

SEC/Enforcement/228/2004/666
December 14, 2005

By Special Messenger

Mr. Asaduzzaman
Director
Uttara Bank Limited
SE(G), Road No. 137/141 Gulshan-1,
Dhaka

Sub: Non-Compliance with Securities Law-Warning

On 17th April 2004, the Commission received three declarations made on 12th April, 2004 by Md. Asaduzzaman, Director of Uttara Bank Ltd., for purchasing 27,150, 23,858 and 12,886 shares (totalling 63,894 shares) of Uttara Bank Ltd. through Haji Mohammad Ali & Co., Member and stock-broker of Dhaka Stock Exchange Limited (DSE). DSE disseminated the aforesaid declarations through on line trading system on 18th April, 2004. Apparently in the wake of such declaration, price of the Uttara Bank's shares increased from Tk. 907.75 to Tk. 1,165.25, (i.e. by 28.36%) on 18 April, 2004.

The Commission's surveillance officers visited the office of Haji Mohammad Ali & Co. on 18 April, 2004. They found that you did not submit buy orders with the stock-broker, as contained in the declarations, and that you had deposited Tk. 2 lac only in cash on 17 April, 2004 with the broker for the said purchases involving Tk. 7.35 crores (approx), despite it was mentioned in the declaration that requisite fund had been placed with the broker M/s Haji Mohammad Ali & Co. has executed the said purchases as report crossing, but not through the stock exchange.

The Commission constituted an enquiry committee under section 21 of the Securities and Exchange Ordinance, 1969, vide Order No. SEC/SRMID/94-15/111 dated April 20, 2004, to enquire into the transactions made by you in the securities of said bank as per the said declarations.

It appeared from the enquiry report that you furnished incorrect declaration to the Commission as well as to the stock exchanges with regard to placing of requisite fund and irrecoverable buy orders with the stock-broker, which is prohibited under section 18 of the Securities and Exchange Ordinance, 1969.

However, the Commission, considering due settlement of the said transactions at DSE, has decided to dispose of the proceedings against you by placing on record the Commission's dissatisfaction on the default/contravention made by you, with a strong warning to ensure compliance of all securities related laws in future.

Cont'd.....P2

Page-2

Please note that this disposal does not absolve you from your lawful responsibilities/obligations to any person, if affected, as a result of your above said default/contravention.

For Securities and Exchange Commission

Mansur Alam
Executive Director

Copy to:

Managing Director, Uttara Bank Limited, Head Office, 90 Motijheel C/A, Dhaka-1000
CEO, Dhaka Stock Exchange
Executive Director (SRMID), SEC
Director (MIS), SEC
Chairman's Office, SEC

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M/s Haji Mohammad Ali & Co.
DSE Membership No.30
Room No.612, DSE Bhaban
9/F, Motijheel C/A, Dhaka-1000

Sub: Non-Compliance with Securities Law-Warning

The Commission has issued to you the stock-broker registration certificate No. ৩৬৫৩-3.1/ ৩৩৬৩-165/99/30 dated April 09, 2001 Bs under section 10(1) of the Securities and Exchange Commission Act, 1993, read with ৩৬৫৩ 5(5) of the ৩৩৬৩ বিজ্ঞপত্র ১ গ- ৩৩৬৩ বিজ্ঞপত্র (৩৩৬৩-৩৩৬৩ বি, ৩৩৬৩-৩৩৬৩ বি ১ ৩৩৬৩ বিজ্ঞপত্র ৩ ৩৩৬৩ বিজ্ঞপত্র) ৩৩৬৩ বিজ্ঞপত্র, 2000, [(corresponding regulation 5(4) of the repealed Securities and Exchange Commission (Stock-dealer, Stock-broker & Authorized Representative) Regulations, 1994)] to conduct securities trading related activities under certain terms & conditions stipulated in the said certificate.

An enquiry committee was constituted under section 21 of the Securities and Exchange Ordinance, 1969 through the Commission's Order No. SEC/SRMID/94-15/111 dated April 20, 2004 to enquire into the transactions made by Md. Asaduzzaman, Director of Uttara Bank Ltd., in the securities of Uttara Bank Limited as per his declaration dated 12th April, 2004 for purchase of 63,894 shares of the said bank through M/s Haji Mohammad Ali & Co. (the stock broker).

The enquiry committee has observed, among others, the following:

- (i) The stock-broker has executed the transactions without having proper buy and sell orders from the customers.
- (ii) The stock-broker has executed the buy orders of Md. Asaduzzaman without receiving the required fund from the buyer. The buyer provided the requisite money afterward for settlement of the transactions.
- (iii) The stock-broker has provided false/incorrect documents to the SEC's surveillance team showing receipt of necessary fund from the buyer on 19.04.2004. From the enquiry it revealed that the buyer, in fact, provided fund on 21.04.2004 through pay order.
- (iv) The stock-broker has executed sell of 23,858 shares of Mr. M. A. Samad (not a customer of the broker) through its customer's account (Mr. Fazlul Haque) despite those shares were not in the name of or belonged to the said customer.

By doing so, Haji Mohammad Ali & Co. has contravened the following:

- (i) Rules 4 & 8 of the Securities and Exchange Rules, 1987;
- (ii) Margin Rules, 1999;
- (iii) Code of conduct Nos. 1, 2(1), 2(6) & 8 to the Schedule Two of the ৩৩৬৩ বিজ্ঞপত্র ১ গ- ৩৩৬৩ বিজ্ঞপত্র (৩৩৬৩-৩৩৬৩ বি, ৩৩৬৩-৩৩৬৩ বি ১ ৩৩৬৩ বিজ্ঞপত্র ৩ ৩৩৬৩ বিজ্ঞপত্র) ৩৩৬৩ বিজ্ঞপত্র, 2000; (ref. Para c.1(iv) above- also for assisting dealing in other person's shares violating regulation 42 of the Listing Regulations of DSE);

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- (v) Rule 4, sub-rule (1), clause (Q) of the Securities and Exchange Commission (SEC) Act, 2000;
- (vi) Conditions Nos. 2 & 3 of the stock broker registration certificate issued by the Commission.
- (vii) Section 18, read with section 7(1), of the Securities and Exchange Ordinance, 1969.

Stock broker's aforementioned contravention and non-compliance appeared deliberate attracting provisions of section 12 of the Securities and Exchange Commission (SEC) Act, 2000, as amended. In this connection, the Commission vide memo. No. SEC/Enforcement/228/2004/181 dated April 20, 2004 issued a directive to Dhaka Stock Exchange Limited under section 20A of the Securities and Exchange Ordinance, 1969, to immediately stop the trading related facilities provided to M/s Haji Mohammad Ali & Co. Considering your request and assurance for due compliance of securities laws as well as the interest of the investors and securities market, the Commission vide memo. No. SEC/Enforcement/228/2004/209 dated May 24, 2005, has subsequently withdrawn the said directive with further directing the Dhaka Stock Exchange Limited to closely monitor the trading related activities of M/s Haji Mohammad Ali & Co. on daily basis.

Although the stock broker is responsible for overall activities relating to its affairs, yet in this case, the concerned Authorized Representatives (i.e. Messrs M. R. Khondokar and Kazi Mohibur Rahman) were found primarily responsible for the stated contraventions.

Considering the all above, the Commission has decided to dispose of the proceedings against M/s Haji Mohammad Ali & Co. by placing on record the Commission's dissatisfaction on the defaults/contraventions made by it, with a strong warning to ensure compliance of all securities related laws in future.

Please note that this disposal does not absolve you from your lawful responsibilities/obligations to any person, if affected, as a result of your above said defaults.

For Securities and Exchange Commission

(Mansur Alam)
Executive Director

CC:

Chief Executive Officer, Dhaka Stock Exchange Limited
Executive Director (SRMID) SEC
Executive Director (Registration), SEC
Director (MIS), SEC,
Chairman's Office, SEC