
SURVEILLANCE AND ENFORCEMENT PROBLEM OF STOCK MARKET IN BANGLADESH

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Abstract: *Being the regulator of capital market, Bangladesh Securities and Exchange Commission (SEC) is responsible to monitor the market to find out the irregularities in the market, if there is so and then to take necessary measures. The study has attempted to explore the reasons behind the stock market bubble and burst in Dhaka Stock Exchange Limited (DSE). A number of factors play influential roles behind the bubble and burst in Dhaka Stock Exchange Limited. This burst is caused by many factors those are tried to be identified and linked up between causal factors of market crash and regulatory failure. The critical investigation and analysis of the relevant factors including the relevant legal and regulatory framework is the prime concern of this study. Lack of coordination among the regulators, excess liquidity in the capital market, few numbers of new listings, stock splits and stock price manipulations, investor's greed and irrational behavior plays a big role to make the stock prices sky rocking as investors are crazy to buy shares without judging the company fundamentals. At the end of the study some recommendations have been made to check future stock market bubbles.*

Keywords: *Stock Market, Capital Market, Enforcement, Monitoring, Bangladesh.*

1. Causes of Stock Market Bubble and Burst

Stock market crash occurs due to the overvaluation of shares. Share prices increases beyond the rational level and when a sudden decrease in the stock prices occurred because of market correction Stock Market crash occurs. But the overvaluation of shares is not a sudden and uncontrollable phenomenon. There exist many factors playing behind the creation of bubbles in the market. A good number of factors have been put in charge as the reasons behind Stock Market Crash in Bangladesh. Not a single factor, but a number of forces, combined together to create the bubble and lead the bubble to burst.

Form the stock market related research findings in the context of foreign countries it is apparent that the Central Bank plays a major role in bubble burst. So the role of Central Bank of Bangladesh, Bangladesh Bank, during the time of the market crash must be examined with due care. Another point has always been knocked towards the role of Government during or before the crash of stock market. There were a number of editorials and articles published during that time of crisis. These writings will help in this research for understanding the actual scenario. The problem with the coordination among Capital Market Policy is definitely another reason behind the stock market crash to consider. The frequent change in policies, rules and regulations made the situation vulnerable. So the nature and frequency of such changes in the stock market related regulations are also important to consider.

Corruption, Moral Hazard and Market Manipulation are the prime factors reflected in the report on Ibrahim Khalid Committee formed to investigate the stock market Bubble and Burst. List of irregularities are mentioned in this paper and a number of statistical analysis and inferences are made in this paper. So this factor is also important to consider while studying the stock market crash in 2010 and onwards. The level of education, knowledge and aggressive behavior of the general investors has also contributed to the drastically collapse of stock market. Almost all investors were in line with other investors' preferences and decisions. Due to this sort of irrational behavior by the investors, there was significant scope for the market players to lead the market. Although a number of cautions were made by the professionals, academicians and stock market analysts, there was no impact on the market. So the attitude of the investors is also need to be considered as a contributing factor to the Stock Market Bubble and Burst.

2. Some Important Events of DSE

During 2010, average daily transaction increased 172% to reach the turnover value of 1634 crore taka. From 2009, DGEN observed abnormal increase of 96.64%. SEC made total 81 rules, regulations and notifications within a single year of 2010. Due to gradual inflation and to reduce the excessive risk of investment by the banks and non-banking financial institutions in the capital market, Bangladesh Bank took several steps during the late 2010. Bangladesh Bank increases its CRR ratio from 0.5% to 0.6% and fixed the limit of investment by the banks up to 10% of the equity and 25% of for the NBFIs.¹ Due to this policy, the banks and NBFIs cut back their investment in the capital market and the liquidity in the capital market has been reduced slightly. The share market was very much volatile during December 2010 and January 2011. During this time period, the Government, SEC and Central Bank intervened for many times.

In the year 2015, the market gave way a negative 4.8 per cent return, which is hardly a disaster keeping in mind that business activity in the country was notably slowed down in the early part of the year. The year also observed certain important steps by the government. First of all, corporate income tax for listed companies was lowered and rules for new stock and mutual fund issues were updated. A second silver lining of 2015 was the fall of short and long-term interest rates in the economy. The depositors' rate is below double-digit after being above double-digit in 2013 and 2014. The money market has idle funds as evidenced by some of the lowest call money rates in recent history and the savings rate on national savings instruments has also declined.²

3. Hesitancy in control

Frequent of changes in the regulations made the stock market more unstable. During 2010, SEC issued total 81 rules, regulations, notice and circulars. Among these 81 issues; 32 was regarding different matters of Margin Rules. The SEC changed the margin requirement from 0 to 1:1 to 1:2 on different times. This frequency of change in SEC rules reflects the role of SEC as the reaction of the market movements.

4. Lack of Manpower at SEC and DSE

It is true that the human resource is very insufficient at SEC. Especially there is no integrated system with the Stock Exchanges. For example, Supervision & Regulation of Market & Issuer Companies (SRMIC) Department visits 4 Brokerage houses and single Merchant Bank in each year. If SEC visits only 4 brokerage houses of DSE, ignoring the brokerage houses of CSE, in each month; it would require more than 5 years to visit 237 brokerage houses of DSE and the 37 merchant banks will require 3 years to be visited. This statistics indicates the lack of manpower at SEC. In spite of this constraint, SEC was supposed to visit the susceptible brokerage houses. But there was complaint that, SEC overlooked the complaints against the Brokerage houses and did not make inquiry to such extent. They can't just ignore their responsibility on the ground of lack of manpower.

¹ Although these initiatives taken by Bangladesh Bank were assumed to have impact over the capital market stability, but BB denied this fact. According to BB, the liquidity withdrawn from the market was bought back by the increased REPO rate. A table of Liquidity support during the crash period has been included in the appendix section. From the table it is apparent that during the massive fall on December 2010 the total liquidity support was volatile.

² Sajid Amit, Bangladesh capital markets: An overview, The Financial Express, published on 23rd April 2016, retrieved on 26 July 2016 from < <http://www.thefinancialexpress-bd.com/2016/04/23/27431/Bangladesh-capital-markets:-An-overview>>.

During August 2010, SEC issued a circular to the each stock exchange of Bangladesh regarding the Inspection of Stock Broker or Dealer. According to the instruction issued, each stock exchange is required to conduct regular inspection of its top 30 (thirty) stock brokers or dealers at least once in a year and the remaining stock brokers or dealers at least once in every 2 (two) years³. The inspection is required to be conducted thoroughly and a detailed report mentioning irregularities. Specific non-compliance and violation of laws along with supporting documentary evidences was required to be submitted to the Commission within 15 (fifteen) days of completion of inspection. Although the stock exchanges are required to make such investigations, these are not sufficient for ensuring the effective monitoring of the capital market.⁴

5. Investment by the Merchant Banks

There was actually incentive for the banks to invest in the capital market. Gain from investment in the share market is taxed by 10%, but income from other sources is taxed at the rate of 42.5% for the banks. So there is a motivation for the banks to invest in the share market due to reduced tax for the income from the stock market. Since the return from the capital market was relatively high during the period starting from 2007, the Banks entered into the capital market to earn higher amount of income after tax. Owing to huge investment by the Banks, a large amount of money entered into the market. The capital market failed to absorb this excessive money with its limited supply of securities. Thus the price of the securities went up, ultimately creating bubble in the market.

6. Higher return from the Capital Market Investment

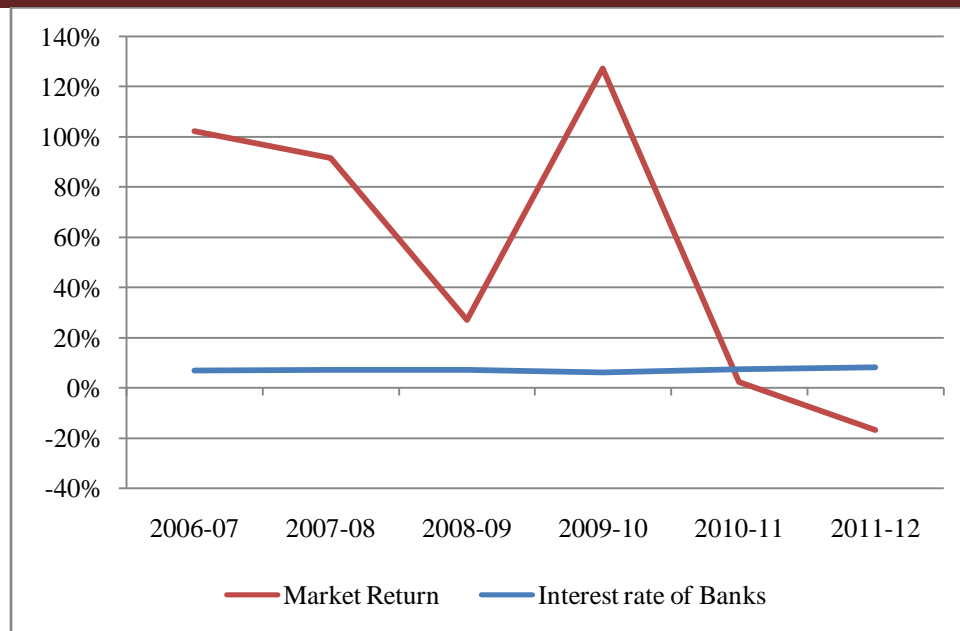
Although capital markets of different countries of the world, especially New York, Tokyo, London, Mumbai and few others collapsed in the face of global recession, the capital markets of Bangladesh remained quite buoyant at that time. During the bubble period a large number of investors entered into the market. Market capitalization stood at 21.4 percent of GDP during 2009 following keen interests showed by the investors in the capital market. By the end of April 2010, capitalization rose to 34.2 percent and the number of BO (Beneficiary Owner) accounts has increased to 25,06,000.⁵ Total number of BO accounts went up to 33 lakhs at the end of 2010. The entrance of the investors in the capital market can be explained from the following points of view:

Every rational investor tries to make increase his return from the investment. If there investment in the capital market and deposit in the banks is the only two investment opportunities, then the investor will make investment in the sector where there is will be more return. A graph is presented below to represent the return from the stock market and return from bank deposit. Stock market return is calculated by using the percentage in market capitalization over the years. As the graph shows, the return from the market was above the return from Bank until the fiscal year 2010-2011. Due to return from the capital market, the investors entered there, whereas many investors even took loans from the banks to investment in the share market.

³ The instruction was made on 17th August 2010, to each stock exchange of Bangladesh.

⁴ Md Nannu Mian, Regulatory Environment of Capital Market: A Study in Bangladesh, *Journal of Business Administration and Education*, (2015), Volume. 7, Issue. 2. pp. 196-2012.

⁵ Section 215, Finance Act 2010.



(Figure1: Market Return and Interest Rate of Banks)

7. Finance Act 2010

Each year, Finance Act comes with annual budget. There were several sections in the Finance Act 2010, which increased the investment in the capital market more ignoring other investment options. These are summarized in below:

- Tax was imposed at a concessional rate of 10% on income of a company earned from trading of shares of listed companies in any stock exchange.⁶ This section encouraged the Banks and other investment companies to invest in the share market than other areas.
- Tax at a concessional rate of 5% was imposed on the income of sponsor shareholders or directors of a company listed with any stock exchange and hence the directors and sponsor shareholders were more encouraged to make investment.
- Investment of black money was encouraged in the capital market during the Annual Budget for the sake of so called economic development of country.
- Tax was imposed on the income from investment on the Government Paribarik Sanchaypatra at the rate of 10% which was previously exempted from tax. This discouraged the general people to invest in Government securities.⁷

8. Short Term Profit Motive of the Investors

The investment at the share market should be motivated by the long term benefit from the investment. The long term gain from the investment is received by the investors as the form of dividends. The amount of dividends received from the investment should be considered for the investment in the shares.

⁶ 3rd part of annexure-A, Finance Act 2010

⁷ This tax was withdraw after few months of the enactment.

But surprisingly, the investors of the share market were motivated by the capital gain. Capital gain refers to the gain from sale of shares. For example, if the investor purchases the share for taka 100 and sales for taka 120, then the gain from the sale of the share is termed as capital gain. On the other hand, the dividend gain refers to the amount of dividend received as a part of profit, because of the holding of the shares. For example, if any investor receives taka 10 as dividend, it is termed as dividend gain. Dividend is related to the profit potential of the company. So, the declaration of dividend is often linked with the future profitability of the companies.

During the bubble of 2010, a large number of stock market investors came to the market with the hope of making quick profit within a short span of time. With the intention of having abnormal return from the stock market, they were not prepared to accept enormous risk associated with the investment. In the table below, a list of companies is presented, which includes top 15 companies those provided highest return from the market with their status of dividend declaration during the year 2010.

Company Name	Opening Price (P0)	Closing Price(P1)	Capital gain Yield(P)	Dividend declared
CVO Petrochemical Refinery Ltd.	119.75	5,099.50	4158%	
Safko Spinnings	84.50	753.75	792%	16%B
Tallu Spinning	156.00	848.75	444%	15%B
Bd. Welding Electrodes	66.80	266.50	299%	5%C, 10%B
Rahima Food	165.25	693.75	320%	10%C
Prime Insurance	444.00	1,584.25	257%	30%B
Monno Jute Stafflers Ltd.	978.25	3,366.50	244%	15%C
Sonargaon Textiles	380.00	1,288.00	239%	
City General Insurance Co. Ltd.	474.25	1,503.75	217%	12%B
HR Textile	271.00	842.25	211%	
Mithun Knitting	534.75	1,655.75	210%	15%B

*C- Cash Dividend, B- Bonus Dividend

(Table 1: Companies with highest capital gain)

9. Greedy Behavior

The investors entered into the stock market had little or no knowledge related to the stock market. They entered into the market thinking as if it is a money making machine. Anyone who puts money in the stock market can earn double or triple return from that investment within a short period of time. They always think that the price of the share will always go up and will never fall. They assumed stock market as the goose that laid golden eggs every day. Such irrational and greedy motive of the investor made bubble in the stock market. Too many investors entered into the market with the constraint of limited supply of shares.

10. Herd Behavior

Although it is always suggested that the investors should make their investment decisions based on the company fundamentals as mentioned in chapter 2, some economists are less convicted that the stock market is so rational. They suggest that when buying and selling, stock investors are less focused on companies' fundamental values and more focused on what they expect other investors will later pay⁸. The essence of this understanding raises the concept of 'great fool' theory. It means that an individual purchases an already overpriced stock with an expectation that he can find another greater fool to sell that stock.

11. Corruption and Manipulation

Due to massive fall in the stock prices within a short period of time, the Government formed a committee to investigate the share market corruption. The Committee is known as Ibrahim Khalid Committee headed by Mr. Khondakar Ibrahim Khalid, Chairman of Bangladesh Krishi Bank and former Deputy Governor of Bangladesh Bank. The TOR of the investigation committee included: to investigate whether any Individual related to capital market, Bank, Financial Institutions, Merchant Banks, Brokerage House or Listed Companies were engaged to illegally influence the market, Comparison of Income from investment in Banks and Government Savings Instrument and Long term return from the capital market, analyze the nature of upward trend in capital market, Analyze of applicable laws and regulations in force during that period of time, Governance of SEC and DSE during that period of time etc. Besides extensive analysis of the market, the committee arranged meeting with different stakeholders, academicians, Bangladesh Bank, journalists etc. The methodology of the committee includes collection of perception and opinion of capital market related organizations and individuals. They recorded the meetings and discussions of various institutions. Many comments and suggestions were collected through interview, e-mail, FAX and telephone. In addition to this, it observed newspapers cuttings and video footages. Among the related organizations they arranged meetings with directorates of DSE and its former presidents, directorates of CSE and its former presidents, Merchant Banks, Association of Public Listed Companies, Capital market journalist forum, Brokers and Dealers of both stock exchanges.

The committee made an extensive investigation of the share market related issues and found massive corruption in the transaction of the shares. Their investigation report included extensive study of 17 companies and the suspicious indications related to irrational increase in the share price of these companies. The committee assumed that there was a nexus of relations to create bubble in the market. The existence of such nexus is almost impossible to prove, but its existence is obvious. As per the view of the Committee, it is impossible to create or burst any bubble in the stock market without engagement of the top players. The difference between the bubble burst of 1996 and 2010 is that, the incident of 1996

⁸ N. Gregory Mankiw, 2007, *Macroeconomics*, 6th Edition, Worth Publishers. 498.

was totally a secondary market phenomenon, whereas that of 2010 was not only of secondary market, but also of primary market. The Committee found massive irregularities in the primary market. The syndication among Issuer, Issue manager, Valuer, Chartered Accountants and placement holders with support from the SEC has contributed to the creation of bubble. The misuse of Premium, Book Building and Private Placement before the issuance of IPO has created a pressure over the primary market as well as the secondary market.

The findings of the probe committee indicate massive corruption from various sources. The committee investigated omnibus accounts of three companies on a random basis and found irregularities in the transaction of shares behind these omnibus accounts. Manipulation was also made during the pre-IPO placement, Block placement of Mutual Funds, application of Book Building method. The irregularities were also with Right Share, Preference Share, IPO- Repeat IPO, Issuance if stock share against unrealized profit etc. They also found negligence from the part of Securities and Exchange Commission. According to the committee, if SEC applied due diligence, professionally examined the operations, and not approved the irregularities, such massive fall would not occur⁹.

12. Market Mechanisms: Demand Supply Scenario

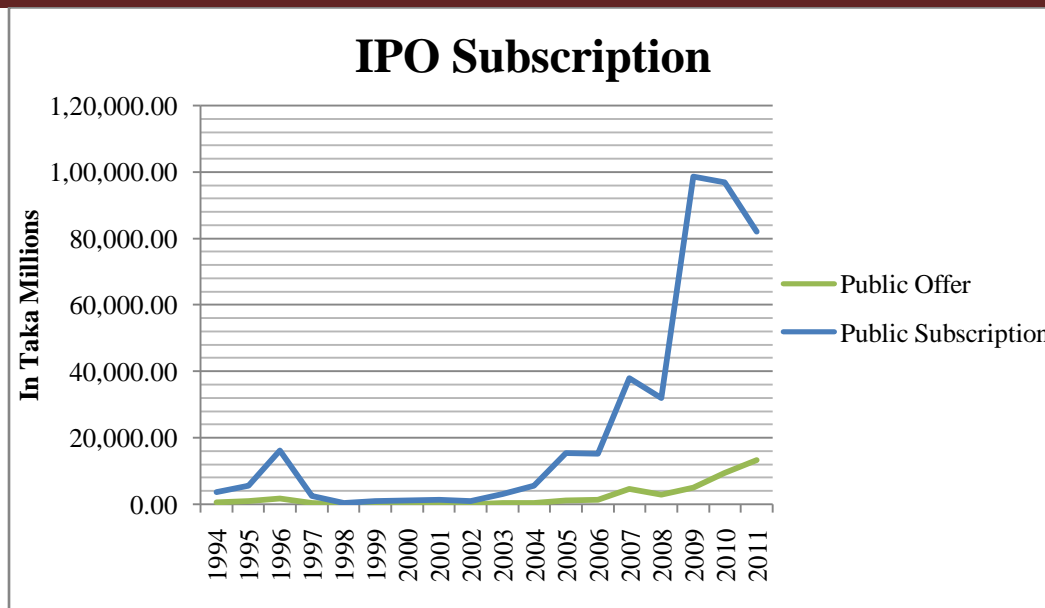
Bangladesh has only 219 equity shares traded in the market. Whereas our neighboring countries have a good no of equity shares traded in the market like India has 3751, Pakistan 599, Srilanka 243, Indonesia 406, Vietnam 372. This supply side constraint generates excess liquidity problem and enhances the scope of price manipulation in the market.¹⁰

The demand for the shares increased during the last five years. From the market behavior, we know that for a given amount of supply, if the demand for the product increases, the price of the product will increase. From the year 2005 and onwards, the demand for the shares increased massively. The demand for the shares has been depicted in the graph below. The graph presents the amount of public offers and public subscription received. The term Public Offer and Public Subscription are related to the capital issuance process. The company eligible for raising capital from the stock market makes their offer to the public. Public offer means the value of shares actually offered for sale to general public in the primary market. After the public offer, the people interested to have primary shares make application with the subscription money for the shares. The total amount received from the public who has applied for the shares are known as public subscription. For example, in the year 2009, share of value 5,041 million taka was actually offered to the public. But the amount received from the public as subscription money was 98,662 million taka¹¹. So the money received from the public is 19 times higher than the actual public offer. This picture implies that, there is more demand for shares than the supply of shares. The supply of shares, as the graph portrays, was relatively same over the years. But the demand for the shares began to increase from 2005 and onwards. It is also worthy to note that, public subscription was notably increased during the year 1996. Thus this scenario can also be related to the market bubble. This means the bubble in the market increase the demand for the shares.

⁹ In line with the findings of the committee, it suggested to punish the alleged persons. Their suggestions also included the restructure of SEC, Demutualization of DSE and CSE, Coordination of the activities of Stock Exchanges and SEC, Prohibition of the investment of Banks in the Stock Market, Crystallization of the pre IPO and IPO process, transparency in the trading through Omnibus Accounts etc.

¹⁰ The Bangladesh Accountant, Vol. 69, No. 40.

¹¹ The amount presented as Public Offer and Public Subscription may differ due to non-inclusion of shares of the companies those were listed in the stock exchange but their trading was not started during that time period.



(Figure 2: IPO Subscription)

The IPO subscription is largely higher than the public offers, which is indicative of large demand for shares. From the year 2005 to 2011, the IPO subscriptions become notably multi-times higher than that of previous period. So, it can be concluded that, there was a mismatch between the demand for shares and the supply of shares. If there were large number supply of shares available in the market, such bubbles might not be occurred.

13. Margin Call

As discussed in the chapter 2, margin call refers to the amount that can be borrowed for investment in the stock market against own balance. For example, in simple terms, if the margin ratio is 1:1 and any investor has 100 taka to invest he can borrow another 100 taka for investment. So, his total value of investment becomes 200 taka. The nature of margin call entitles the lender of money to force sale of the shares in the market. That means, if the price of the share falls below a specific level the lender may sell the share to maintain the margin level. The existence of margin call in the market triggers the burst of bubble in the market. During the downturn of the share prices, the lender sells the shares and there creates a huge pressure in the market to sell the shares. This incident creates huge pressure in the market to sell the shares which ultimately triggers the share price to fall massively.

14. Share Split

Share split refers to the change in face value of the stocks. Through share split, the face value of the shares is divided into smaller denominators. For example, if the face value of a share was previously of taka 100, it can be divided into 10 shares of taka 10 each. Share split neither change the net asset value of the company, nor change profit potential of the company. Thus, share split seems not to have any impact over the increase in share prices. But it is found that, share split made impact over the share price and creation of bubble in the market. From the findings of the Ibrahim Khalid Probe Committee Report 2011, share split created deviation in the market by 81.5%¹².

¹² Ibrahim Khalid Probe Committee Report 2011, Chapter 8.9, Page 121.

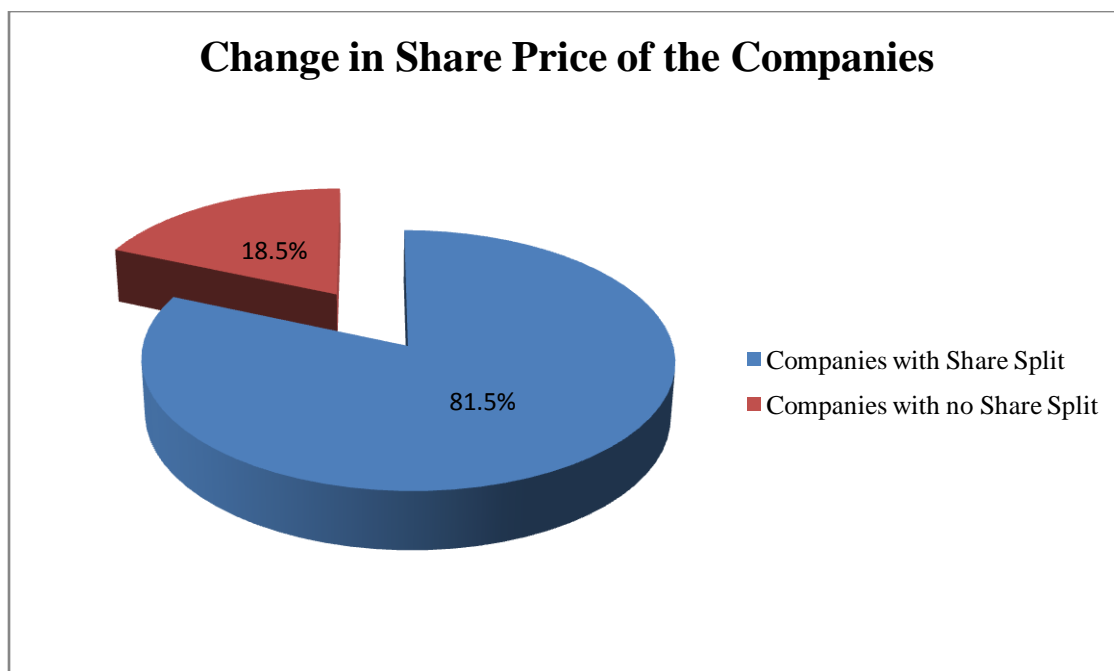
During 2009 and 2010, total 62 companies split their shares from face value of taka 100 to taka 10. Companies started to split their shares from July 2009. In below the table and graph indicates the change in market capitalization due to split.

15. Market Capitalization

	02/07/2009 (in Crore)	5/12/2010 (in Crore)	Change		Overall Impact (%)
			Absolute	Percentage	
Companies with Share Split	30,006	226,573	196,567	655	81.5
Companies with no Share Split	96,879	1,41,498	44,619	46	18.5
All Companies	126,885	368,071	241,186	190	100

(Table 2: Market Capitalization of Companies with Share Split)

From the table, it can be observed that, the share price of the companies with share split changed by 655% whereas the companies whose shares didn't split was changed by 46%. So, a large percentage of change in the prices of shares of the stock market can relate to the Share Split.



(Figure 3: Share Split and Change in Share Price)

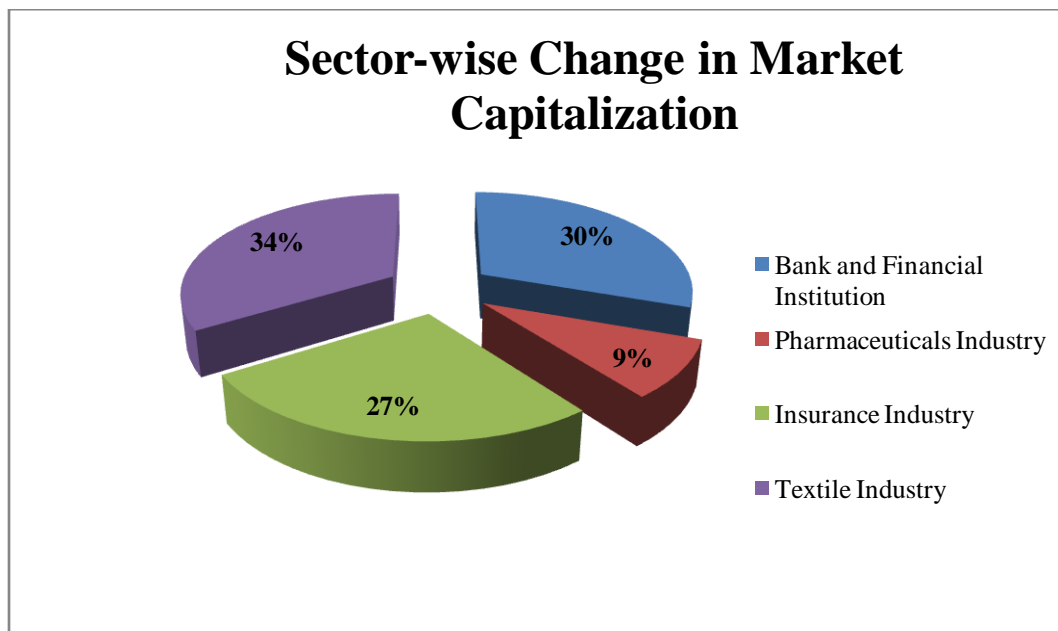
As the pie chart shows, 81.50% of the change in the overall market capitalization was due to share split that means the change in the face value of the shares. Sector-wise change in market capitalization can also be used to understand the effect of share split in the stock prices. Among 20 sectors of the Dhaka Stock Exchange Limited, four dominating sectors are considered for this purpose. As the Table shows, three industries market capitalization changed by more than 200% whereas change in the market capitalization of the Pharmaceuticals Industry is only 78%. Among these industries, only pharmaceuticals industry didn't make any share split during the year 2010.

Sector-Wise Change in Market Capitalization Change

Sector	MC change (%)
Bank and Financial Institution	260
Pharmaceuticals Industry	78
Insurance Industry	229
Textile Industry	289

(Table 3: Sector-wise Market Capitalization Change)

So a conclusion can be made as there was the impact of share split over the creation of bubble in the stock market during 2010.



(Figure 4: Sector-wise change in Market Capitalization.)

16. Recommendations

16.1 Co-ordination between SEC and Stock Exchanges

From the analysis and Investigation report it is found that there were lack of coordination and inconsistencies between the functions of SEC, Bangladesh Bank and Stock Exchanges. Coordination is highly important, especially in case of Company listing and surveillance. To combat future debacle both SEC and stock exchanges should work closely.

16.2 Restriction on Bank Investment in Capital Market

Commercial Banks relies heavily on capital market by investing directly and indirectly (Margin Loans) that creates high risk on depositor's money. So Regulators should impose restriction on investment on Capital market by Banks. In India, Banks can invest a certain portion of their owner's equity/capital (not deposit) to capital market but in Bangladesh Banks can invest 10% of their total liability that is not rational at all. Such huge investment by banks pushes only the demand side and creates bubble to the market as supply side response is very low in Bangladesh. So, regulators should set new limit on the basis of shareholders equity and should monitor this very strictly.

16.3 Ensuring Integrity and Efficiency of SEC and Exchange Employees and Staffs

Staffs of SEC, CSE, and DSE will be trained in modern market surveillance and enforcement techniques to enable them to be more effective at detecting trading irregularities and market abuses. The training will include examination of evidence and analysis of trading accounts of brokerage firms. In addition, staff will be trained not to contaminate evidence obtained from the surveillance system that could later be used in prosecuting a matter in the courts.

16.4 Consistency in Regulation

From the analysis made in this report, several inconsistencies have been found in the SEC regulations. SEC notification came only when the market rises continuously for many days, do not reflect good regulation. The Bangladeshi stock market needs to move towards a market based system of regulation for capital market activities and SEC should act proactively instead of its reactive response. SEC does not measure the costs and benefits of its rapidly changing guidelines/regulations. SEC and GOB should have long term visions regarding market and should make cost-benefit analysis before making any rule/law as it affect investor's return. Regulatory parity and consistency between all institutions and participants conducting related capital market activities has to be ensured at all times.

16.5 Supply of Adequate Securities

Supply side response during last few years was very poor relative to sky rocking demand of securities that helped to inflate the price of almost every share traded in Dhaka and Chittagong stock exchanges. Government initiated to offload more securities of government owned enterprises several times to meet unanticipated demands of the market but finally it has failed to offload these securities. Government should take measures to bring good companies (both local and MNCs) by allowing easy access and good IPO price to promote the market. Other regulators like (Bangladesh Bank, Bangladesh Telecom Regulatory Authority, Registrar of Joint Stock companies and Ministries) can also take measures to enlist new companies to the market to enhance the depth of it.

16.6 Serial Trading and Manipulation

As there are many evidences that some investors and institutions were involved in the serial trading and insider trading to manipulate the price of individual stocks under regulatory supports. Manipulative trading under Omnibus accounts should be fully investigated and peoples and institutions under the hidden accounts should be identified and also should bring under trial if any irregularity is found. Taking initiatives against the responsible parties is very much crucial. Because, if such market players were punished severely during the crash of 1996, the market may not have faced same turmoil in 2010. So, in order to prevent such manipulation in future, it is very important to punish the responsible parties.

16.7 Strengthening the Market Surveillance Systems

To strengthen the SEC's operations and governance, (i) a real-time market surveillance system should be installed, and (ii) capacity building will be provided to improve monitoring, supervision, and enforcement capacity of the SEC. The SEC surveillance system should complement the stock exchanges' own market surveillance activities and ensure that the exchanges are performing their regulatory functions well. The stock exchanges should establish a regulatory review committee to support the implementation of surveillance systems and to prevent vested interests of the exchanges' members from encroaching on the exchanges' regulatory functions. The committee will be composed of representatives from the legal and accounting professions, who will be independent of members of the exchanges, and an SEC representative who will participate as an observer. The committee will be responsible for establishing policy and direction in applying the regulations of the exchanges; reviewing existing regulations, regulatory practices, and procedures of the exchanges; and providing views on new regulations and recommending appropriate regulations. The two stock exchanges can form an inter-market surveillance unit, to share and discuss matters of mutual concern and to share information.

16.8 Creating Awareness among the Investors

The investors should be made aware of the stock market functions and activities. They should be adequately educated and trained to understand the stock market functions. Investors should concentrate more on the individual shares rather than making decisions based on market index.

16.9 Strengthening the Bond Market

The securities market is solely based on the share market. There was little existence of bonds in the market. Now it comes the time to focus on the development of the bond market. The parallel presence of the share market and debt market brings the securities market in a stable position.

16.10 Adequate Analysis of the Market

There is no alternative to analysis for participation in the capital market. Analyst Reports/Research reports play a vital role in developed markets. Investors should realize that they are investing in stock being an equity partner of a company. They should go for a thorough health checkup of the company selected. There are a lot of ways to gather that knowledge from various institutions. Even SEC can arrange training programs at a large scale for investors in general. With the right knowledge and awareness built, the 'syndicates' will not be able to siphon out money capitalizing on the small investors' ignorance.

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