



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/974/2011/153

February 27, 2013

Mona Financial Consultancy and Securities Limited
CSE's Membership No. 121103
Room No.413,417
DSE Building
9/F, Motijheel C/A
Dhaka-1212
Attention: Managing Director/CEO

Subject: Penalty Order: Non-compliance of the SEC's Directive No. SEC/CMRRCD/2001-43/42 dated June 15, 2010 and rule 3 (1) and 3 (2) of the Margin Rules 1999 in connection with trading in shares of Paramount Insurance Company Limited.

Dear Sir,

Commission's penalty order No. SEC/Enforcement/974/2011/152 dated February 27, 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), Mona Financial Consultancy and Securities Limited is a member of Chittagong Stock Exchange Limited;

Whereas, the Securities and Exchange Commission issued Stock Broker Registration Certificate to Mona Financial Consultancy and Securities Limited under article 10(1) of the Securities and Exchange Ordinance, 1969, read with rule 5 (5) of the Securities and Exchange Rules, 1999, to conduct securities trading related activities under certain terms & conditions stipulated in the said certificate;

Whereas, on the basis of the investigation report of Chittagong Stock Exchange Limited on unusual trading in shares of Paramount Insurance Company Limited, a show cause-cum-hearing notice No. SEC/Enforcement/974/2011/32 dated January 10, 2012 was issued to Mona Financial Consultancy and Securities Limited to appear at the hearing. In the show cause-cum-hearing notice among others following were mentioned;-

“Whereas, as per the Commission’s Directive No. SEC/CMRRCD/ 2001-43/42 dated June 15, 2010, equity securities with price-earning ratio of above 40 (forty) shall not be entertained as ‘marginable securities’ under clause (d) of sub-rule (12) of rule 3 of the Margin Rules, 1999 and the stock brokers shall not provide loan facilities to their clients to purchase the said securities.

Whereas, an investigation has been conducted by CSE regarding unusual trading in shares of Paramount Insurance Company Limited. According to the report due to having of Price Earning Ratio of above 40 (during the reported period), shares of Paramount Insurance Company Limited has been treated as non marginable.

Whereas, the Investigation Team among others reported the following:

Broker Name: Mona Financial Consultancy and Securities Ltd. (121103)

SL No	Client Code	Client Type	Buy Date	Buy qty	Avg. Buy Rate	Amount (Tk.)	Opening Ledger Balance of the day	Closing Ledger Balance of the day
1	731	Cash	7-Nov-10	1400	658.14	921,400.00	554,353	(93,098)
			8-Nov-10	200	663.00	132,600.00	(93,098)	(2,420)
			9-Nov-10	100	664.00	66,400.00	(2,420)	(5,890)
			23-Nov-10	50	685.00	34,250.00	(5,270,289)	(132,305)
3	1702	Cash	25-Nov-10	1000	799.88	799,875.00	72,805	(3,185,020)
			1-Dec-10	1750	1,020.00	1,785,000.00	418,328	(1,679,246)

Contravention: Mona Financial Consultancy and Securities Limited has violated SEC’s Directive No. SEC/CMRRCD/2001-43/42 dated June 15, 2010 by providing margin loan in respect of buying shares of



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Paramount Insurance Company Limited (Non-marginable Securities) and the broker has also violated rule 3 (1) and 3 (2) of the Margin Rules 1999 by allowing credit facility to their cash clients.”

Whereas, hearing has been conducted. Mr. Md. Mahfuzur Rahman (CEO, Mona Financial Consultancy & Securities Limited), Abu Sayem Md. Al Azad has attended the hearing on behalf of the broker. They submitted an explanation letter no. **MFCSL/SEC/2012-01** dated February 28, 2012 to the Commission. They have confessed the allegation and begged apology. Among others they have stated the following:

“Clarification regarding Client Code#1702

The client named Ms. Lucky (client code# 1702) is a regular client for last 15 years or so. Since then she maintain a good status regularly.

On 25.11.2010 the said client bought 1000 shares of PARAMOUNT @ 799.88 taka along with other various items amounting sizeable quantity and amounts. While buying those shares the client assured us that she will deposit a check for her buy amount and the authorized representative executed her order on good faith as she is a regular client of our company. The said client deposited a cheque for Tk. 5,000,000 on the next working day on 28.11.2010 (26th and 27th November was Friday and Saturday) which were deposited to the bank on the same day (Copy of money receipt and bank deposit slip attached).

The same incident happened on 01.12.2010 where the client bought 1750 shares of PARAMOUNT @ 1,020.00 taka but deposited the cheque for Tk. 1,800,000 on the next day i.e. 02.12.2010 (Copy of money receipt and bank deposit slip attached).

Clarification regarding Client Code#731

The client named Md. Nazimuddin is a regular client of our company with large volume of transaction. Since his account opening in our company he has been maintain a good relationship with us and always maintain the cash requirement in his account. However, in respect of buying of non-marginable shares which was fully unintentional. Regarding the irregularities we would like to say that as on 07.11.2010 a cheque for Tk. 600,000 was received from the client (Copy of money receipt and bank deposit slip attached). On that basis the authorized representative executed his order for buying PARAMOUNT shares along with other buy and sell orders some other shares of different companies. However, in the busy trading hour the involved authorized representative failed to identify at the time of execution of that total buy value has exceeded the total sell value and the amount of the check receipt. As such Tk. 93,098.73 negative balance was shown in the ledger.

Moreover, as on 23.11.2010 the client deposited two cheque of total Tk. 5,300,000 (Copy of money receipt and bank deposit slip attached) and bought 50 shares of PARAMOUNT @ 685.00 taka along with some other shares. In the busy trading hour the involved authorized representative failed to identify that the total buy amount has exceeded the total amount available for buy. As such at the end of the day negative balance of Tk. 132,305.24 was shown in the ledger.

As regards Commission’s directive no. SEC/CMRRC/2001-43/42 dated June 15, 2010, we like to mention that we do not issue any margin facilities to any other of our clients. The above transactions held out of margin rule as because the said overdue amount paid up by the client on the following day.

In this regard we unconditionally apologize for the mistakes done by our authorized representative and ensure that in future no such incident will occur. We will be utmost sincere and careful in future to ensure full compliance of securities related laws, rules and regulations.



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It is mentionable here that for the above mentioned incidents the management of Mona Financial Consultancy and Securities Ltd. issued a show cause letter to the involved Authorize representative named Sathi Rani Singha for the misconducts and subsequently she has apologized for her unintentional mistakes and assured to be more careful in future.

In light of the above we would like to say that those irregularities were completely unintentional and we unconditionally apologize for that. We pray and hope that those mistakes will be leniently viewed and assure that in future we will be more careful and no such incidents will **occur.**”

Whereas, Regarding Client code:1702: They stated that they have collected the cheque on the next trading day. Regarding trading on 25/11/2010 their explanation is accepted. But for trading on 01/12/2010 although cheque has been entried next day in the client ledger but money has been transferred to the broker’s customer’s consolidated account on 05/12/2010 which is unacceptable.

So the broker has violated SEC’s Directive No. SEC/CMRRCD/2001-43/42 dated June 15, 2010 by providing margin loan in respect of buying shares of Paramount Insurance Company Limited (Non-marginable Securities) and the broker has also violated rule 3 (1) and 3 (2) of the Margin Rules 1999 by allowing credit facility to their cash clients.

regarding Client Code#731:

On 07.11.2010 a cheque for Tk. 600,000 was received from the client but client ledger shows that it has been dishonoured. They have not explained regarding the trading on 08/11/2010-09/11/2010. They have stated that on 23.11.2010 the client deposited two cheque for total Tk.53,00,000 but at the day end the balance shows negative in the client ledger which is unacceptable. In this case the broker has violated rule 3 (1) and 3 (2) of the Margin Rules 1999 by allowing credit facility to their cash client.

Whereas, from the enquiry report and the written explanation of the broker it is proved that the allegation of violating Directive No. SEC/CMRRCD/2001-43/42 dated June 15, 2010 and rule 3 (1) and 3 (2) of the Margin Rules 1999 against Mona Financial Consultancy and Securities Limited (**Stock Broker**) is correct. Their explanation is not acceptable to the Commission.

Whereas, the aforesaid activities are tantamount to non-compliance of securities law, appeared to be deliberate and clear contravention of the above mentioned Directive and Rule. 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 Mona Financial Consultancy and 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



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(Tk.One) Lac upon Mona Financial Consultancy and 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

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