

Order

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

Whereas, the Securities and Exchange Commission issued Stock Broker Registration Certificate to PFI Securities Limited under article 10(1) of the Securities and Exchange Ordinance, 1969, read with rule 5 (5) of the Securities and Exchange Commission (Registration of Stock Brokers) Rules, 2000, 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, a show cause-cum-hearing notice No. SEC/Enforcement/909/2011/150 dated March 13, 2011 was issued to PFI Securities Limited (Stock Broker) 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/2001-43/47 dated July 08, 2010, the members of the stock exchanges shall not extend credit facilities to their approved clients beyond one time of clients margin/clients deposit (i.e credit facilities shall be on 1:1 basis) under the Margin Rules,1999.

Whereas, the investigation team reported that “the following clients of PFI Securities Ltd. enjoyed margin facilities more than the prescribed limit:

| Buy Date | Client Code | Name of Client | Market value of Securities | Ledger Balance | Clients Margin Deposit | Margin Ratio |
|----------|-------------|-----------------------------|----------------------------|------------------|------------------------|--------------|
| 09.08.10 | 640 | Rashada Akter (Maya) | 180463412.50 | (96,579,109.39) | 83,884,303.11 | 1:1.15 |
| 27.07.10 | 526 | Syed Siraj Ud Dawla | 294420039.75 | (195,664,345.59) | 98,755,694.16 | 1:1.98 |
| 08.08.10 | 526 | Syed Siraj Ud Dawla | 426643198.50 | (228,812,124.87) | 197,831,073.63 | 1:1.16 |
| 11.08.10 | 526 | Syed Siraj Ud Dawla | 415752723.25 | (236,998,967.60) | 178,753,755.65 | 1:1.33 |
| 03.08.10 | 533 | Md. Khaliluzzaman Chowdhury | 119521028.75 | (77,637,207.50) | 41,883,821.25 | 1:1.85 |
| 05.08.10 | 533 | Md. Khaliluzzaman Chowdhury | 123789459.00 | (80,807,211.05) | 42,982,247.95 | 1:1.88 |
| 11.08.10 | 533 | Md. Khaliluzzaman Chowdhury | 112014113.50 | (79,415,009.51) | 32,599,103.99 | 1:2.44 |

Contravention: PFI Securities Limited has violated Commission’s Directive No. SEC/CMRRCD/2001-43/47 dated July 08, 2010 by providing margin loan to it’s client beyond the permitted limit to purchase shares of Aftab Automobiles Limited.”

Whereas, hearing was conducted on the March 29, 2011. Mr. Kazi Fariduddin Ahmed (CEO and MD) attended the hearing on behalf of PFI Securities Limited and submitted a reply letter No. PFISL/Compliance/SEC/2011/284 dated March 28, 2011 to the Commission .In the letter among others they stated that :-

01. We are one of the market leaders in securities trading. We have been carrying on the business with diligence and care in compliance with all laws, rules, regulations and directives of the Commission and other regulatory authorities. As part of our business we provide margin loan to our approved clients.
02. The margin loans we provide to our approved clients always meet the requirements of the Margin Rules, 1999 and the Directives of the Commission under the Margin Rules. We always maintain the margin ratio as prescribed by the Margin Rules and the Directives of the Commission issued from time to time.
03. By Circular No. SEC/CMRRCD/2001-43/47 dated July 08, 2010, the Commission explained that any member can extend credit facilities to its approved clients to the ratio of 1:1 basis. Since then, we have been maintaining the margin ratio at 1:1.
04. That it is submitted that we have never extended any margin loan to any of our clients in excess of the permitted margin ratio. However, sometimes it happens that after granting the margin loan, the margin ratio increases due to fall of price of relevant shares in the stock market. In such situation in order to maintain the margin ratio we have two options. The first option is to ask the client to inject more funds to reduce the margin loan and the second option is to dispose off shares and utilise the proceeds to reduce the margin loan. In the first option, usually in a down market the client does not show interest to inject more funds and in the second option the client opposes any disposal of shares to avoid confirm loss.
05. That it is also submitted that sometimes at the request of the clients we buy shares, but after purchase, the clients make delay in depositing the fund. During this transition period sometimes the margin ratio exceeds the permitted limit.
06. Thus sometimes it becomes impracticable for us to maintain the margin ratio despite our all out effort and good intention to maintain the ratio. But this is not our intentional non-compliance of the securities laws.
07. That after the aforesaid proceedings we have become more cautious in maintaining the margin ratio and no further non-compliance happened thereafter.

In view of the above, we hope and pray that the above explanation would suffice to satisfy you to come to a conclusion that there was no intentional non-compliance on our part. However, we seek unconditional apology for any unintentional violation of SEC directives in respect of Margin Rule 1999.”

Whereas, their aforesaid written statement proves that the mentioned allegation of violating Commission’s Directive No. SEC/CMRRCD/2001-43/47 dated July 08, 2010 by providing margin loan to it’s client beyond the permitted limit to purchase shares of Aftab Automobiles Limited against PFI 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, deliberate and clear contravention of the stated Directive issued under Securities and Exchange Ordinance, 1969. The said violations attract 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 PFI Securities Limited for the stated violations.

Now, therefore, 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.5 (Tk. Five) Lac upon PFI Securities Limited which is to be deposited to the Commission in the form of Bank Draft/Payorder favouring ‘Securities and Exchange Commission’ within 15 days from the date of issuance of this order.

By order of the Securities and Exchange Commission

Professor Dr. M. Khairul Hossain
Chairman

Distribution:

PFI Securities Limited
63, Dilkusha C/A (3rd floor)
Dhaka-1000.