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# **Presentation On Types of Securities & Rights of shareholders**

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**Anowarul Islam**  
**Executive Director**  
**Securities & Exchange Commission**



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# Types of Shares

- Ordinary Shares
  - Preference shares
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# Ordinary Shares/Stock

- ✦ Smallest unit of capital.
  - ✦ variable-income security since dividend is not specified and guaranteed and declaration of which depends on board of directors.
  - ✦ dividends may be increased or decreased, depending on earnings.
  - ✦ represents equity or ownership.
  - ✦ includes voting rights.
  - ✦ Priority: lower than debt and preferred.
  - ✦ Bundle of shares is called stock.
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# Components of Shareholders Equity

Book Value Formula:

Cumulative retained earnings  
+Capital Contributed in  
excess of par i.e premium  
+ face value/paid up value  
BOOK VALUE OF THE EQUITY

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# Preferred/Preference Shares

- A hybrid security:
  - it's like common stock - no fixed maturity.
  - technically, it's part of equity capital.
  - it's like debt - preferred dividends are fixed.
  - missing a preferred dividend does not constitute default, but preferred dividends are cumulative.
  - Priority lower than debt security but higher than ordinary shares.
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# Preference Shares

- Cumulative preference shares
  - Non-cumulative preference shares
  - Redeemable preference shares;
  - Non-redeemable preference shares;
  - Convertible preference shares;
  - Non-convertible preference shares;
  - Participating preference shares;
  - Non-participating preference shares.
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## Rights of Ordinary Shareholders as specified in Companies Act, 1994

- Right to request a copy of the M/A and a copy of A/A by paying taka fifty or lesser fee as may be fixed by the company and company shall within fourteen days from the date of request send the copy to the member.
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## Rights of Ordinary Shareholders.

- Right to get share certificates [S 175]
  - Rights to get the shareholders name recorded in the register [Section 34];
  - Right to inspect share register [S-41];
  - Right to inspect instrument creating mortgages and company's register of mortgages [S 175];
  - Rights to have financial statements [S- 191] and rights to inspect audit report [S-216]
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## Rights of Ordinary Shareholders.

- Right to get notice of AGM and to participate in the AGM [S- 95];
  - Right to select the board of directors [S- 91] and removal of the board of directors [ S- 106]; Right to select auditor [S-210];
  - Right to requisition EGM by holders of not less than 1/10<sup>th</sup> of the issued share capital [S-84];
  - Right to get the copy of minutes of AGM and board meetings upon payment of Tk. 10 for every hundred words [S-89];
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## Rights of Ordinary Shareholders.

- Rights to have the gist of the contract or terms and conditions of the contract entered into by the company [S-132];
  - Rights to have further shares if the company decides to raise capital [S- 155];
  - Rights to participate in major decisions i.e. change of object clause, increase of authorized capital, reduction of capital, internal or external construction etc.
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## Rights of Ordinary Shareholders.

- Right to apply to the Govt. to appoint inspectors [S-195];
  - Right to appoint inspectors [S-207];
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## Rights of Ordinary Shareholders.

- Right to acquire shares of shareholders dissenting from any scheme of contracts approved by the majority shareholders [S- 230];
  - Rights of minority shareholder to bring to the notice of the court if affairs of the company are being conducted in inappropriate manners [S-233];
  - Rights to have residual assets in the event of liquidation of the company;
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## Rights of Ordinary Shareholders.

- Right to lodge case against the auditors, directors or officers of the company in the event of their breach of the fiduciary responsibility;
  - Right to take decision through special resolution to wind up the company compulsorily through court [S-241] for failure to hold statutory meeting, commence business within a year from incorporation, or suspends for whole year, fails to pay debt or number of members falls below the minimum.
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## Rights of Ordinary Shareholders.

- Right to wind up company voluntarily meeting certain conditions;
  - Right to attend in the final meeting as soon as the affairs of the company are fully wound up;
  - Right of the shareholders of the limited companies not to contribute any amount in the event of winding up exceeding the amount, if any, unpaid on the shares;
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# Debenture/Bonds

- Means a financial obligation of an entity that promises to pay a specified sum of money at specified future date under stated conditions.
  - Debenture- the smallest unit of unsecured loan
  - Bond- the smallest unit of secured loan.
  - Liabilities, or “publicly traded IOUs”
  - Also called “fixed income securities” since payments are fixed amounts
  - Borrower agrees to repay a fixed amount of principal at a predetermined maturity date
  - Borrower agrees to pay a fixed amount of interest over a specified period of time
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# Attributes that affects bond's value

- Length of Time to Maturity
  - Coupon Rate
  - Call Provisions
  - Tax Status
  - Marketability
  - Likelihood of Default
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# Bonds Versus Stocks

- Compared to stocks, bonds offer lower returns
  - Main benefits of bonds in portfolio:
    - Lower risk
    - High levels of current income
    - Diversification
  - Bonds add an element of stability to a portfolio
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# Bonds and Risk

- **Interest Rate Risk** is the chance that changes in interest rates will affect the bond's value
  - **Purchasing Power Risk** is the chance that bond yields will lag behind inflation rates
  - **Business/Financial Risk** is the chance the issuer of the bond will default on interest and/or principal payments
  - **Liquidity Risk** is the risk that a bond will be difficult to sell at a reasonable price
  - **Call Risk** is the risk that a bond will be “called” (retired) before its scheduled maturity date
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# Essential Features of a Bond

- **Coupon** is the amount of annual interest income
  - **Principal (par value)** is the amount of capital that must be repaid at maturity
  - **Maturity Date** is the date when a bond matures and the principal must be repaid
  - **Term Bond** is a bond that has a single maturity date
  - **Serial Bond** is a bond that has a series of different maturity dates
  - **Note** is a debt security originally issued with a maturity of from 2 to 10 years
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**THANK YOU**