



বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন  
Bangladesh Securities and Exchange Commission

Jiban Bima Tower, 10 Dilkusha C/A, Dhaka-1000, Bangladesh

Phone (PABX): 0088-02 9568101-2, 0088-02 9561525, Fax: 0088-02 9563721, 717660

SEC/Enforcement/945/2011/167

February 28, 2013

Mercantile Bank Securities Limited  
DSE's Membership No.224  
Shwadesh Tower (3<sup>rd</sup> and 4<sup>th</sup> floor)  
41/6 Purana Paltan  
Dhaka-1000.

Fax No.880-2-7119078

**Attention: Managing Director/CEO**

**Subject: Penalty Order: Non-compliance of the Margin Rules, 1999 as per Clause 1 of the Commission's Directive No. SEC/CMRRCD/ 2001-43/169 dated October 01, 2009 in connection with trading in shares of Anwar Galvanizing Limited.**

Dear Sir,

Commission's penalty order No. SEC/Enforcement/945/2011/166 dated February 28, 2013 is enclosed herewith for your kind information and necessary action.

For Bangladesh Securities and Exchange Commission

Mustari Jahan  
Deputy Director (Enforcement Dept.)

**Distribution:**

Chief Executive Officer, Dhaka Stock Exchange Limited  
Chief Executive Officer, Chittagong Stock Exchange Limited

**Copy for information:**

P.O to Commissioner (Enforcement), SEC  
P.O to Executive Director (Surveillance), SEC  
Chairman's office, SEC



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**Order**

Whereas, as per section 2(i) of the Securities and Exchange Ordinance, 1969 (XVII of 1969), Mercantile Bank Securities Limited is a member of Dhaka Stock Exchange Limited;

Whereas, Bangladesh Securities and Exchange Commission issued Stock Broker Registration Certificate to Mercantile Bank Securities Limited under article 10(1) of the Securities and Exchange Ordinance, 1969, read with rule 5 (5) of the Securities and Exchange Rules, 1973, to conduct securities trading related activities under certain terms & conditions stipulated in the said certificate;

Whereas, on the basis of the investigation report of Dhaka Stock Exchange Limited on unusual trading in shares of Anwar Galvanizing Limited, a show cause-cum-hearing notice No. SEC/Enforcement/945/2011/ 49 dated February 13, 2012 was issued to Mercantile Bank Securities Limited to appear at the hearing. In the show cause-cum-hearing notice among others following were mentioned:-

“Whereas, being instructed by Securities and Exchange Commission vide letter no. SEC/Surveillance/2011-0754/560 dated May 23, 2011; Dhaka Stock Exchange Limited has conducted an investigation on unusual trading in shares of Anwar Galvanizing Limited.

Whereas, as per Clause 1 of the Commission’s Directive No. SEC/CMRRCD/ 2001-43/169 dated October 01, 2009, issuer companies under Z category shall not be entertained as ‘marginable securities’ under clause (d) of sub-rule (12) of rule 3 of the Margin Rules, 1999.

Whereas, investigation team has reported that in respect of the mentioned client codes, Mercantile Bank Securities Ltd. (Member No. 224) has bought ‘Anwar Galvanizing’ without having sufficient balance as shown below:

Client code	Client Name	Date	Buy Quantity	Ledger Balance( End of day)
K228	Md.Khairul Islam	13.04.11	150	-997.60
K465	Mollick Rafique Ahmed	7.04.11	150	-260,933.64
U169	Dr.Md.Asiquir Rahman	13.04.11	50	-581,781.39
K104	Kazi Talha Taukir	31.03.11	300	-53,80,211.59
K828	Md.Rashedul Huq	07.04.11	50	-37,09,315.53
K281	Md.Robiul Islam	31.03.11	50	-272,760.17

**Contravention:** Mercantile Bank Securities Limited has violated SEC’s Directive no. SEC/CMRRCD/2001-43/169 dated October 01, 2009 by providing margin loan facilities to its clients in purchasing shares of Anwar Galvanizing Limited, which is a Z category company.”

Whereas, hearing has been conducted.Mr. Mahmood Hasan (FVP and Company Secretary) and Mr.A.K.M Fazlul Hoque has attended the hearing on behalf of the broker. They submitted an explanation letter no.MBSL/HO/2012 dated March 08, 2012 to the Commission. They have confessed

that the reported allegation against them is correct. They begged apology and promise to not to commit such violation in future. In the letter among others they stated the following;



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“Considering the nature of inadvertent mistakes of our traders, the insignificant quantity of shares and the actions taken by us to warn the concern officials not to recur the mistakes in future, we fervently request you to look in to the matter with a lenient view for this time.”

Whereas, from the enquiry report and the written explanation of the broker it is proved that the allegation of violating Margin Rules, 1999 as per Clause 1 of the Commission’s Directive No. SEC/CMRRCD/ 2001-43/169 dated October 01, 2009 in connection with unusual trading in shares of Anwar Galvanizing Limited against Mercantile Bank Securities Limited is correct. Since the violation has been found in several codes on several dates so the violation can not be committed inadvertently. It is definitely intentional. They have warned the concerned officials after being informed regarding the violation from DSE In this respect their explanation is unacceptable. Such non compliance proves that the broker management has failed to monitor the margin loan properly.

Whereas, the aforesaid activities are tantamount to non-compliance of securities law, appeared to be deliberate and clear contravention of the above mentioned Directive. Therefore the said non compliance attracts penal provision of section 22 of the Securities and Exchange Ordinance, 1969;

Whereas, to protect the discipline and transparency of the capital market along with it’s development the Commission deems it appropriate and necessary to impose penalty upon Mercantile Bank Securities Limited for the stated violations.

Now, therefore, Bangladesh Securities and Exchange Commission, in exercise of the power conferred by section 22 (amended by the Securities and Exchange (Amendment) Act, 2000) of the Securities and Exchange Ordinance, 1969 (XVII of 1969) hereby imposes penalty for Tk.1.00 (Tk.One) Lac upon Mercantile Bank Securities Limited which is to be deposited to the Commission in the form of Bank Draft/Payorder favouring ‘Bangladesh Securities and Exchange Commission’ within 15 days from the date of issuance of this order.

By order of the Bangladesh Securities and Exchange Commission

Professor Dr. M. Khairul Hossain  
Chairman

**Distribution:**

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