

Bangladesh Securities and Exchange Commission
Enforcement Division
Enforcement Department
Market, Market Intermediaries and Other Affairs Section
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নং-বিএসইসি/এনফোর্সমেন্ট/৩৪৪৪/২০২৩/৩৮৬

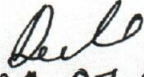
তারিখঃ এপ্রিল ২৯, ২০২৪

Mr. Chowdhury Khaled Saifullah
Managing Director of Grameen Capital Management Limited
Grameen Bank Complex (10th Floor)
Mirpur-2, Dhaka-1216.

বিষয়: আদেশ।

কমিশনের আদেশ নং- বিএসইসি/এনফোর্সমেন্ট/৩৪৪৪/২০২৩/৩৮৫ তারিখ: এপ্রিল ২৯, ২০২৪ এর সত্যায়িত অনুলিপি আপনার অবগতি ও প্রয়োজনীয় ব্যবস্থা গ্রহণের জন্য এতদসঙ্গে সংযুক্ত করা হলো।

বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশনের পক্ষে,


23-04-2024
রুবেল হোসেন
সহকারী পরিচালক (এনফোর্সমেন্ট)
ই-মেইল- rubel@sec.gov.bd

অবগতির জন্য অনুলিপি:

- ১। সকল নির্বাহী পরিচালক, বিএসইসি-
- ২। ব্যবস্থাপনা পরিচালক, ডিএসই।
- ৩। ব্যবস্থাপনা পরিচালক, সিএসই।
- ৪। সিডিবিএল, ডিএসই টাওয়ার (লেভেল-৫), বাড়ি # ৪৬, রোড-২১, নিকুঞ্জ-২, ঢাকা-১২২৯।
- ৫। বাংলাদেশ মার্চেন্ট ব্যাংকার্স এসোসিয়েশন, সায়হাম স্কাই ভিউ টাওয়ার (৫ম ফ্লোর, বি-৫), বিজয়নগর, ঢাকা-১২২৯।
- ৬। এসোসিয়েশন অব এ্যাসেট ম্যানেজমেন্ট কোম্পানিজ, ঢাকা।
- ৭। চেয়ারম্যান মহোদয়ের দপ্তর, বিএসইসি।
- ৮। অফিস কপি।



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নং-বিএসইসি/এনফোর্সমেন্ট/৩৪৪৪/২০২৩/৩৮৫

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যেহেতু, Securities and Exchange Ordinance, 1969 এর Section 2 (cc) মোতাবেক কমিশন অর্থ বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন যা বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন আইন, ১৯৯৩-এর অধীনে গঠিত;

যেহেতু, বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন-এর পরিদর্শন কমিটি বিএসইসি/এসআরআই/আইএনএস/২০২৩/১৩৩ তারিখ ০১ মার্চ ২০২৩ স্মারকমূলে Grameen Capital Management Limited (Merchant Banker)-এ ১৬ এপ্রিল ২০২৩ তারিখ পরিদর্শন (Inspection) কার্যক্রম পরিচালনা করেছে এবং কমিশনে এ সংক্রান্ত একটি প্রতিবেদন দাখিল করেছে। পরিদর্শন প্রতিবেদন থেকে অন্যান্যের মধ্যে নিম্নলিখিত বিষয়গুলি উপস্থাপিত হয়:

A. Observations & Findings:

1. It appears to us from the submitted documents of Grameen Capital Management Limited (Merchant Banker) (GCML) that GCML has received a net amount of BDT. 967,578,178/- from 822 clients/investors as on 30 June 2022. It also appears to us that GCML has not presented this amount in the Audited Financial Statements. by which it is evident that, the audited financial statements of GCML does not reflect true and fair view. It is also observed that as they are maintaining omnibus account for their clients and these client's investment has not been presented in the Audited Financial Statements, so it appears to the inspecting team that there is risk for managing this fund of investors;
2. During the interview, discussion and inspection, we asked about the calculation of the capital gain (loss) from sale of shares which has been presented at the audited financial statements for last 05 years, but the person including Managing Director of GCML failed to show the calculation of realized capital gain from sale of shares;
3. It appears from the audited financial statements of last five years that a payment is made under the Head namely "Expense for Chairman Secretariat" with an amount of BDT. 250,000/- per year. As per GCML replied that this payment is made for arranging board meeting, providing necessary supports and also for conducting audit and inspections of GCML. They submitted 02 (two) special audit reports to the inspecting team. In last report there was several irregularities of Managing Director of GCML was identified but the Board of Directors did not take any steps in this regard. We also sought approval of the Board of Directors for such yearly payments. But the authority of GCML failed to submit such approval to the inspecting officers;
4. It appears from the submitted documents of GCML that there are two bank accounts which are used for their own purpose. There are 04 bank accounts which are used as client's bank account. It appears from the cash flow statements for each year audited financial statements that there were no reflection of cash receipt and payment for those 04 bank accounts which are used for client. Accordingly, it appears to us that Cash Flow Statements are not supported by the all Bank Accounts of GCML;
5. GCML has failed to open five client account in a calendar year. It also appears to us in the year of 2020 GCML collected a large amount of investment from Grameen Telecom with an amount of BDT. 100/- Crore;
6. GCML has failed to documented 01 issue management proposal to the Commission in consecutive two calendar year;
7. GCML has also failed to clarify and explain the matters of reconciliation statements as submitted by GCML;



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8. As GCML operates discretionary non marginable account, so it is required to distribute proportionately with weighted average among the clients. During our inspection we found that there is no process for such distribution of securities (buy & sale), so it appears that there is a high risk of client to be deprived for such buy or sale of securities trading;
9. GCML has not availed any Depository Participant Registration Certificate;
10. In the Merchant Bankers Registration Certificate, the address is Grammen Bank Bhaban (10th Floor), Mirpur-02, Dhaka. But during our visit we found GCML is operating in 3rd floor a separate 05 stories building situated within the compound of Grammen Bank Bhaban. So, it appears that they have changed their physical location without approval of the Commission;
11. It appears from Agenda 9.1 of 92nd Board Meeting that Managing Director of GCML informed to the board that as per rules of Bangladesh Securities and Exchange Commission (BSEC), WPPF is not applicable for GCML. We asked to the Managing Director of GCML under which rules BSEC was referred to the board. Managing Director referred our letter No. BSEC/SRI/DSE-26/1999/31 dated 13 February 2019. In the BSEC's referred we did not find any embargo for disbursing the WPPF. Additionally, two legal opinion was taken by GCML in this regard, where the lawyer did not provide any adverse opinion with regard to disbursement of WPPF. Accordingly, it appears to us that Managing Director of GCML referred an incorrect/false information to the board about BSEC's rules with regard to WPPF;
12. It appears from the agenda of 88th Board meeting that Managing Director of GCML informed to the board that GCML has engaged in a contract to act as co-issue manager for the Non-Convertible Callable Zero-Coupon Bond of BDT. 80.00 Crore issued by H.R. Textile Ltd. During our visit we asked to show the contract. Managing Director of GCML failed to show the aforesaid contract to the inspecting officers. Accordingly, it appears to us that the Managing Director of GCML has presented a false statement to its Board of Directors;
13. GCML has failed to show us the RJSC Certified copy of Form-XII and Schedule-X. They showed us a RJSC certified Form-XII issued in the year of 1997 in the name of Grameen Securities Management Limited, not in the name of Grameen Capital Limited. Accordingly, it is evident that since 1997 the company's board of directors has not been recorded by RJSC. So, the formation of current Board of Directors of GCML becomes questionable and their role as a board is not permitted under Companies Act, 1994.
14. The board has not taken any steps or measure for the irregularities of Managing Director with regard to H.R. Textiles Ltd identified in the special audit report dated 23.01.2022. Additionally GCML informed us that they are in a position to close the investment in Bond of H.R. Textiles PLC. So it appears to us that, the authority of GCML has failed to show their professional attitude for operating the business of full-fledged Merchant Banker;
15. During our inspection we did not found any activities, papers, documents, record which supports that GCML is complying with the rules related to Risk Based Capital Adequacy., though they declared that they are in process to comply. As per our inspection we opine that GCML does not comply with the Risk Based Capital Adequacy Rules, 2019;
16. During our inspection we collected some client account opening form on sampling basis. These Client Number are # 5343, 439, 351, 489, 77, 576, 1002,378, 02,06. These forms are not properly filled up and completed.
17. During inspection we did not find any KYC form of GCML;



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18. During our visit we asked GCML to show the agreement/contract between client and GCML for discretionary non marginable account. GCML informed us that they are examining the issues, but it appears to the inspection team that there is no agreement/contract in this regard preserved by GCML for the existing clients;
19. After asking about the website, the authority of GCML informed us that there is a website with an address of www.grameencapitalbd.com. We browse that website and found that it's a public limited company, but as per memorandum and article it is a private limited company which is a misleading information. Additionally, all the tabs of this website found under construction. So, their provided data and information was incorrect which may mislead to the investors as well;
20. We did not find any appointed compliance officer of GCML though GCML claimed that their Head of IT is acting a compliance officer, but we did not find any papers in support of his appointment as compliance officer;
21. As per explanation of GCML and Note # 16 of Audited Financial Statements for the year ended on 30 June 2021 realized loss was 4.12 Crore. On the other hand, it is observed now the ledger statements of the company's own portfolio from 15-20 December 2020, GCML has sold the securities of LHBL (LafargeHolcim) at Tk. 41 to Tk.42 per share, but from 27-31 October 2021, GCML has bought the same securities (LafargeHolcim) at Tk. 82 to Tk. 84, which was two times higher than the selling price. Here, it is observed the inefficiency of the management exists as several times these kinds of share was traded by GCML;

Apart from this we also asked whether any opinion/approval from the Investment Committee had been taken or not, but GCML did not reply to our query which proves that there was no approval of investment committee, which is also show an inefficiency of the Managing Director of GCML;

22. During the inception of the inspection, despite the inspecting officers required documents, data, information, record and clarification, GCML and its Managing Director did not co-operate, provided piecemeal information and failed to provide the clarification raised by the inspecting officers in several cases. Accordingly, it appears to us that Managing Director of GCML did not fully co-operated with the inspecting officers;
23. Grameen Fund is one of the shareholders of GCML. The Chairman of GCML namely Mr. M Shahjahan is also a director of Grameen Fund. Apparently, the Managing Director of Grameen Fund namely Mr. Quazi Sultan Ahmed is also a member of Director of GCML. Grameen Fund is acting as a Trustee of Grameen One : Scheme Two (Script Code-12167) which is a listed Mutual Fund of Dhaka Stock Exchange (DSE). So, it appears to us as a director of trustee of a Mutual Fund both Mr. M Shahjahan and Mr. Quazi Sultan Ahmed cannot exist in the board of GCML (A Merchant Bank) and Grameen Fund cannot hold any shares of GCML (a Merchant Bank);
24. During inspection we found that at the inception the forwarding letter was send to Grammen Securities Management Limited. But in the Registration Certificate of Merchant Bankers we found the name as "Grameen Capital Management Limited". We sought the supporting paper for such name change. But GCML failed to show the name change related documents in this regard;
25. GCML is managing and maintaining the investment of 822 clients through an omnibus non-marginable portfolio. But for managing and investing such big number of clients with a large investment amount, there is no established Investment policy scheme/investment guideline approved by the authority of GCML. So it appears to us that there is a lacking of professionalism



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and efficiency of Managing Director which has increased the investment risk of the discretionary client's investment;

26. During our inspection we found there is an investment committee, but we did not find sufficient meeting decision of the investment committee for investment on behalf of the discretionary clients, guideline produced by the investment committee. We did not find any measures of investment committee to mitigate and manage the associated risk of investment on behalf of discretionary clients. So, it appears to us that Managing Director of GCML has failed to create such kind of professional and effective investment policies, which emphasis his incompetency and inefficiency for managing the portfolio on behalf of the discretionary clients;
27. It appears to us 100% directors of GCML are nominated from the sponsor shareholder's directors. There are Two Shareholders of GCML which are: Grameen Fund and Grameen Kalyan. Out of 05 Directors of GCML, 02 directors are from Grameen Fund and 03 Directors are from Grameen Kalyan. As there is a registration related embargo in সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬ that maximum 50% directors can be appointed from the directors of sponsor shareholders, so it appears to us that GCML has violated registration related regulations;
28. Inspecting officers asked that whether GCML has informed to the Commission about the place of their data preservation, place of preservation of records and accounts and others. GCML informed that they did not inform such information to the Commission and they could not show any evidence in this regard;
29. GCML has not submitted the unaudited financial statements for the quarter ended on 31 March 2023 whose last date of submission was 15 April 2023;
30. As per declaration of GCML, it appears to us that in the year of 2015, GCML have enjoyed the benefit with regard to quarterly provision for the margin loan and simultaneously they declared cash dividend in the year of 2015 which is not permitted by securities laws.
31. GCML was registered in the year of 1998 as Merchant Bank. In the year of 2008, all merchant bank was instructed to transfer the securities of Omnibus Account to individual BO Account otherwise they should handover the money to clients by selling securities. But it appears to us that GCML did not take any steps in this regard;
32. It appears to us that, while obtaining approval of Managing Director of GCML from BSEC, Mr. Khaled Saifullah did not mentioned that he is a director of a credit rating company namely National Credit Rating Company Limited (NCRL). So, it appears to us that proposed Managing Director of GCML concealed information to the Commission during obtaining approval for Managing Director of this Merchant Bank.
Additionally, National Credit Rating Company Limited rated H.R Textile Limited for Bond approval and a proposal was placed to the board of GCML for investing in the bond of H.R. Textiles Limited. So, it appears to us that, Mr. Khaled Saifullah arranged an investment from GCML for his client namely H.R Textile Limited through National Credit Rating Company. So it appears, there is a conflict of interest from which Mr. Khaled Saifullah being a Managing Director of GCML could not refrain himself and he did not showed any professionalism;
33. It appears from 87th Board Meeting that (Point No-5.4, 5.5) that the board directed to present a information of realized loss and related all information and synopsis to the Board. It appears from the 88th Board meeting that the Managing Director of GCML presented report but there is no information with regard to realized loss and related all information and synopsis as required



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... it appears to us that Managing Director of GCML has not complied with the
... of the board for which his transparency and responsibilities becomes questionable to
... the inspecting officers.

11. Though GCML is operating discretionary non-marginable client account, but we found negative balance of 03 clients whose client code is 829, 895 and 5112. We asked how this was created and continuing. In reply GCML only answered that these were created before the year 2010 which are being adjusted gradually. But as per our opinion such negative equity should not be created and continued for such a period of more than 12 years.

B. Contraventions, violations and Non-Compliances of GCML:

The inspecting officers found the following contraventions, violation and non-compliances which are as follows:

Management related Irregularities:

1. It appears from the submitted documents of GCML that, GCML has received a net amount of BDT. 967,578,178/- from 822 clients/investors as on 30 June 2022. It also appears to us that GCML has not presented this amount in the Audited Financial Statements for the year ended on 30 June 2022, by which it is evident that the said audited financial statements of GCML does not reflect true and fair view. So, GCML did not provide the accurate and appropriate information to the inspection team, **which is a contravention of বিধি ১৩ ও বিধি ৩২(৪) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;**
2. It appears from the submitted documents of GCML that there are two bank accounts which are used for their own purpose. There are 04 bank accounts which are used as client's bank accounts. It appears from the cash flow statements for each years audited financial statements that there were no reflection of cash receipt and payment for those 04 bank accounts which are used for clients. Accordingly, it appears to us that Cash Flow Statements are not supported by the all Bank Account of GCML **which is a contravention of বিধি ১৩ ও বিধি ৩২(৪) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;**
3. During the interview, discussion and inspection, we asked about the calculation of the capital gain (loss) from sale of shares which has been presented at audited financial statements for last 05 years, but the authority of GCML failed to show the calculation of realized capital gain from sale of shares **which is contravention of বিধি ৩২(৪) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;**
4. It appears from the audited financial statements of last five years that a payment is made under the Head namely “Expense for Chairman Secretariat” with an amount of BDT. 250,000/- per year. As per GCML replied that this payment is made for internal audit purpose. They submitted 02 (two) special audit reports to the inspecting team. In the special last report there were several irregularities of Managing Director of GCML and those were identified but the Board of Directors did not take any steps in this regard. We also sought approval of the Board of Directors for such yearly payments. But the authority of GCML failed to submit such approval to the inspecting officers **which is a contravention of বিধি ৩২(৪) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;**



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- GCML has failed to open five client accounts in a calendar year which a contention of নিবন্ধন সার্টিফিকেটের শর্তাবলী ১১(খ) of ফরম 'খ' of উপ-বিধি (৩) of বিধি ৭ of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;
6. GCML has failed to documented 01 issue management proposal to the Commission within two calendar year, **which a contention of** নিবন্ধন সার্টিফিকেটের শর্তাবলী ১১(ক) of ফরম 'খ' of উপ-বিধি (৩) of বিধি ৭ of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;
7. As GCML operates discretionary non marginable account, so it is required to distribute proportionately with weighted average among the clients. During our inspection we wanted to see that how the allocation of any traded securities is allocated among the clients code by GCML. But GCML failed to show us such allocation of traded securities **which is a contravention of** বিধি ৩০(৪) ও ৩২(৪) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;
8. In the Merchant Bankers Registration Certificate, the address is Grammen Bank Bhaban (10th Floor), Mirpur-02, Dhaka. But during our visit we found GCML is operating in 3rd floor a separate 05 stories building situated within the compound of Grammen Bank Bhaban. So it appears that they have changed their physical location without approval of the Commission, **which is a contravention of** নিবন্ধন সার্টিফিকেটের শর্তাবলী ০৪ of ফরম 'খ' of উপ-বিধি (৩) of বিধি ৭ of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;
9. GCML has failed to show the RJSC Certified copy of Form-XII and Schedule-X. They showed us a RJSC certified Form-XII issued in the year of 1997 in the name of Grameen Securities Management Limited, not in the name of Grameen Capital Limited. Accordingly, it is evident that since 1997 the company's board of directors has not been recorded by RJSC. As GCML failed to submit RJSC certified Form-XII and Schedule-X so it appears to us that **GCML is not in line with** ৩২(৪) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;
10. During inspection did not found any activities, papers, documents, record in supports that GCML is complying with the rules related to Risk Based Capital Adequacy. Though they declared that they are in process to comply. It appears to us that GCML has failed to show the relevant papers in this regard and failed to comply such requirements **which is both contravention of** ৩২(৪) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬ and Bangladesh Securities and Commission (Risk Based Capital Adequacy) Rules, 2019;
11. During visit to asked GCML to show the agreement/contract between clients and GCML for discretionary non marginable account. GCML informed us that they are examining the issues, but it appears to the inspection team that there is no agreement/contract for discretionary clients **which is a contravention of** 29 বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;
12. After asking about the website, the authority of GCML informed that there is a website with an address of www.grameencapitalbd.com. We browse that website and found that it's a public limited company, but as per memorandum and article it is a private limited company which is a misleading information. Additionally, all the tabs of this website found under construction. So, their provided data and information was incorrect which may mislead to the investors as well.



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As GCML failed to show a complete and informative website so it is a **contravention of ৩২(৪)** বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;

13. We did not find any appointed compliance officer of GCML though GCML claimed that their Head of IT is acting a compliance officer, but we did not find any papers in support of his appointment as compliance officer. As GCML failed to show such kind of papers or documents, so it is **contravention of ৩২(৪)** বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;
14. During inspection found that at the inception the forwarding letter was sent to Grammen Securities Management Limited. But in the Registration Certificate of Merchant Bankers we found the name as "Grameen Capital Management Limited". We sought the supporting paper for such name change. But GCML failed to show the name change related documents which is **contravention of ৩২(৪)** বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;
15. Inspecting officers asked that whether GCML has informed to the Commission about the place of their data preservation, place of preservation of records and accounts and others. GCML informed that they did not inform such information to the Commission which is **both contravention of both ৩২(৪)** বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬ and ১১(২), ২৮(২) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;
16. GCML has not submitted the unaudited financial statements for the quarter ended on 31 March 2023 whose last date of submission was 15 April 2023 which is not in line with স্বারক নং-বিএসইসি/এসআরআই/এমবি/পলিসি-৬/২০২০/৫৫২ তারিখ: ২৬ মে ২০২২;
17. As per declaration of GCML, it appears to us that in the year of 2015 GCML have enjoyed the benefit with regard to quarterly provision and simultaneously they declared cash dividend in the year of 2015 which is not in line with এসইসি/সিএমআরআরসিডি/২০০৯-১৯৩/১৯৬ তারিখ ২৮ ডিসেম্বর ২০১৬;
18. GCML was registered in the year of 1998 as Merchant Bank. In the year of 2008, all merchant bank was instructed to transfer the securities of Omnibus Account to individual BO Account otherwise they should handover the money to clients by selling securities. But it appears that GCML did not take any steps in this regard, which is not in line with ৩০(৬) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;

Specific Irregularities of Managing Director

19. Managing Director of GCML has failed to clarify and explain the matters of reconciliation statements as submitted by GCML, which is a **contravention of ৩২(৪)** of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;
20. It appears from Agenda 9.1 of 92nd Board Meeting that Managing Director of GCML informed to the board that as per rules of Bangladesh Securities and Exchange Commission (BSEC), WPPF is not applicable for GCML. We asked to the Managing Director of GCML under which rules BSEC was referred to the board. Managing Director referred our letter No. BSEC/SRI/DSE-26/1999/31 dated 13 February 2019. In the BSEC's referred we did not find any embargo for disbursing the WPPF. Additionally, two legal opinion was taken by GCML in this regard, where the lawyer did not provide any adverse opinion with regard to disbursement



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of WPPF. Accordingly, it appears that Managing Director of GCML referred an incorrect/false information to the board about BSEC's rules with regard to WPPF and subsequently GCML has provided such incorrect information to the inspecting officers, **which is a contravention of ৩২(৪) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬, read with section 18 of Securities and Exchange Ordinance, 1969;**

21. It appears from the agenda of 88th Board meeting that, Managing Director of GCML informed to the board that GCML has engaged in a contract to act as co-issue manager for the Non-Convertible Callable Zero-Coupon Bond of BDT. 80.00 Crore issued by H.R. Textile Ltd. During our visit we asked to show the contract. Managing Director of GCML failed to show the aforesaid contract to the inspecting officers. Accordingly, it appears that, the Managing Director of GCML has presented a false and incorrect information or statement to its Board of Directors. Subsequently by submitting such false and incorrect information, **GCML has violated ৩২(৪) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬, read with section 18 of Securities and Exchange Ordinance, 1969;**
22. It appears that, while obtaining approval of Managing Director of GCML from BSEC, Mr. Khaled Saifullah did not disclosed that he is a director of a credit rating company namely National Credit Rating Company Limited (NCRL). So, it appears to us that proposed Managing Director of GCML provided incorrect information about him to the Commission during obtaining approval for Managing Director of this Merchant Bank, **which is not in lien with ৩৫(১)(খ) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬ and section 18 of Securities and Exchange Ordinance 1969;**

Additionally, National Credit Rating Company Limited rated H.R Textile Limited for Bond approval and a proposal was placed to the board of GCML for investing in the bond of H.R. Textiles Limited. So, it appears to us that, Mr. Khaled Saifullah arranged an investment from GCML for his client namely H.R Textile Limited through National Credit Rating Company. So it appears, there is a conflict of interest from which Mr. Khaled Saifullah being a Managing Director of GCML could not refrain himself and he did not showed any professionalism **which is a contravention of ৩৫(১)(খ) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;**

23. It appears from 87th Board Meeting that (Point no-5.4, 5.5) that the board directed to present a information of realized loss and related all information and synopsis to the Board. It appears from the 88th Board meeting that the Managing Director of GCML presented report but there is no information with regard to realized loss and related all information and synopsis as required by board. So, it appears to us that Managing Director of GCML has not complied with the instruction of the board for which shows his transparency and responsibilities becomes questionable to the inspecting officers and it appears that the **Managing Director is not in line with ৩৫(১)(খ) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;**
24. As per explanation of GCML and Note # 16 of Audited Financial Statements for the year ended on 30 June 2021 it is found that realized loss was 4.12 Crore. On the other hand, it is observed from the ledger statements of the company's own portfolio from 15-20 December 2020, GCML has sold the securities of LHBL (LafargeHolcim) at Tk. 41 to Tk.42 per share, but from 27-31 October 2021, GCML has bought the same securities (LafargeHolcim) at Tk. 82 to Tk. 84, which was two times higher than the selling price. It is observed that the existence of inefficiency of the management as several times for these kinds of share traded by



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GCML. Apart from this, we also asked whether any opinion/approval from the Investment Committee had been taken or not, but GCML did not reply to our query which proves that there was no approval of investment committee, which is also shown an inefficiency and lack of professionalism of the Managing Director of GCML, **which is not in line with ৩৫(১)(খ) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;**

25. During the inception of the inspection, despite the inspecting officers required documents, data, information, record and clarification, GCML and its Managing Director did not cooperate, provided piecemeal information and failed to provide the clarification raised by the inspecting officers in several cases. Accordingly, it appears to us that Managing Director of GCML did not fully co-operated with the inspecting officers, **which is a contravention of ৩২(৪) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;**

26. GCML is managing and maintaining the investment of 822 clients through an omnibus non-marginable portfolio. But for managing and investing such big number of clients with a large investment amount, there is no established Investment policy scheme/investment guideline approved by the authority of GCML. So, it appears that there is lacking of professionalism and efficiency of Managing Director **which is a contravention of ৩৫(১)(খ) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;**

27. During our inspection we found that there is an investment committee, but we did not find sufficient meeting decision of the investment committee for investment on behalf of the discretionary clients as per guideline produced by the investment committee. We did not find any measures of investment committee to mitigate and manage the associated risk of investment on behalf of discretionary clients. So it appears to us that Managing Director of GCML has failed to create such kind of professional and effective investment policies, which emphasis his incompetency, inefficiency and lack of professionalism for managing the portfolio on behalf of the discretionary clients, **which is a contravention of ৩৫(১)(খ) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;**

যেহেতু, উপর্যুক্ত আলোচ্য বিষয়ে আইন ভঙ্গের কারণে কমিশনের এনফোর্সমেন্ট বিভাগ কর্তৃক ৩০ মে ২০২৩ তারিখ বিএসইসি/এনফোর্সমেন্ট/৩৪৪৪/২০২৩/৪৪৬ স্মারকমূলে Managing Director, Grameen Capital Management Limited (Merchant Banker) কে ২৫ জুন ২০২৩ তারিখে কারণ প্রদর্শনসহ শুনানীতে উপস্থিত হতে বলা হয়। শুনানীতে উপস্থিত হয়ে Mr. Chowdhury Khaled Saifullah, Managing Director of Grameen Capital Management Limited (Merchant Banker) নিম্নলিখিত বক্তব্য দাখিল করেন;

Reply of Mr. Chowdhury Khaled Saifullah, Managing Director of Grameen Capital Management Limited (GCML) (Marchant Banker), the alleged person submitted at the time of hearing:

Management related irregularities			
SL. No.	Observations/Findings/ Contraventions	True fact/ Reply from GCML/ Action Taken by GCML	Remarks
1.	It appears from the submitted documents of GCML that, GCML has received a net amount of BDT. 967,578,178/- from 822 clients/investors as on 30 June 2022. It also appears to us that GCML has not presented this amount in the Audited Financial Statements for the year ended on 30 June 2022, by which it is evident that the said audited financial statements of GCML does not reflect true and fair view. So, GCML did not provide the accurate and appropriate information to the inspection team, which is a contravention of বিধি ১৩ ও বিধি ৩২(৪) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;	We will rectify from current financial year.	Our external auditors did not inform us the matter regarding inclusion of clients investment in securities in the financial statements mentioned in the report
2.	It appears from the submitted documents of GCML that there are two	Inadvertently the liability of the customer account shown	



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	bank accounts which are used for their own purpose. There are 04 bank accounts which are used as client's bank accounts. It appears from the cash flow statements for each years audited financial statements that there were no reflection of cash receipt and payment for those 04 bank accounts which are used for clients. Accordingly, it appears to us that Cash Flow Statements are not supported by the all Bank Account of GCML which is a contravention of বিধি ১৩ ও বিধি ৩২(৪) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;	in the balance sheet of GCML was not incorporated in the Cash Flow statement. The matter has come to our knowledge. We will rectify the financial statement in the current financial year.	
3.	During the interview, discussion and inspection, we asked about the calculation of the capital gain (loss) from sale of shares which has been presented at audited financial statements for last 05 years, but the authority of GCML failed to show the calculation of realized capital gain from sale of shares which is contravention of বিধি ৩২(৪) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;	Suggestion from BSEC will be followed in future. We have already rectified the calculation of capital gain for the period from July, 2022 to January, 2023 with an error amounting to Tk. 386.14 due to rounding up of the figures after 2(two) decimal point.	
4.	It appears from the audited financial statements of last five years that a payment is made under the Head namely "Expense for Chairman Secretariat" with an amount of BDT. 250,000/- per year. As per GCML replied that this payment is made for internal audit purpose. They submitted 02 (two) special audit reports to the inspecting team. In the special last report there were several irregularities of Managing Director of GCML and those were identified but the Board of Directors did not take any steps in this regard. We also sought approval of the Board of Directors for such yearly payments. But the authority of GCML failed to submit such approval to the inspecting officers which is a contravention of বিধি ৩২(৪) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;	The matter regarding payment of TK 253,062.00 to the Chairman' Secretariat was approved in the 95th meeting of the Board of Directors held on 14/06/2023.	
5.	GCML has failed to open five client accounts in a calendar year which a contention of নিবন্ধন সার্টিফিকেটের শর্তাবলী ১১(খ) of ফরম 'খ' of উপ-বিধি (৩) of বিধি ৭ of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;	GCML is operating without DP License maintaining an omnibus account. Our clients cannot apply for IPO. As such they are less interested to open accounts with us.	
6.	GCML has failed to documented 01 issue management proposal to the Commission within two calendar year, which a contention of নিবন্ধন সার্টিফিকেটের শর্তাবলী ১১(ক) of ফরম 'খ' of উপ-বিধি (৩) of বিধি ৭ of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;	There are around 65 Merchant Banks and the annual number of IPOs are only 5 to 10. The business is very competitive. However we are trying to contact potential business units to manage their IPO.	
7.	As GCML operates discretionary non marginable account, so it is required to distribute proportionately with weighted average among the clients. During our inspection we wanted to see that how the allocation of any traded securities is allocated among the clients code by GCML. But GCML failed to show us such allocation of traded securities which is a contravention of বিধি ৩০(৪) ও ৩২(৪) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;	As GCML is not a member of CDBL, we could not comply with the direction of BSEC through conversion of non-discretionary customers omnibus accounts into separate BO accounts. Our clients so far have not objected on this.	
8.	In the Merchant Bankers Registration Certificate, the address is Grammen Bank Bhaban (10 th Floor), Mirpur-02, Dhaka. But during our visit we found GCML is operating in 3 rd floor a separate 05 stories building situated within the compound of Grammen Bank Bhaban. So it appears that they have changed their physical location without approval of the Commission, which is a contravention of নিবন্ধন সার্টিফিকেটের শর্তাবলী ০৪ of ফরম 'খ' of উপ-বিধি (৩) of বিধি ৭ of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;	Inadvertently the information regarding change of Registered Office was not communicated to the RJSC, BSEC and the others stakeholders.	
9.	GCML has failed to show the RJSC Certified copy of Form-XII and Schedule-X. They showed us a RJSC certified Form-XII issued in the year of 1997 in the name of Grameen Securities Management Limited, not in the name of Grameen Capital Limited. Accordingly, it is evident that since 1997 the company's board of directors has not been recorded by RJSC. As GCML failed to submit RJSC certified Form-XII and Schedule-X so it appears to us that GCML is not in line with ৩২(৪) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;	We have submitted all returns to RJSC. We are pursuing for the certified copies. We are yet to receive the certificates.	
10.	During inspection did not found any activities, papers, documents, record in supports that GCML is complying with the rules related to Risk Based Capital Adequacy. Though they declared that they are in process to comply. It appears to us that GCML has failed to show the relevant papers in this regard and failed to comply such requirements which is both contravention of ৩২(৪) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬ and Bangladesh Securities and Commission (Risk Based Capital Adequacy) Rules, 2019;	GCML has already taken initiative for complying with the rules related to Risk Based Capital adequacy. We hope to maintain Risk Based Capital Adequacy in the financial statements for the year to be ended on June 30, 2023.	
11.	During visit to asked GCML to show the agreement/contract between clients and GCML for discretionary non marginable account. GCML informed us that they are examining the issues, but it appears to the inspection team that there is no agreement/contract for discretionary	Due to lack of DP, we could not convert omnibus accounts into separate BO accounts for each investor. Although, in the interest of business, we operate discretionary accounts, for all practical purpose, the	



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	clients which is a contravention of 29 বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;	individual client operates their respective accounts. As such, it was not possible to execute a separate agreement in respect of maintaining their accounts other than the Account Opening Form.	
12.	After asking about the website, the authority of GCML informed that there is a website with an address of www.grameencapitalbd.com . We browse that website and found that it's a public limited company, but as per memorandum and article it is a private limited company which is a misleading information. Additionally, all the tabs of this website found under construction. So, their provided data and information was incorrect which may mislead to the investors as well. As GCML failed to show a complete and informative website so it a contravention of ৩২(৪) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;	GCML is in the process of uploading information in the website having web address www.grameencapitalbd.com . The demonstrated mistake has already been rectified. We hope to construct a complete and accurate website in compliance with the direction of BSEC as early as possible and inform BSEC in this regard.	
13.	We did not find any appointed compliance officer of GCML though GCML claimed that their Head of IT is acting a compliance officer, but we did not find any papers in support of his appointment as compliance officer. As GCML failed to show such kind of papers or documents, so it is contravention of ৩২(৪) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;	A compliance officer has been appointed.	
14.	During inspection found that at the inception the forwarding letter was sent to Grammen Securities Management Limited. But in the Registration Certificate of Merchant Bankers we found the name as “Grameen Capital Management Limited”. We sought the supporting paper for such name change. But GCML failed to show the name change related documents which is contravention of ৩২(৪) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;	Copy of the certificates regarding change of the name of the company as Grameen Capital Management Ltd. was issued on 01.11.2001.	
15.	Inspecting officers asked that whether GCML has informed to the Commission about the place of their data preservation, place of preservation of records and accounts and others. GCML informed that they did not inform such information to the Commission which is both contravention of both ৩২(৪) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬ and ১১(২), ২৮(২) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;	Already Implemented.	
16.	GCML has not submitted the unaudited financial statements for the quarter ended on 31 March 2023 whose last date of submission was 15 April 2023 which is not in line with সারক নং-বিএসইসি/এসআরআই/এমবি/পলিসি-৬/২০২০/৫৫২ তারিখ: ২৬ মে ২০২২;	Submitted on 27.04.2023.	
17.	As per declaration of GCML, it appears to us that in the year of 2015 GCML have enjoyed the benefit with regard to quarterly provision and simultaneously they declared cash dividend in the year of 2015 which is not in line with এসইসি/সিএমআরআরসিডি/২০০৯-১৯৩/১৯৬ তারিখ: ২৮ ডিসেম্বর ২০১৬;	Inadvertently cash dividend was declared in 2015 in spite of availing the facility of deferred provision.	
18.	GCML was registered in the year of 1998 as Merchant Bank. In the year of 2008, all merchant bank was instructed to transfer the securities of Omnibus Account to individual BO Account otherwise they should handover the money to clients by selling securities. But it appears that GCML did not take any steps in this regard, which is not in line with ৩০(৬) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;	Due to lack of DP, we could not convert omnibus accounts into separate BO accounts for each investor.	

Specific Irregularities of Managing Director

19.	Managing Director of GCML has failed to clarify and explain the matters of reconciliation statements as submitted by GCML, which is a contravention of বিধি ৩২(৪) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;	As GCML do not have DP license, we could not convert omnibus accounts into separate BO accounts for each investor. We maintain the discretionary accounts of all investors into 7 (Seven) panel brokers DP having a single BO account with each DP. As such, it is difficult to segregate the transaction of one individual customer account in a particular day.	
20.	It appears from Agenda 9.1 of 92 nd Board Meeting that Managing Director of GCML informed to the board that as per rules of Bangladesh Securities and Exchange Commission (BSEC), WPPF is not applicable for GCML. We asked to the Managing Director of GCML under which rules BSEC was referred to the board. Managing Director referred our letter No. BSEC/SRI/DSE-26/1999/31 dated 13 February 2019. In the BSEC's referred we did not find any embargo for disbursing the WPPF. Additionally, two legal opinion was taken by GCML in this regard, where the lawyer did not provide any adverse opinion with regard to disbursement of WPPF. Accordingly, it appears that Managing Director of GCML referred an incorrect/false information to the board about BSEC's rules with regard to WPPF and subsequently GCML has	It was not mentioned anywhere in the minutes and the memo on agenda 9.1 placed before the 91st meeting of the Board of Directors of GCML that there was embargo/restriction from BSEC on the introduction of WPPF in the capital market intermediary. The proposal was presented to the Board along with the legal opinion obtained from the lawyer for decision of the board (Copy of memo enclosed). We mentioned BSEC letter no. BSEC/SRI/DSE-26/1999/31 dated February 13, 2019 which states that for Capital Market Intermediaries Article 326 of the Labor Act 2006 is not applicable. In the minutes of the meeting we wanted to mean that it is not	



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	provided such incorrect information to the inspecting officers, which is a contravention of ৩২(৪) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬, read with section 18 of Securities and Exchange Ordinance, 1969;	mandatory for us to introduce WPPF in compliance to any rules or directives of the BSEC. We never wanted to mean that there is BSEC from BSEC for disbursement of WPPF. For example we introduced the 'Health and Life Insurance Policy' for the employees of GCML in compliance to Circular no. BSEC/Admn/31:22/2014/407 dated May 12, 2021. May be there was a mistake in using the appropriate language.	
21.	It appears from the agenda of 88 th Board meeting that, Managing Director of GCML informed to the board that GCML has engaged in a contract to act as co-issuer manager for the Non-Convertible Callable Zero-Coupon Bond of BDT. 80.00 Crore issued by H.R. Textile Ltd. During our visit we asked to show the contract. Managing Director of GCML failed to show the aforesaid contract to the inspecting officers. Accordingly, it appears that, the Managing Director of GCML has presented a false and incorrect information or statement to its Board of Directors. Subsequently by submitting such false and incorrect information, GCML has violated ৩২(৪) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬, read with section 18 of Securities and Exchange Ordinance, 1969;	We received an offer from the Issue Manager AAA Finance and Investment Ltd. to act as co-arranger of the Bond issue for H.R. Textile Mills Ltd. vide their letter no. AAA/Bond-111/2021/100 dated 04 April 2021. We accepted the offer vide our letter no. GCML/Bond-0111/2021/3024 dated April 04, 2021. Assuming that the offer from issue manager and our acceptance thereof through letter of intent constituted an agreement to act as co-arranger, we informed the matter to the board. It is pertinent to mention that approval from Board of Directors is not required to act as co-arranger of an issue. As we did not execute a formal agreement in this regard, there was a mistake in using the appropriate language. We are extremely sorry for the matter and assure you that this kind of mistake will never happen in future. Copy of the offer letter and our acceptance are attached herewith.	
22.	It appears that, while obtaining approval of Managing Director of GCML from BSEC, Mr. Khaled Saifullah did not disclosed that he is a director of a credit rating company namely National Credit Rating Company Limited (NCRL). So, it appears to us that proposed Managing Director of GCML provided incorrect information about him to the Commission during obtaining approval for Managing Director of this Merchant Bank, which is not in lien with ৩৫(১)(খ) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬ and section 18 of Securities and Exchange Ordinance 1969; Additionally, National Credit Rating Company Limited rated H.R Textile Limited for Bond approval and a proposal was placed to the board of GCML for investing in the bond of H.R. Textiles Limited. So, it appears to us that, Mr. Khaled Saifullah arranged an investment from GCML for his client namely H.R Textile Limited through National Credit Rating Company. So it appears, there is a conflict of interest from which Mr. Khaled Saifullah being a Managing Director of GCML could not refrain himself and he did not showed any professionalism which is a contravention of ৩৫(১)(খ) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;	There was no form where the Managing Director could make a declaration that he is one of the directors of a rating company namely National Credit Ratings Limited which is not unlawful. But inadvertently it was not mentioned in his resume. He is sorry for the unintentional mistake. The proposal for subscription of Zero coupon Bond of H. R. Textile Mills Ltd. came to GCML from the issue manager AAA Finance and Investment Ltd and not from NCRL. The rating of the Zero Coupon Bond was done by NCRL before the proposal for subscription came to us from the Issue Manager and the Managing Director was never involved in the rating process in any capacity. As such, NCRL was never in a position to derive financial benefit from the subscription of the zero coupon bond of H. R. Textile Mills Ltd.	
23.	It appears from 87 th Board Meeting that (Point no-5.4, 5.5) that the board directed to present a information of realized loss and related all information and synopsis to the Board. It appears from the 88 th Board meeting that the Managing Director of GCML presented report but there is no information with regard to realized loss and related all information and synopsis as required by board. So, it appears to us that Managing Director of GCML has not complied with the instruction of the board for which shows his transparency and responsibilities becomes questionable to the inspecting officers and it appears that the Managing Director is not in line with ৩৫(১)(খ) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;	The information regarding realized loss and related information and synopsis was presented in the 88th meeting of the Board of Directors. The matter has been recorded in the status of implementation report placed in the 89th meeting of the Board.	
24.	As per explanation of GCML and Note # 16 of Audited Financial Statements for the year ended on 30 June 2021 it is found that realized loss was 4.12 Crore. On the other hand, it is observed from the ledger statements of the company's own portfolio from 15-20 December 2020, GCML has sold the securities of LHBL (LafargeHolcim) at Tk. 41 to Tk.42 per share, but from 27-31 October 2021, GCML has bought the same securities (LafargeHolcim) at Tk. 82 to Tk. 84, which was two times higher than the selling price. It is observed that the existence of inefficiency of the management as several times for these kinds of share traded by GCML. Apart from this, we also asked whether any opinion/approval from the Investment Committee had been taken or not, but GCML did not reply to our query which proves that there was no approval of investment committee, which is also shown an inefficiency and lack of professionalism of the Managing Director of GCML, which is not in line with ৩৫(১)(খ) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;	We took an initiative for restructuring our own portfolio by way of withdrawing investments from some shares having high cost price and low chance of price appreciation. In this regard the matter was discussed with our honorable chairman and the member of the Board of Directors. The recovered amount was invested in 'Blue Chip' shares with the objective of earning good dividends as well as capital gain. Although we incurred loss of TK 4,12,10,288.00 from the sale of securities, we earned capital gain of TK 2,17,09,553.00 as per audited financial statements for June 30, 2021. In the following year Capital gain from sale of shares increased to TK 3,70,48,072.00 The restructuring also significantly improved our portfolio and the profitability. The Net Profit After Tax increased to TK 848,78,733/- as on 30/06/2022 which enabled us to declare 40% stock dividend. Although it is difficult to ensure 100% accuracy in the	



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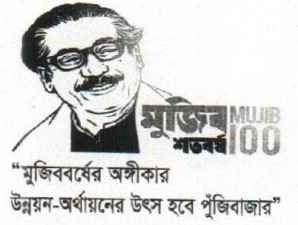
		prediction regarding market value of securities, we have implemented the decision for realization of loss in 3 (three) transactions in case of LHBL, but made profit in all the subsequent transactions. The shares of LHBL was sold at a time when the EPS was in the vicinity of 10% and our cost price was TK 73.84 providing 1.35% yield on investment. Later the EPS significantly increased and we invested several times at low cost and earned capital gain and dividend income.	
25.	During the inception of the inspection, despite the inspecting officers required documents, data, information, record and clarification, GCML and its Managing Director did not co-operate, provided piecemeal information and failed to provide the clarification raised by the inspecting officers in several cases. Accordingly, it appears to us that Managing Director of GCML did not fully co-operated with the inspecting officers, which is a contravention of ৩২(৪) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;	The Managing Director and 3 (three) senior members of his team provided necessary data and information to the inspection team.	
26.	GCML is managing and maintaining the investment of 822 clients through an omnibus non-marginable portfolio. But for managing and investing such big number of clients with a large investment amount, there is no established Investment policy scheme/investment guideline approved by the authority of GCML. So, it appears that there is lacking of professionalism and efficiency of Managing Director which is a contravention of ৩৫(১)(খ) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;	Managing Director of GCML formulated a written policy for managing the portfolio of large volume discretionary client namely 'Grameen Telecom' which constitute 75% of total customer investment portfolio.	
27.	During our inspection we found that there is an investment committee, but we did not find sufficient meeting decision of the investment committee for investment on behalf of the discretionary clients as per guideline produced by the investment committee. We did not find any measures of investment committee to mitigate and manage the associated risk of investment on behalf of discretionary clients. So it appears to us that Managing Director of GCML has failed to create such kind of professional and effective investment policies, which emphasis his incompetency, inefficiency and lack of professionalism for managing the portfolio on behalf of the discretionary clients, which is a contravention of ৩৫(১)(খ) বিধি of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬;	In managing our own portfolio, we hold meetings of Investment Committee. In managing the Large discretionary portfolio of 'Grameen Telecom' we follow a written policy, copy of which is attached herewith.	

যেহেতু, Mr. Chowdhury Khaled Saifullah, Managing Director of Grameen Capital Management Limited (GCML) (Marchant Banker)-এর উপর্যুক্ত বক্তব্য থেকে প্রতীয়মান হয় যে, তার বিরুদ্ধে উপস্থাপিত অভিযোগসমূহ সঠিক সেহেতু এক্ষেত্রে Mr. Chowdhury Khaled Saifullah-এর ব্যাখ্যা কমিশনের নিকট গ্রহণযোগ্য হিসেবে বিবেচিত হয়নি;

যেহেতু, Mr. Chowdhury Khaled Saifullah উপর্যুক্ত কর্মকান্ডের ফলে নিম্নবর্ণিত সিকিউরিটিজ আইনসমূহ লংঘন করেছেন, যা সিকিউরিটিজ আইনের পরিপন্থী;

- (ক) সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬ এর বিধি ১১(২), ১৩, ২৮(২), ২৯, ৩০(৪), ৩০(৬), ৩২(৪) এবং ৩৫(১)(খ)
- (খ) নিবন্ধন সার্টিফিকেটের শর্তাবলী ০৪, ১১ (ক), ১১(খ) of [(ফরম 'খ', সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্চেন্ট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬ এর বিধি ৭];
- (গ) Bangladesh Securities and Commission (Risk Based Capital Adequacy) Rules, 2019;
- (ঘ) স্বারক নং-বিএসইসি/এসআরআই/এমবি/পলিসি-৬/২০২০/৫৫২ তারিখ: ২৬ মে ২০২২;
- (ঙ) এসইসি/সিএমআরআরসিডি/২০০৯-১৯৩/১৯৬ তারিখ ২৮ ডিসেম্বর ২০১৬;
- (চ) Securities and Exchange Ordinance, 1969 এবং
- (ছ) বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন আইন, ১৯৯৩।

যেহেতু, পুঁজিবাজারে বিনিয়োগকারীদের স্বার্থ রক্ষা সহ পুঁজিবাজারের উন্নয়ন ও শৃঙ্খলা রক্ষা করা কমিশনের অন্যতম উদ্দেশ্য তথা কর্তব্য;



বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন

যেহেতু, Mr. Chowdhury Khaled Saifullah-এর উপর্যুক্ত কর্মকান্ড Securities and Exchange Ordinance, 1969 এর Section 22 এবং সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন আইন, ১৯৯৩ এর ধারা ১৮ অনুযায়ী শাস্তিযোগ্য অপরাধ;


যেহেতু, কমিশনের বিবেচনায়, সিকিউরিটিজ আইন ও বিধি-বিধান পরিপালনে আলোচ্য ব্যর্থতার জন্য, পুঁজিবাজারের শৃংখলা, স্বচ্ছতা এবং জনস্বার্থে আলোচ্য Mr. Chowdhury Khaled Saifullah-কে শাস্তি আরোপ করা প্রয়োজন ও সমীচীন;

অতএব, সেহেতু, কমিশন উল্লিখিত যাবতীয় বিষয় বিবেচনাপূর্বক, Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969) এর Section 22 এবং সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন আইন, ১৯৯৩ এর ধারা ১৮ এ প্রদত্ত ক্ষমতাবলে-

- Mr. Chowdhury Khaled Saifullah (কমিশনের পরিদর্শনকালে মার্চেন্ট ব্যাংকারটির ব্যবস্থাপনা পরিচালক)-কে ১ (এক) কোটি টাকা অর্থদন্ড ধার্য করল যা অত্র আদেশের ৩০ (ত্রিশ) দিনের মধ্যে 'বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন' এর অনুকূলে ইস্যুকৃত ব্যাংক ড্রাফট/পে-অর্ডারের মাধ্যমে জমা প্রদান করতে হবে, অন্যথায় সিকিউরিটিজ আইন মোতাবেক পরবর্তী আইনানুগ ব্যবস্থা গ্রহণ করা হবে।

-এছাড়াও, Mr. Chowdhury Khaled Saifullah (কমিশনের পরিদর্শনকালে মার্চেন্ট ব্যাংকারটির ব্যবস্থাপনা পরিচালক)-কে আগামী ৩(তিন) বছরের জন্য পুঁজিবাজার সংশ্লিষ্ট কোন প্রতিষ্ঠানের কাজে নিযুক্ত কাজে নিযুক্ত থাকা বা হওয়া থেকে নিষিদ্ধ করা হলো।

বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশনের আদেশক্রমে,


ডঃ রুমানা ইসলাম
কমিশনার
29.4.24

বিতরণ:

- ১। Mr. Chowdhury Khaled Saifullah
Managing Director of Grameen Capital Management Limited
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Mirpur-2, Dhaka-1216.