million, 6028.3 million, 7043.96 million respectively in 2016, 2017 and 2018.

### Insufficient Tradable Capital Instruments

Illiquidity is rather intensified by the absence of varied tradable capital instruments. The Bangladeshi and foreign investors are experiencing the scarcity of diversified products in Bangladesh. The platform of this market is supply and demand mismatch. Due to the absence of diversified products, the liquidity of the market is declining. Most of our instruments are equity now. Municipal bonds and derivatives markets need to be developed to close the gap. Introducing the option and the future market to our capital market can be a solution to the above information.

### Low liquidity level

The stock market in Bangladesh is characterized by a narrow market with a low capitalization ratio and a low level of liquidity. If a large investor tries to sell a relatively large amount, it will lead to a sharp drop in prices, that is, an erosion of the value of capital, thus contributing to illiquidity. It is observed that trading on certain stocks takes place once a month or even moved at longer intervals. High turnover is often seen as indicative of low transaction costs.

### Lack of investor awareness

A large part of our educated population still needs to be attracted to the stock market. They must be persuaded, informed and trained. An investment culture needs to be developed in our country. From this point of view, DSE & SEC occasionally organize the investor awareness program and DSE has set up a training academy to train general investors as well as authorized representatives.

### Asymmetry of information

Access to information remains a major problem in the market. While a handful of institutional investors can benefit from certain advantages because they have an investment unit with qualified agents, there is nothing for retail investors. And, in the absence of independent research houses, retail investors focus primarily on advice given by their brokers, and rumors. This is scary and often leads to huge losses for small investors who are vital to a low-income, pre-emerging market like Bangladesh.

Filtering information between different types of investors may leave room for manipulation, this assumption was proven in 1996 and also in 2010 to the detriment of many individuals and households.

### Weak corporate governance

The level of corporate governance of the international standard is lacking. Inadequate disclosure requirements and the culture of family conglomerates prevent the expansion of corporate governance in the local industry. Unless the local market adheres to and effectively enforces a standard corporate governance system, there will be no equal playing field for international Companies vis-à-vis local operators.

## Reasons for underdevelopment

Access to high quality and credible corporate information remains a major problem in the market. The market does not have an adequate number of fundamentally sound scrip’s. The authorities should not force major corporations to come into the market, without creating an enabling environment.

The government has reduced the interest rates on savings instruments. However, this particular market is still limited to the commercial banks, and individual investors do not have access to these instruments.

An important aspect for capital market is reflection of fair value of scrip’s. This is not adequately present in the current scenario, and due to this reason the market is not receiving the attention of an important segment of investors, both foreign and local.

## Securities market: the current scenario

### Marketable securities

The total number of listed securities is 572 at Dhaka Stock Exchange on January 31, 2018. Of these 314 companies, 37 are mutual funds, 221 are treasury bills.

### Market Capitalization

The market capitalization of the FSD was TK 3810685.584 million at the beginning of the 2017 financial year and amounted to TK 4228945.456 million in December 2017. In January 2018, the market capitalization reached to TK 4285095.451 million.

## Share Price Index

###  (DSEX) and (DSE 30 Index)

Dhaka Stock Exchange (DSE) launched two indices, under the name of DSE Broad Index (DSEX) and DSE 30 Index (DS30), both based on the free market Float (FF) Capitalization (MCAP) of listed securities. DSE worked with a team from Standard & Poor's (S & P) to formulate the two new indices using the S & P methodology. The indices were launched on January 28, 2013. Previously, DSE maintained three indices: the index share prices (DSI), the general DSE index (DGEN) and the DSE-20 index (DS20). DSEX replaced DGEN as the general index of the Exchange - the benchmark, while DS30 replaces DS20; there will be no substitute for DSI. Three types of indices, General Price Index, DSE 30 and DSE Broad Index (DSEX), are now used by the DSE to properly highlight the market situation.



Year: 2018

**Fig 1: DSEX Index**



**Year: 2018**

**Fig 2: DS30 Index**

### [DSEX Shariah Index](http://dsebd.org/display_news.php%22%20%5Ct%20%22_blank) (DSES)

The DSEX Shariah Index (DSES) was launched on January 20, 2014. It will serve as a Sharia-compliant market benchmark for measuring the performance of the Bangladesh stock market. S & P Dow Jones Indices has been a consultant for the Dhaka Stock Exchange in designing methodologies for the DSEX Shariah Index. The Index is constructed as a subset of the DSE Broad Index (DSEX) and includes all actions included in the parent index that pass rules-based filters for Shariah compliance. Broad Index DSEX components are selected based on two general settings: the sector screen and the accounting screen.



Year: 2018

**Fig 3: DSES Index**

*Source: DSE Index*

**SECTION III**

**Overview of Dhaka Stock Exchange Limited**

# Section Three: Overview of Dhaka Stock Exchange Limited

## Brief History

The Dhaka stock exchange was established on April 28, 1954, as the East Pakistan stock exchange association limited after the realization of the necessity of establishing such course by the then govt. in 1952. In 1956, the formal trading of the bourse began. And it was renamed as East Pakistan stock exchange limited on June 23, 1962. And the name of the stock exchange was once again changed to Dacca Stock Exchange Ltd. On May 13, 1964.

 If we go back to the beginning, we learned that the Calcutta Stock Exchange prohibited trading in Pakistani stocks and shares. Shortly thereafter, the province's Industrial Advisory Council created an organizing committee for the formation of a stock exchange in East Pakistan. The then central government's proposal to open a branch in Karachi by the Karachi Stock Exchange was not welcomed by the meeting, which estimated that East Pakistan should have an independent stock exchange. It has been suggested that the Dhaka Chamber of Commerce and Industry should approach its members for the purchase of membership cards. The location of the exchange was supposed to be Dhaka, Narayanganj or Chittagong. An organizing committee was appointed composed of commercial and industrial personalities of the province with Mr. Mehdi Ispahani as an animator to organize the exchange.

It was also decided that the subscription would be RS. 2000 and the subscription rate RS 15 per month. The Exchange was to have no more than 150 members. A meeting of the promoters took place in the chamber on 03.09.1953. It was decided to appoint Or Dignam & Co., lawyers to draft the Stock Exchange Memorandum and Articles of Exchange based on stock exchange rules existing in other countries and taking into account local conditions.

In 1958 he was moved to Dhaka and started working in the Narayangonj House building atMotijheel C / A. On October 1, 1957, the Stock Exchange bought from the government a land of 8.75 kathas at 9F Motijheel C / A transferred the stock market to its own location in 1959. The service on the stock market continued uninterrupted until 1971. The trading was suspended during the war of liberation and resumed in 1976 with the change of economic policy of the government. Since then, the stock market has not looked back and has continued its journey contributing to its journey contributing to the nation's development activities. On August 10, 1998, the DSE launched an automated real-time hands-on trading system over the local area network (LAN) and wide area network (WAN). DSE upgraded its automated trading system on August 21, 2005. The Central Depository System (CDS) for electronic trading of stocks started in the DSE. Later, the Exchange became a Full Depository Participant (CD) of the CDBL to facilitate the trading of its non-PD members. Government Bonds debuted on the DSE on January 1, 2005.

The SEC has approved the Dhaka Stock Exchange Direct Dedication Regulations, 2006, as proposed by the DSE, which has paved the way for the direct registration of large profitable Companies to the DSE. A new registration regulation is also in the final stages to meet the changing needs of the economy. Following the introduction of automation on August 21, 2005, DSE brokers started trading securities of Chittagong, Sylhet, Rajshahi, Comilla, Narayanganj, and Uttara. Thus, during its 50-year journey, the Dhaka Stock Exchange made a significant contribution to Bangladesh's economy by providing a unique venue to increase investment by members of the public.

## Organ gram of DSE

**BOARD OF DIRECTORS**

 MD

 COO

 CFO

 CTO

Head of IT

Financial Controller

 Secretary

 Manager

* Company Affairs
* Members Registration
* Admin & HR
* Listing
* Legal
* Research
* Publication

* System
* Network
* Application Support
* MIS & Development
* Clearing & Settlement
* Accounts
* Budgets
* CDBL
* DP
* Surveillance
* Inspection & Enforcement

## Owners of DSE

Members are the owners of DSE. DSE has 238 members who are also shareholders of the Exchange. Members are authorized by the SEC to transact business as a broker or dealer. All broker houses have been corporatized in 2006. There is a provision for 500 members.

## Functions of DSE

* List of companies (according to the regulations of registration)
* Provide the market for trading listed securities, settlement of transactions.
* Publication of the daily and monthly index etc.
* Follow-up of the activities of listed companies (In accordance with the registration regulations).
* Provide automated trading based on screen listed securities.
* Settlement of Transactions (in accordance with the Settlement of Transactions Regulations)
* Share donations / granting of approval to the transaction / transfer of shares outside the trading system of the stock exchange (in accordance with the regulations on listings 42).
* Administration and control of the market.
* Market surveillance.
* Publication of the monthly magazine.
* The Grievance of the investor Cell (Disposition of the complaint bye laws 1997).
* Investor Protection Fund (in accordance with the 1999 Investor Protection Fund Regulations)
* The Announcement of price sensitive or other information on listed companies online.
* The clearing and settlement module manages trade from the point of entry into the settlement pool database until it has been delivered and settled and removed from the settlement pool. It consists of three major business processes.

## Divisions of DSE

Basically, there are six divisions of Dhaka Stock Exchange Ltd. The divisions are:

* Division Information and Communication Technologies (ICT) Division,
* Finance and Accounts Division,
* Human Resources and Administration Division
* Market Development Division
* Business Division of the company
* Regulatory Affairs Division

There are 35 departments in these six divisions. Among them, some large departments and their functions are as follows:

## Market-oriented targets

* Increase the market capitalization to 30 billion US dollars.
* The ratio of market capitalization to GDP should be increased to 35%.
* The volume of daily exchanges will be raised to BDT 2000 core.
* To develop trading facilities at the door of investors.
* By facilitating the process of introducing the book building method, healthy and good companies should be encouraged to list on the stock exchange.
* Financial presentation to broaden and deepen the capital market.
* Bond market to be activated to increase the depth and size of the capital market.

## Institutional Internal Visions

* Create a trained and qualified human resources team for the DSE who will assume the responsibilities and who will be in charge of all kinds of tasks to discharge with efficiency and professionalism.
* Advanced technology in IT infrastructure to facilitate seamlessly automated trading activities, which will ensure accountability and visible transparency.
* Establish an effective national online clearinghouse; to bring more transparency to trade in financial instruments and to reduce delays.
* Revise the necessary rules and regulations (in particular the 1998 regulations and the statutes of the CDBL).

## Protection of Investor Interests

* Focus on time to protect investors' interest in bringing dynamism and more dynamic market participants.
* Focus more on the investor education program to educate them properly.
* Dissemination of information and active strategies to reduce the degree and size of rumors.

## Types of Market in DSE

There are four types of market in DSE that are described below,

### Public Market

The public market is the market where the instruments (shares, bonds, etc.) are traded at normal volume. This is the general market where the trading of the investor's securities and the place where the new investor will likely start trading in his desired actions.

Here all the securities are traded in multiples of lots. In batches we mean the number of shares that the company can issue at a time, e.g. A lot of 50 shares means that the shares of the company can only be bought / sold in lots of 50

### Spot market

In this market, the instruments are traded in normal volume (as part of a securities transaction, if any) without the settlement process as the transactions and payments occur at the same time. The shares are also traded in lots on the spot market.

### Strange lot market

In this market, odd lots of all instruments are exchanged. The lots can become "weird", that is, not in line with the company's lot specification if the company offers a "bonus" of 20%, so a person with 50 shares now has 50 + 10 shares of the company. The 10 is the odd lot. However, if the lot is 50, then 5 odd lots of 10 shares each will form a single batch of 50 lots.

### Block Market

The block market is the market where instruments are traded wholesale (very large volumes). All large transaction volumes are in the block market, where the minimum limit has been set at Tk. 5 lakh, i.e. transactions on the block market, must exceed Tk. 5 lakh to be a valid block trade. Bulk trades are not self-matched but rather open to trading between participants who can decide on a price that differs from the current market value.

## Clearing & Settlement

The clearing and settlement process manages trade from the point of entry into the settlement pool database (where all transactions are suspended until settled) until all items in the pool have been delivered and "settled".

For compensation, we mean the process of declaring and affirming the participants' trade, billing and the assignment of settlement instructions. By Regulation and saying that such-and-such an object has been settled, we mean the process of monitoring that the delivery of all instruments to the buyer and the payment of all royalties to the seller took place before withdrawing the pending trade to be regulated from the Basin Regulation. All instruments are classified into five groups according to their respective clearing and settlement cycles. The cycle times are indicated by symbols such as "T + 1", "T + 2", etc. Here, the T represents the day when the trade takes place. The '+1' added to the T signifies the day of the transaction plus 1 more business day (not a holiday or a weekend), i.e. the business day following the exchange. In the same way, the symbolism "T + n", where "n" is the number of days after the trade, will be used in the following explanation. This means that, if the security is T + 2, then you will have to wait for the trading day plus two business days for the settlement process to end before selling that particular security or to use the funds from the sale of that security. Titles are also of two forms; Non-Demat (physical actions that were not done in electronic actions) and Demat (electronic actions without physical form). All titles are divided into groups A, B, N, G and Z.

The current settlement date for different CDBL & CCP class instruments is shown in the next page-



 *Source: The Trading system of DSE*

**SECTION VI**

**IPO APPROVAL PROCESS**

# Section Four: IPO Approval Process

## IPO and allotment mechanism of securities issued

## The Process of Listing of DSE through IPO

 The public issuance of any security and its eligibility criteria are governed primarily by the rules of the Securities and Exchange Commission of Bangladesh, 2015. The 2015 Dhaka Stock Exchange (Listing) Regulations provide guidance on conformity.

There are two possible ways to be listed with DSE:

1. Quotation via initial public offering (IPO):

 (a) Fixed price method, when offered at face value; or

 (b) Book-building method, when offered above face value.

2. Unloading Shares by Direct Registration under the Dhaka Stock Exchange Regulations 2015 (Listing).

### Eligibility Criteria for being listed at DSE

There are some criteria for being listed as a company which are given below:

#### General Requirements:

An issuer may apply for a public offering of its securities, if -

* It offers an amount at least equivalent to 10% of its paid-up capital (including the envisaged offer) or Tk. 15 cores at face value, whichever is greater;
* It has a minimum paid-up capital of Tk. 15 core;
* It made no material changes, including the increase in paid-up capital after the date of the audited financial statements as included in the prospectus;
* The issuing manager is in no way connected to the fact that the issuer does not hold any of its securities;
* It has prepared its financial statements in accordance with the requirements of the Securities and Exchange Rules of 1987, the provisions of IFRS / IAS as adopted in Bangladesh and audited in the same manner as the Bangladesh Auditing Standards (BSA) and the law on companies, 1994 and other applicable legal requirements;
* He had the costs audited by professional accountants in accordance with the Companies Act of 1994, if applicable;
* Its most recent financial statements have been audited by the panel auditors, as stated by the Commission from time to time;
* It regularly participated in the annual general meeting (AGM);
* It has complied with the provisions of the Governance Guidelines issued periodically by the Board;
* It has complied with all the requirements of these rules in the preparation of the prospectus;
* It has no accumulated retained loss at the time of the application;
* It has complied with the provisions of the asset valuation guidelines if any, as published by the Commission from time to time; and
* The Issuer or any of its directors is not a bank default.

#### Additional Requirements for fixed price method:

* If it has been commercially operated for at least the last three (3) years, it has a net after-tax profit and a net operating cash flow of at least the last two (2) years; if it has been commercially exploited for less than three (3) years, it has net income after tax and net operating cash flow at least for the last fiscal year; if it has not yet started commercial activity or has not yet completed a fiscal period, after-tax net income and net operating cash flow are positive; and
* At least 35% of the issue was underwritten on a firm commitment basis.

#### Additional Requirements for book building methods:

* It has been commercially exploited for at least the last three (3) years;
* It achieved a net profit after tax for at least the last two (2) years;
* It has a positive net operating cash flow of at least the last two (2) fiscal years;
* It appointed separate persons as a file manager and registrar to the issue of managing the issue;
* The issuer / issue has been rated by a credit rating company registered with the Commission;
* At least 35% of the issue was subscribed on a firm commitment basis by the subscriber (s).

#### Direct list:

Prerequisites of an issuer to become eligible for direct registration:

* Must have the minimum paid up capital of Tk. 300 (three hundred) million
* Must not have any accumulated loss
* Will be in commercial operation for at least the last five (5) years
* Have a profit over three (3) years over the last five (5) accounting / financial years ended with steady growth;
* Is regular in holding the Annual General Meeting (AGM).
* Did not raise any capital (excluding the bonus issue) in the last two (2) years
* Did not issue the same class of securities as the issuance of premiums in the last two (2) years prior to the submission of the registration
* Must have positive net current assets (current assets less current liabilities) at the end of the previous three (3) accounting / financial years.
* Must have positive net cash flows from operating activities for the last three (3) accounting / financial years
* Must comply with the provisions of corporate governance guidelines as prescribed by the Board from time to time
* Any of its sponsors / administrators is not a bank default
* Has been awarded a rating by a credit rating company
* Prepared its financial statements in accordance with the requirements of the Securities and Exchange Regulations of 1987 and the provisions of International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) adopted in Bangladesh and verified in the same manner as International Standards on Auditing (ISA) as adopted in Bangladesh.

### The Terminology of the salient point

* "Initial public offering or IPO" means the first offer of securities by an issuer to the general public;
* IPO methods: -

(a) The fixed price method, when offered at face value; or

(b) book-forming method, when offered above face value.

(c) "Fixed price method" means the process by which an issuer offers its securities at face value;

* "book-building method" means the process by which an issuer attempts to determine the offering price of its securities based on the demand of eligible investors;

"Bidders" means the eligible investors who participated in the bid solicitation;

* "limit price" means the lowest price offered by bidders for which the portion of the total eligible investors (EI) could be exhausted;
* "road show" means the presentation by an issuer and an issuing manager to eligible investors (EI) of the issue of securities disclosing all characteristics;

"Direct Registration of Securities" means the listing of any unlisted security or the re-listing of any security delisted, including over-the-counter securities, the Exchange discharging its existing securities without issuing other securities. Securities by public offer; (LR 8 - 13)

"Eligible Investor or EI" means the following institution that has a commercial activity / investment in Bangladesh and that is registered with the electronic scholarship subscription system:

I. Bankers and Portfolio Managers

ii. Asset management companies;

iii. Mutual Funds and Collective Investment System (CIS);

iv. Stock traders;

v. the banks;

vi. Financial institutions;

vii. Insurance companies;

viii. Alternative investment fund managers;

ix. Alternative Investment Funds;

x. Foreign investors with an account with any securities depository

Register with the Commission;

xi. Recognized provident funds, registered pension funds and

Approved Gratuity Funds; and

xii. Other institutions approved by the Commission

## IPO Approval Process

According to Bangladesh, IPO approval process are given below:

### Decision to go public

* Make the decision of the Council to make public
* Appoint a Program Manager (s) from the list approved by the Bangladesh Securities Commission (BSEC)
* Determine the public offering method with the help of the Issue Manager - Fixed Price or Book Building or Direct Listing.
* Obtain audited accounts by a group of auditors approved by the BSEC
* Launch the solvency assessment process - Mandatory for the Bank, Insurance, NBFI and any problem with the offer price at the premium (book calculation method)
* Develop a corporate website.

### Preparing a Draft Prospectus / Prospectus Red-Herring / Draft Memorandum

* Assist the issuing manager in preparing the draft prospectus in accordance with the rules of the Securities and Exchange Commission of Bangladesh (public publication), 2015
* Appoint underwriters
* In the case of an IPO according to the book construction method
* Prepare a red herring flyer
* Send an invitation to eligible investors (EI) for the Road Show
* Driving Road Show
* Collect the comments and observations of the IEs who participated in the tour in accordance with the rules of the Bangladesh Securities Commission (Public Issue) Rules, 2015
* Finalize the Red-herring flyer

### Apply to the BSEC for the public offer

* Ask the BSEC for the IPO under the rules of the Bangladesh Securities and Exchange Commission (public edition), 2015.
* Simultaneously submit copies of the Prospectus / Prospectus Prospect together with the relevant documents on the stock exchanges.
* Assist the issue manager in updating the draft prospectus in order to comply with or fill gaps identified by BSEC / Exchange.
* Post the Proposed Draft Prospectus / Red-Herring Prospectus on the Company's and the Program Manager's website.

### Submission by eligible investors or EIs (for book construction only)

* Obtain BSEC's consent for the auctions;
* Apply to exchanges for holding bidding with BSEC consent for bidding.
* Sign an agreement to share the Book Building Software (ESS) for the tender and the payment of its fees;
* Determine the basic price via ESS;
* At the end of the call for tenders, draw up the list of EI allowances and the price of the Stock Exchange;
* Submit the tender details and the draft flyer to the BSEC for approval.

### Approval of IPOs

* Collect the consent letter issued by BSEC
* Print an abridged version of the approved and vetted prospectus in two Bengali newspapers and two widely distributed English newspapers
* Print the final prospectus
* View the verified prospectus on the website of the issuer, the program manager, the commission and the exchange.
* Apply for listing with Exchanges in accordance with BSEC rules, 2015 & the listing regulation of the Exchanges.

### Subscription and lottery

* Start subscribing to the IPO through designated stock brokers / merchant bankers.
* Assist the issuance manager and the registrar with the issuance and publication manager of the numbers to complete the formalities relating to the underwriting, lottery, repayment, and credit granting actions to the beneficiaries.
* After the subscription period, submit the subscription status to BSEC and the stock exchanges where the issuer wishes to be registered.
* Organize the lottery in case of over subscription under general public category.
* Distribute the securities on a pro rata basis in case of underwriting in the category of eligible investors.

### Allocation and reimbursement

* Distribute the award letter electronically and complete the refund process
* After distribution of award letters / completion of the reimbursement, submit a compliance report to the Commission and exchanges.
* If the issue has not been subscribed by the minimum quantity required, refund the subscribers.

### Listing Approval by the Exchanges

* After distribution of award letters / refund orders and compliance with other requirements, the issuer's application for registration is subject to registration approval.
* Application for registration is APPROVED or REJECTED

### Share / credit units

* If the listing is approved by the Exchange, the issuer must request the CDBL to credit the transferable shares / units according to the attribution.

### Commencement of trading of scripts on the course

* The commencement date of trading is announced by the respective exchange when the shares or units are credited and confirmed by the CDBL.

**SECTION V**

**DEPARTMENTAL FUNCTIONALITIES OF LISTING AFFAIRS DEPARTMENT**

# Chapter 05: Departmental Task of Listing Affairs Department

## The Task of Listing Affairs Department

###  Processing IPO under fixed price and direct enrollment

1. Receive a copy of the application along with the prospectus and relevant documents

2. Prepare a preliminary financial analysis of the financial data provided by the issuer

3. Verify compliance with the requirements of the public issue rules / direct listing rules and other related rules and regulations

4. Inquire with companies about issues related to issuers, submitted documents, account books, transactions, etc.

5. Place the analysis on the IPO applications at the Expert panel

6. Visit the factory premises and the issuer headquarters to inspect the questions according to the instructions of the expert panel

7. Take the measures prescribed by the expert panel (Panel of Experts dissolved on 10 March 2013 at the 735th meeting of the Board)

8. Organize expert panel meetings, agendas and minutes of meetings;

9. Place the final observation of the expert panel at DSE BOD;

10. Forward Observations of DSE BOD to BSEC.

11. Contact the BSEC for notices of compliance and other formalities under the direct registration regulations;

12. Information relating to the validation of documents submitted under the direct registration rules.

13. Participate in the IPO lottery program conducted for determining allottees by issuers.

14. Check the compliance status of the application for registration in accordance with the requirements of the registration rules and place the same at BOD for registration.

15. Follow the book building method for determining the price of direct listing.

16. Corresponds to BSEC, issuer, CSE, CDBL and other stakeholders regarding the listing.

17. Check the compliance status regarding trading and correspondence with the BSEC, the Issuer, the CSE, the CDBL and other stakeholders regarding the trading.

18. Prepare the system file for the ICT Division for transaction purposes.

19. Maintenance of data for lock details.

20. Prepare agreements for the listing and conduct of the inaugural trading ceremony.

###  IPO processing under Book Building Method

 1. Review and process the registration of eligible institutional investors for pricing purposes under the book-making method.

2. Publish data / news on book building software

3. Participate in road shows as an observer

4. Sending the results of the call for tenders after the end of the submission period to the issuers, BSEC, CSE, CDBL etc.

5. Deal with other relevant functions mentioned in the fixed price method.

###  Listing of Treasury Bills and Mutual Funds

1. Prepare a memo to the Board for listing of TB (no TB listed since October 2011, when the MI Module with secondary market and deposit facility was launched by BB) and MF;
2. Corresponds to BSEC, Bank of Bangladesh / Asset Management Company (AMC), CSE, CDBL and other stakeholders regarding registration;
3. Check the compliance status regarding operations and correspondence with BSEC, AMC, CSE, CDBL and other stakeholders regarding mutual fund trading;
4. Prepare the system file for the ICT Division for trading;
5. Prepare an agreement for the registration of mutual funds and the conduct of the inaugural mutual fund trading ceremony.

### Data Display on the DSE Website

#### In the case of a fixed price method:

I. Once the IPO is approved by the SEC, the summary and subscription dates are published on the DSE website under "Future FTO Approved by the SEC" and an electronic copy of the prospectus is published under "Prospectus of the SEC". 'Initial Public Offering".

ii. Lottery results are displayed under "IPO Lottery Results"

iii. Once a company is listed, a summary of the data for the IPO is published under "IPO Archive"

#### In the case of book building method

I. The briefing note is posted before the Road Show under "Information Memorandum submitted for Road Show"

ii. The prospectus submitted with the indicative price for the start of the call for tenders is published under the heading "Prospectus submitted for consent at the beginning of the call for tenders".

 iii. Follow a process similar to the display of the fixed price method;

#### In case of direct registration

I. The information document is published under "Companies applying for direct registration"

ii. Data relating to companies that unload shares under a direct listing is displayed under the heading "Companies unloading shares".

iii. The data archive is published under "Direct listing archives"

### Continuous Listing

1. Verify the continued compliance of listed companies in accordance with the requirements of the Listing Rules and the Securities Ordinance, laws, rules, orders, notifications, regulations, etc., as the case may be;

2. Make requests to listed companies for non-compliance or misrepresentation

3. Take the necessary regulatory action in accordance with the registration regulations as required, including interruption of trade and suspension

4. Provide advice / clarification on rules or regulations / answer all questions from issuer, investor or capital market stakeholders

5. Maintain the database and provide timely instructions for adjusting the actions in the DSE indices for the free lock portion

6. Maintain the database for the monthly shareholding position

7. Prepare responses to requests from regulatory authorities

8. Visit the premises of the factory / head office of listed companies, if necessary

9. Update of addresses and telephone numbers of listed companies

10. Maintain the phone numbers of the CEO / CFO and Corporate Secretary of listed companies and update the same

11. Process requests made under Regulation 42 of the Registration Regulations

* + **Form III (A) for Gift:**

 I. check the documents to ensure the relationship

 ii. The Place to the CEO for approval

 iii. Issue a letter of approval

 iv. Collecting of service fees of 0.05% on the price of the shares sold

* + **Form III (B)**

I. Verify whether the application submitted is admissible under paragraph 42 (b) for the approval of the transfer of foreign trade funds

ii. Check all relevant documents

iii. Place to CEO for recommendations

iv. Send to SEC with the recommendation of the CEO

###  De-Listing

1. Check the compliance status of listed securities

2. Place a memo on the board to unsubscribe

3. Corresponding to BSEC, issuer, CSE, CDBL and other stakeholders regarding delisting

4. Provide the necessary information to the ICT division to write off any instrument

###  Tax Collection Cell (TCC)

There is another wing under the Registration Business Department to collect Capital Gains Tax from the sale / transfer of Shares by the Sponsor / Directors / Placement Holders for submission of the same to the Board national income. The functions are:

* Recover capital gains tax from the sale / transfer of shares by the sponsor / administrators / holders of an investment pursuant to Section 53M of the 1984 Capital Tax Ordinance Income
* Submit the collected tax to the BNR with the help of the Finance Division
* Prepare and provide tax certificates
* Provide assistance for tax assessment under Section 53M

###  Complaint cell

1. Receive complaints in hard copy, email and transmitted from BSEC

2. Entry in the database of complaints received from investors and stakeholders

3. Forward the complaint to the respective companies

4. Receive company responses and forward them to the respective complainants

5. Report monthly to the BSEC on the status of complaints received

### Reporting Free-Float Reports

1. Receive floating reports from listed companies each month

2. Maintain the database for free float

3. Report monthly float data to the BSEC regarding the status of floating shares of listed companies, including the list of companies that did not submit data

###  Regulation

1. Propose any required modification and / or request of the BSEC in the current listing regulations, the regulation of direct listings, the rules of the Securities and Exchange Commission (2006), the Securities Settlement Guarantee Fund Regulation of 2006 DSE, Securities and Exchange Commission (Private Debt Offering), 2012, etc.

2. Prepare reports for proposed changes and submit to the DSE Board

3. Draft the DSE proposals on any proposed amendment to any rule and forward it to BSEC for final approval

###  Management of the index

1. Collect and compile index related data as needed.

2. Coordinate with R & D and MOP to prepare and implement all required changes in DSE index.

###  Automation

1. Prepare requirements for any new software and modifications for existing software.

2. Prepare documents with processes related to the management of the IPO up to the list.

3. Coordinate with the agent assigned by ICT and develop the IPO software.

4. Test of software developed by ICT.

5. Listing Affairs Server maintenance located in the department.

###  Other

1. Any other task assigned by the DSE management as needed.

2. Facilitate all functions of management committees or other committees as needed with appropriate support

**SECTION VI**

**TASK OVER INTERNSHIP PERIOD**

# Section 06: Task over Internship Period

## My Task over Internship Period

I worked in DSE at Listing Affairs Department for the purpose of the internship program for 3 months. Over the internship period, I was engaged in different activities which are generally done by a respected person of Listing Affairs Department.

Now I give a brief summary of whatever I did at LAD in the below:

### Update Address of Listed Companies

There are 304 listed companies. And their address should be updated. Every company has a head office, corporate office, registered office, share office, and factory. And it is necessary to update all the office address and as well as update all the head offices & corporate offices telephone number, fax number & PABX. And need to update every company’s official website and official email address. And all the addresses should be collected from monthly shareholding.

### Update Free Float Securities

Free float securities mean a trade-off share. Free float securities should be updated on a monthly basis. In every month, date from 1 to 5, need to update the information about a trade-off securities in the DSE website.

### Update Contact Number of Listed Companies Secretary

There are 304 listed companies and Mutual funds. And every company has a secretary, assistant secretary and head of a share department and so many other respected persons. Need to collect and update their names, contact numbers, their personal email addresses.

### Placed on Monthly Shareholding Alphabet wise

Listing Affairs Department of the DSE receives the monthly shareholding of listed companies in the first week of every month. This information needs to be place in order of the alphabet of the company’s names which is easy to find out any particular listed company.

### Checked the Tax Certificate

In Listing Affairs Department, there is another wing to collecting the tax on capital gain for the purpose of transfer or sale of share by the sponsor/directors or place holders for onward submission of the same to NBR. And for the purpose of collecting tax, need to check out the tax certificate whether everything of information is alright or not. Tax certificate has two copies. One is office copy and another one is client’s copy. After checking the certificate, need to give a signature on the office copy and attested the copy with the seal of Managing Director of Listing Affairs Department.

### Checked Different Types of Annexure

There are different types of annexures. Other than this, I also checked different types of deeds like property deed and so on.

### Checked the Listed Companies Website

Every listed company should have a website linked with DSE for the investor. And in the website, they should maintain an investor tab separately.

According to the listing regulations, a listed company should include Affairs of the company, profile of the board of directors, financial reports, directors’ report, price sensitive information, details of the shareholdings, the status of buy/sale of sponsors/directors, the status of compliance with the corporate govt. guidelines, investors relation department, and notice.

Need to check if all of these things are included in the investor’s tab or not. If anything wasn’t updated then need to call that listed company and tell them about information update.

**SECTION VII**

**FINDINGS, RECOMMENDATION, AND CONCLUSION**

# Section 07: Findings, Recommendations, and Conclusion

## Findings

Development of the Capital Market is essential to Bangladesh future. Major industry investment creates, directly and indirectly. But there are some problems regarding Bangladesh Capital Market and IPO approval process which are given below:

### Problems of Bangladesh Capital Market

There are some problems of Bangladesh Capital Market which are given below,

* Lack of liquidity

Liquidity is the ability to absorb a large number of transactions without causing excessive price movements. In addressing the issue of our capital market, liquidity would be at the top of the list of challenges we currently have.

* Lack of confidence of new investors

The shocking fall of the stock market in 1996 and in 2010 crushed new investors. Thus, the challenge of the Bangladeshi stock market is to reorganize the stock market by restoring trust between investors.

* Unusual price increase

The stock market is working better in the current days. But rising prices are not compatible with the stock market and the fundamentals of the company.

* The Complexity of the tax structure

The tax structure of our country is complex. Sometimes businesses hide their real income because of high rate of tax. As a result, potential investors cannot make an appropriate decision because of hidden revenues.

* The Volatility of the market

Inadequate reflection of the fundamentals of listed issues and insider trading can lead to market volatility.

### Problems regarding the IPO approval process

IPO can be a risky investment. For the individual investor, it is difficult to predict what the stock will do on its first trading day and in the near future, as there is often little historical data with which to analyze the business. In addition, most IPOs involve companies experiencing a period of transitional growth, which is subject to additional uncertainty as to their future values. In our country there are major two methods are used to determine the price of IPO.

The major problems regarding IPO approval process are given below,

* The Cost Aspect

Going public is costly both in terms of money and time. Accounting, legal, printing, travel, manpower devoted to preparing for a public offering can be substantial. There are newer additional expenses annually, including audited financial reports, preparation and distribution of proxy materials, quarterly and annual reports to shareholders, fees for transfer agents, public relations and other costs, including to the time required by a company officer devoted to these matters.

* The Time Aspect

Floatation is also a time-consuming exercise. Because of red-herring and other lengthy processes, it might take six months to years to complete the IPO process fully.

* Disclosure of Information

When a company moves from private ownership to public, much information must be disclosed- for instance, salaries, Transaction with management, sales, profits, competitive positions, mode of operations and other material information.

* Losing Flexibility

Management of companies may lose some flexibility in managing the company’s affairs, particularly with actions which require shareholders’ approval. The company may not have the ability to act quickly if approval is required by shareholders or outside directors.

* Current IPO Process

Due to the current IPO process, most companies do not get the real price of share for their shares. The companies also claim, and sometimes correctly, that it is the IPO hunters who benefit from the current system by selling the shares when they win the lottery and sell the shares at a much higher price in the secondary market.

## Recommendations

A strong capital market acts as a vehicle for the growth of the economy. Listing of companies with good fundamentals ensures this growth for the economy. So, proper steps should be taken to ensure the proper IPO pricing. The total IPO pricing procedures, as well as the measurement of the price of a new issue, have got some sort of problems.

The following recommendations can minimize the problems-

* The regulatory bodies can highlight the benefits of IPO such as the tax advantages, lower cost fundraising etc. so that more firms willing for listing in the stock market.
* The depth, breadth, and liquidity of the capital market should be increased, so that more firms willing to enter into the capital market through IPO.
* The entire IPO process should be organized quickly enough to allow new companies to raise the necessary funds in a timely manner.
* IPO outreach program should be organized after some internal by the direction of the DSE to send the registration message of benefits to entrepreneurs.
* The rules of direct listing regarding the disposal of shares needs modifications.
* To make the market more efficient, weak companies should be delisted by the listing authority.
* The number of Eligible Institutional Investors including some foreign investors should be increased for more transparent bidding.
* Should arrange a committee from the investors and composed of experts that will scrutinize and verify the audited financial statements submitted in connection with an IPO.

## Conclusion

Our economy is hungry for a mature and stable capital market. Stability has come from a variety of sources, including sophisticated private investors, institutional investors, and financial market regulators. Through various forms of reform and automation, Bangladesh's capital market has gained the confidence of investors from all walks of life. In addition to this, the government has facilitated our capital market by structuring its monetary and fiscal policies in a manner that is favorable to the capital market.
Generally, the main reason for a business to get a listing is to get broader access to capital. The ability to raise funds remains the single most important resource of registration. Entrepreneurs and families from start-ups have benefited from the improved marketability of the shares offered as part of a public offering. Flotation gives these lenders an exit, which is, at the time of the list thereafter, but care must be taken not to appear stingy. The investment of mutual funds attracts more popularity. The managers of these funds are sensitive to the notion that lenders could cash in chips and leave them with overvalued stocks.
The IPO also has some disadvantages. This entails costs and obligations that could be daunting. There are costs associated with obtaining quotes. Significant management delays can also be fulfilled to fulfill the obligations related to the IPO. In addition, reporting requirements may mean the abandonment of privacy and there are complaints of undervaluation of certain actions in the market.
However, although there are some disadvantages to the IPO, we can summarize that an IPO offers the possibility of greater firepower on the market. Increased visibility and liquidity gives a company a certain prestige and allows it to attract and retain highly qualified personnel. Importantly, an exchange list helps track market perceptions of a company's performance and reinforces the purpose of shareholder value.

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