



Role of Stock-Brokers in Internet Based Trading

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Internet based trading

- Online trading in securities refers to the facility of investors being able to place their own orders using the internet trading platforms offered by the trading brokers.
- The order so placed by the investors using internet would be routed through the trading brokers.
- Now, through out the world it is largely used and has huge market potentials.
- Dhaka Stock Exchange (DSE) on March 9, 2016 launched the mobile-based share trading app.
- The app's features include market and trading statistics in real time, company information, portfolio information and company news
- DSE pay the Flex trade system for this app but still it is free for the client as a promotion of the market. More than 50,000 investors has been registered (has fill up the form) for this app but usually around 10,000 investors use this app everyday and around 10% of the total trade are executed through this app.

To aware clients regarding DSE Mobile App (Continue)

- “DSE-Mobile” is an application of FlexTrade Systems Ins. This company provides Order Management System (OMS) to Dhaka Stock Exchange. All TWS of 250 brokers are connected with DSE through this Order Management System (OMS).
- Mobile App is one type of small version of this Order Management System (OMS).
- A client can do buy and sell shares through this Mobile app directly.
- Every day morning a broker upload share and money information of a client into TWS. The Mobile app auto get the same information. Mobile app and TWS are interconnected.
- It is a simple process for a client to get mobile app. He or she will go to the broker and fill up a simple “Form” where a client code, email address, mobile number is required.
- The broker will input this information to the DSE system. And the system will send ID and password to the client’s email automatically. No DSE employee, No broker employee can see this Password. Only client will get the ID and Password to his email.

To aware clients regarding DSE Mobile App

- A client can download the app from google store or iphone store as like Facebook app, daraz app, Uber app, pathao app
- After using ID and Password, the client can start the app as like Facebook. And can able to buy or sell or can see the market information, share price or index of the market as like TWS small version.
- A client can buy or sell securities for his code only. Not for other code or not for friend.
- Client can also use this app into the desktop or into laptop.
- Broker has a right for providing this app facility or version choice because he knows his clients pattern and honesty. Many-times it is found that client buy or sell only one share in highest price at the very beginning of the trade hour which can give wrong message to the market. Through AR, it is not easy for the client.
- Client can use the app from any places of the world.

Precautions and Safety Measures for Internet trading

- Investors should have received adequate training on usage of software.
- Strong Security systems.
- The Default password may be changed before placing of order.
- Ensure that password is not shared with others and change password at periodic interval
- Avoid placing order from the shared device.
- Log-out after having finished trading to avoid misuse.
- Do not leave the terminal unattended while one is “signed-on” to the trading system.
- Protect your personal computer against viruses by placing firewall and an anti-virus solution.
- You should not open email attachments from people you do not know.

To conduct Surveillance on trading through DSE Mobile App

- Examine KYC document and all information of three accounts opening form (Trading, Bo and Mobile App) along with supporting documents;
- Carefully given purchase power limit for buying;
- Ensure only mature share to sell;
- Examine buy/sale netting;
- The application allows users to place orders directly to the bourse's server but traders and brokers are allowed to interrupt if any unusual order is placed; involving with market manipulation and insider trading;
- Mobile App suspicious trade, if any;
- Market manipulation trading pattern, if any;
- Attempt of insider trading, if any;

Aware client about advantage of internet trading

- Lower fees;
- More control and flexibility;
- Ability to avoid brokerage bias;
- Access to online tools;
- Option to monitor investment in real time;

Traditional trading Vs Internet trading

- In traditional trading the investor has no control on his BO and trading account.
 - It is a time consuming process.
 - Chances of fraud increases if you have offline account.
- In internet trading mechanism the customer has full control on his BO and trading account.
 - Internet trading is time effective.
 - There are no chances of fraud as it is you who has complete control over your transaction.

To aware Clients about Do's and Don'ts

- Get rid of the junk
- Diversify
- Believe in your investment
- Stick to your strategy
- Don't panic
- Don't make huge investment
- Don't chase performance
- Don't ignore expenses

To aware clients about prohibited activities

- ☐ Make any fictitious quotation;
- ☐ Create a false and misleading appearance of active trading in any security;
- ☐ Effect any transaction in such security which involves no change in its beneficial ownership;
- ☐ Enter into an order or orders for the purchase and sale of security which will ultimately cancel out each other and will not result in any change in the beneficial ownership of such security;
- ☐ Directly or indirectly effect a series of transactions in any security creating the appearance of active trading therein or of raising of price for the purpose of inducing its purchase by others or depressing its price for the purpose of inducing its sale by others;
- ☐ Being a director or an officer of the issuer of a listed equity security or a beneficial owner of not less than ten percent of such security who is in possession of material facts omit to disclose any such facts while buying or selling such security.
- ☐ Others including Aggressive buy/sale; Auto client; Front Running Client; Circular movement; Spoofing; Trade concentration;
- ☐ Spreading rumor; and
- ☐ Insider trading;

Code of conduct of stock-broker to be followed

- Honesty, efficiency etc.
- Duty to Clients;
- Providing appropriate information etc.
- Investment Advice (not to advise to buy or sell or preserving securities to client);
- Duty to the Commission;
- Prohibition of unlawful Tactics for own interest;
- Prohibition for Creating Artificial Market;
- Inform the Stock Exchange and the Commission about any suspicious activities;
- Stock broker will inform the clients that he is acting as an representative and can not buy or sell without permitted limits;



Thanks