বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন

জীবন বীমা টাওয়ার (১৫, ১৬, ১৭ ও ২১তম তলা), ১০ দিলকুশা বা/এ, ঢাকা-১০০০, বাংলাদেশ।

নং-বিএসইসি/এনফোর্সমেন্ট/২২০১/২০১৪/২১৬ তারিখঃ ১৩ জুলাই ২০১৫ ইং

আদেশ

যেহেতু, কমিশন এর আদেশ নং BSEC/Surveillance/2014-0840/427 dated 9th November 2014 এর মাধ্যমে একটি তদন্ত কমিটি গঠিত হয় এবং উক্ত তদন্ত কমিটির দাখিলকৃত প্রতিবেদন অনুযায়ী findings and contraventions নিম্নরূপ:

Quote

"----1. As per Rules 2 (aa), (bb) and (c) of the Securities and Exchange Rule, 1987 "designated liabilities" means-

(i) amount payable in the ordinary course of dealing in securities;
(ii) overdrafts and loans from banks;
(iii) accrued expenses;
(iv) tax payable;
(v) all other liabilities that are regarded as liabilities under generally accepted accounting principles in Bangladesh which are payable within thirty days;

"liquid assets" means-

(i) cash in hand or in bank;
(ii) long proprietary securities positions at market value;
(iii) cash surrender value of life insurance policy;
(iv) customers' debit balances receivable within thirty days;
(v) interest, dividend or commission receivable within thirty days;
(vi) clearing house deposits;
(vii) amounts receivable in the ordinary course of business, but excluding amounts which are due to be settled against delivery of security and remain outstanding for more than five banking days;
(viii) treasury bills issued by the Government of Bangladesh;
(ix) value of investment in Government bonds or certificates;
(x) market value of net investment in securities traded in a stock exchange;
(xi) market value of net investment in an authorized collective scheme;

And, "net capital" means liquid assets minus designated liabilities of a member in relation to his trading in the stock exchange;

Considering the above, Prime Islami Securities Limited has reported Net Capital Position to the DSE of Tk.139,14,60,418 for July 2014, Tk.133,47,15,432 for August 2014, Tk.128,62,14,495 for September 2014 and Tk.119,75,56,083 for October 2014 without including overdraft and loans. It appears from the last audited financial statement for the year ended 31st December 2013 that there was short term loan amounting Tk.105,35,00000. From collected revised net capital balance position of the said months it also appears that overdraft & loan were included and net capital balance stood at Tk.20,64,23028; 17,68,10,892 ; 22,74,61,377 and 30,38,01,588 respectively for the said months. Thus, Prime Islami Securities Limited overstated Net Capital balance by the said loan amount of Tk.126,05,00,000; Tk.127,05,00,000, Tk.136,05,00,000 and Tk.136,05,00,000 for the aforesaid months. As such, Prime Islami Securities Limited has given false or incorrect Net Capital Position to DSE although they knows or has reasonable cause to believe to be false or incorrect the said report.

Contravention: Through the aforesaid activities **Prime Islami Securities Limited** violated Section 18 of Securities and Exchange Ordinance, 1969.

2. As per Rule 2 (a) of Margin Rules, 1999 "average net capital" means the average of net capital of the three months preceding the previous month. As such, after adjustment of short term loan of Tk. 126,05,00,000;Tk.127,05,00,000 and Tk.136,05,00,000 average net capital for November 2014 of Prime Islami Securities Limited is Tk.20,35,65,099 i.e. (20,64,23,028 + 17,68,10,892 + 22,74,61,377)/3. Whereas, as per Rule 6 of Margin Rules, 1999, no member shall permit his exposure to a single security to exceed 100% of his average net capital i.e. of Tk.20,35,65,099. But, Prime Islami Securities Limited has bought 33,22,600 shares of Shahjibazar Power Company Limited as on 13th November 2014 in their dealer account, clients' cash account and clients' margin account, whose value was Tk.87,58,37,380 and four times higher than 100% of their average net capital.

   Contravention: Through the aforesaid activities **Prime Islami Securities Limited** violated Rule 6 of Margin Rules, 1999.

3. Average Net Capital of Prime Islami Securities Limited for the three months preceding the previous month (July, August & September 2014) is Tk.20,35,65,099 i.e. (20,64,23028 + 17,68,10,892 + 22,74,61,377)/3. Thus no member shall be permitted deficit arising from transactions by a single client to exceed 25% of their average net capital i.e. Tk.5,08,91,275. In this regard Prime Islami Securities Limited permitted debit balance (deficit) excess of highest limit of Tk. 5,08,91,275. Few clients list are stated below whose debit balance exceed the maximum limit:

Client Code	Name	Debit Balance (Taka)	Report Date
00520	Star Share Bazar Limited	18,42,68,525	30/10/14
00325	GETCO Telecommunication Ltd.	17,69,28,335	31/07/14
Do	Do	18,24,88,802	30/08/14
Do	Do	15,51,05,444	30/09/14
Do	Do	6,07,67,665	30/10/14

   Contravention: Through the aforesaid activities **Prime Islami Securities Limited** violated Rule 5 of Margin Rules, 1999.

5. As per Rule 4(2) a member who has an "at best" order from a customer to buy or sell a security shall not, while such order remains unexecuted, buy or sell the same security on the stock exchange for his own account, or for the account, of the firm of which he is a partner or for the account of any of the partners therein or for any account in which he, such firm or partner directly or indirectly, has an interest. In this regard Prime Islami Securities Limited has bought huge quantity shares of SPCL in their own dealer accounts without executing clients' buy order. For reference example of one trading day on 23/10/2014, it appeared that Prime Islami Securities Limited bought SPCL shares in their dealer account (BO A/C: 1205000045323294) remaining unexecuted client's (buy order BO A/C: 1205000042118883).

   Contravention: Through the aforesaid activities **Prime Islami Securities Limited** has contravened Rule 4(2) of Securities and Exchange Rules, 1987.

6. As per Rule 8A (1) every member shall maintain a consolidated customers' account in his name with any scheduled bank only for the deposit of the money received from and for, and payment of money to and for, the customers. Thus it is implied that amount payable to clients should be available all times in the consolidated customers' bank account. From the last audited statement of financial position as at December 31, 2013 of Prime Islami Securities Limited, it appears payable to clients' of Tk.3,78,98,320 and cash & cash equivalents of Tk.54,50,457 of the said stock-broker . Mentionable that cash & cash equivalents includes cash in hand, operational bank accounts and consolidated customers'

bank account. After adjusting receivable from exchanges and payable to exchanges, net payable to clients' are as follows:

Receivable from DSE/CSE	Tk.42,88,610	
(-) Payable to DSE/CSE	*(Tk.22,46,775)*	
Net receivable (Payable)		Tk. 20,41,835
+ Payable to clients'		*Tk.3,78,98,320*
Net Payable to clients'		**Tk.3,99,40,155**
Cash & cash equivalents		**Tk. 54,50,457**
Difference amount use for their own purposes		**Tk.3,44,89,698**

Under the above context, Prime Islami Securities Limited has used the said clients' fund for their own purposes and earned income by employing the said unlawful tactics for their self interest.

Contravention: Through the aforesaid activities **Prime Islami Securities Limited** has contravened আচরণ বিধি 6 under সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (স্টক ডিলার, স্টক ব্রোকার ও অনুমোদিত প্রতিনিধি) বিধিমালা, ২০০০ এর বিধি ১১.

8. From collected documents it appeared that Mr. Abul Kalam Eajdani, CEO of Prime Islami Securities Limited bought 1,00,000 share average rate Tk.64.12 on 04/08/2014 through client code 665 of BLI Capital Limited, 40,000 share average rate Tk.62 through client BO 1204290045096453 of AIBL Capital Market Services Limited and 41,000 share average rate Tk.65 approximately through client BO 1201740050253998 of PFI Securities Limited on 04/08/2014. Thus, total he bought 1,81,000 shares on 04/08/2014 average rate Tk.65 approximately and held the same up to 10th November 2014. After completed his personal buy of SPCL he started to buy and bought total 11,07,600 share of SPCL average rate Tk.135.25 during 4th August 2014 to 11th November 2014 in dealer account of Prime Islami Securities Limited. Mentionable that no sale executed during the said period. Trade details of dealer account are appended below:

Date	Shares bought	Average price
04/08/14	50000	65.27
20/10/14	309800	98.00
23/10/14	495400	130.31
29/10/14	51200	190.70
30/10/14	56200	208.20
03/11/14	55600	187.49
05/11/2014	32000	188.17
06/11/14	7400	220.60
09/11/14	50000	239.44

Moreover during 15th July to 16th November 2014 Prime islami Securities Limited total bought 35,15,000 shares whose value Tk.36,77,54,100 average rate Tk.104.62 and sold 1,48,000 shares whose value Tk.2,46,57,220 average rate Tk.166.60 through their dealer account and clients' account. Mentionable that IPO size of SPCL for 1,26,80,000 shares. Thus Mr. Abul Kalam Eajdani, CEO of Prime Islami Securities Limited and Prime Islami Securities Ltd. directly with their own accounts and indirectly through their clients' account created extreme buy pressure of the said share in the market and completed their purchase of major part of the tradable shares from the market and freezing the same, by which created supply shortage of tradable share compare to demand as result as price of the said share go up shortly and reached at Tk.338.80 on 18/11/2014. This was the main reason to increase the price of Shahjibazar Power Company Limited abnormally from Tk.36.50 to Tk.338.80 during the referred period. As such, Mr. Abul Kalam Eajdani, CEO

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of Prime Islami Securities Limited and Prime Islami Securities Ltd. have been creating artificial market by employing unlawful tactics for their self interest and made huge amount of unrealized capital gain.

Contravention: Through the aforesaid activities **Prime Islami Securities Ltd.** has contravened আচরণ বিধি 6 and 7 under সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (স্টক ডিলার, স্টক ব্রোকার ও অনুমোদিত প্রতিনিধি) বিধিমালা, ২০০০ এর বিধি ১১.

9. As per Commission's Directive NoSEC/CMRRCD/2009-193/135 dated September 30, 2012 the member of stock exchanges may extend maximum limits of credits facilities to their approved clients on 1:0.5 basis i.e. 50% of clients' margin/deposit. Thus no member shall be permitted deficit arising from transactions 50% of clients' equity. But, Prime Islami Securities Limited permitted debit balance (deficit) excess of highest limit 50% of clients' equity. As on 25th November 2014 few clients list (who buy and held SPCL share) are stated below whose debit balance exceed the maximum limit:

Client Code	Name	Quantity of SPCL	Debit Balance (Taka)	Margin able Equity
325	Getco Telecommunication	661200	13413208	-13763980
520	Star sharebazar	450000	17,04,71,447	-112927086
526	Nazmun Nahar	28000	1715264	-1577865
747	Faisal Sharif	180000	4610257	-4663877
755	Waliul Islam	61600	17393818	-12466005

Contravention: Through the aforesaid activities **Prime Islami Securities Limited** has contravened Commission's Directive NoSEC/CMRRCD/2009-193/135 dated September 30, 2012.

20. Trading of shares of Shahjibazar Power Company Limited (SPCL) has been commenced at the stock exchanges on 15th July 2014. After listing, first phase during 15th July 2014 to 10th august 2014, share price SPCL increased by 144% (from Tk.36.50 to Tk.89.20) where as DSEX Index had been increased by 3.85% (from 4362.78 to 4530.83). Thus, the share price of the company increased 37 times more than the increase of DSEX Index. Thus, the first phase price increasing trend of SPCL seemed manipulative and significant. Due to abnormal price hike and Commission's investigation, Exchanges suspended the trading of SPCL shares from 11th August 2014 for the greater interest of investors and capital market. During the first phase, directly the following clients' created extreme buy pressure of the said share in the market and completed their purchase of major part of the tradable shares, by which created supply shortage of tradable share compare to demand as a result price go up shortly and made huge amount of realized and unrealized capital gain:

Sl No.	Broker Name	Client Code	Client Name	Buy Volume	Sell Volume
1	Shahed Securities Ltd.	180	Aleya Begum	650200	505200
2	Sharp Securities Ltd.	1216	Mozammel Haque Bhuiyan	584200	398800
3	Shahed Securities Ltd.	188	Md. Ali Akbar	480000	360000
4	Prime Islami Securities ltd.	325	GETCO Telecommunication Ltd.	389400	0
5	AIBL Capital Market Services Ltd.	666	Gulam Mustafa	283000	52000

6	Popular Equities Ltd.	I231	Mozammel Haque & Nargis Akter	250000	150000
7	City Brokerage Ltd.	M344	Muhammad Abdur Razzaque	236400	4200
8	Sheltech Brokerage Ltd.	S001	Habibur Rahman	217600	139200
9	IFIC securities Ltd.	2772	Yeakub Ali Khandaker	210000	0
10	Mondol Securities Ltd.	240	Mondol Fabrics Ltd.	200400	200400

It was found that Mr. Md. Ali Akbar total bought 11,30,200 and sold 8,65,200 of SPCL shares through his two accounts maintained with Shahed Securities Limited in his own name and his mother name (Aleya Begum) and Mozammel Haque Bhuiyan total bought 8,34,200 and sold 5,48,800 of SPCL shares through his two accounts maintained with Sharp Securities Ltd. and Popular equities Ltd. (client of AB Investment Ltd.).

After suspension, trading of SPCL resumed on 20th October 2014. After resumption of trading, second phase started to increase price of SPCL from Tk.89.20 to Tk.338.80 during 19th October 2014 to 16th November 2014. Hence, in second phase during the said period, share price SPCL increased by 280% although DSEX Index has been decreased by 4.11% (from 5176.75 to 4963.90). Thus, in second phase price increasing trend of SPCL seems more suspicious and manipulative. In two phases, directly and indirectly the following parties created extreme buy pressure of the said share in the market after completed their purchase of major part of the tradable shares freezing the same to create artificial supply shortage of tradable share compared to demand as a result price go up shortly and made huge amount of realized and unrealized gain. Summary of their trading are given below:

Summary statement of top significant involving parties

Broker Name	Client code	Client Name	Buy Quantity	Sale Quantity	Balance	Realized Gain	Unrealized Gain
PISL(Dealer A/c		Prime islami securities ltd.	.1107600	-	1107600	-	132300482
PISL	325	Getco Tele Communication Ltd.	661200	-	661200	-	122582426
PISL	228	PFCML	501000	201000	300000	31426285	34155201
PISL	520	Star Sharebazar Ltd.	450000	-	450000	-	80922000
AIBL Capital		Golam Mustafa	397200	52000	345200	-	65071931
Prime Bank Inv. Ltd.	255	Nasima Akter Lata	211800	-	211800	-	38843964
Vision Capital Magt. Ltd.	9421	Nasima Akter Lata	44000	-	44000	-	8056400
PFI Securities Ltd.	1170	PFCML	890200	455000	435200	29596638	51108212
PFI Securities Ltd.	1623	PFCML-EPF	2000	-	2000	-	247080
PFI Securities Ltd.		PFI Securities Ltd.(dealer)	83000	-	83000		
PFI Securities Ltd.		PFI Securities Ltd.-EPF	50000	-	50000		
PFI Securities Ltd.	1608	Amzad Hossain Fakir	352600	352600	-	25536168	-
Shaheed Securities Ltd.	188	Ali Akbar	495000	495000	-	7623200	-
Shaheed Securities Ltd.	180	Aleya Begum	650200	650200	-	16019270	-
Sharp Securities Ltd.	1216	Mozammel Haque Bhuiyan	584200	584200	-	24787876	-

AB Investment Ltd.	231	Mozammel Haque & Nargis Akter	250000	250000	-	6118000	-
BLI Capital Ltd.	B665	Abul Kalam Eajdani	100000	-	100000	-	19048000
AIBL CMS Ltd.	2473	Abul Kalam Eajdani	40000	-	40000	-	7696000
PFI Securities Ltd.	1620	Abul Kalam Eajdani	41000	-	41000	-	7808860

Detailed trade report of all involving parties are given in the **Appendix-A & B** of the report regarding buy quantity, sale quantity, average buy price, average sell price, realized and unrealized gain. Mentionable that unrealized gain is calculated based on price of SPCL of Tk.254.60 on 25th November 2014.

Considering above findings Prime Islami Securities limited, PFI Securities Limited and Prime Finance Capital Management Limited directly and indirectly with their clients' through acting or practicing or engaging in a course of unlawful business like as misstatement, violating single security exposure, single client exposure, excess margin loan, loan given to non-margin able security, creating artificial or fake market by employing unlawful tactics for their self interest etc. for purpose of turning to their advantage by manipulating share price of SPCL.

Involving parties bought a total 95,57,200 shares during the said period. Through the manipulating share price of SPCL, they made a total realized gain of Tk.23,80,99,574 and unrealized gain of Tk.81,36,50,143 within the short span of time.

Contravention: Through the aforesaid activities Prime Islami Securities limited has contravened Section 17 (e) (v) of Securities and Exchange Ordinance, 1969." **Unquote**

যেহেতু, কমিশন উপরোল্লিখিত প্রতিবেদন অনুযায়ী সিকিউরিটিজ আইন পরিপালনে ব্যর্থতার জন্য প্রাইম ইসলামী সিকিউরিটিজ লিমিটেড এর বরাবরে একটি show-cause-cum-hearing notice সূত্র নং- SEC/Enforcement/2201/2014/720 তারিখ ডিসেম্বর ২১, ২০১৪ ইং প্রেরণ করে এবং জানুয়ারি ০৭, ২০১৫ ইং তারিখে শুনানীর দিন ধার্য্য করে এবং যা পরবর্তীতে কমিশনের ০৪/০২/২০১৫ ইং তারিখের পত্রের মাধ্যমে ২৩/০২/২০১৫ ইং তারিখে শুনানীর দিন ধার্য্য করা হয়। ধার্য্যকৃত তারিখে প্রাইম ইসলামী সিকিউরিটিজ লিমিটেড এর প্রতিনিধি উপস্থিত হয়ে ফেব্রুয়ারি ২৩, ২০১৫ ইং তারিখের পত্রের মাধ্যমে লিখিত বক্তব্য দাখিল করেন। যাতে অন্যান্যের মধ্যে, নিম্নোক্ত বিষয়গুলির উল্লেখ আছে:-

"-------**Reply to the Show Cause No. 01**

In the Show Cause Notice it has been alleged that we have contravened section 18 of the Securities and Exchange Ordinance, 1969 through giving false or incorrect information to the enquiry committee regarding our Net Capital Position for the months of July, 2014 to October, 2014.

In this connection it is stated that the loan in question being a loan, we did not calculate the same in determining our Net Capital. We have been providing our Net Capital Position since January, 2011 on the basis of the said calculation and the Commission never raised any objection to the said calculation. As such continued to provide our accounts based on the calculation brought forward from the calculation submitted from January 2011. However, this was first raised by Mr. Rezaul Karim, Director of the Commission during his visit to our office on November 13, 2014 and after instruction from him we realised that there was a bona fide and honest mistake in the calculation of the Net Capital Position. Accordingly, we revised the calculation and provided the corrected Net Capital Position as per direction provided by Mr. Rezaul Karim. We thank you for assisting us to recalculate the said Net Capital Position.

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জীবন বীমা টাওয়ার (১৫, ১৬, ১৭ ও ২১তম তলা), ১০ দিলকুশা বা/এ, ঢাকা-১০০০, বাংলাদেশ।

It is thus apparent from the above that it was a case of simple bona fide and honest oversight and there was no wilful misstatement. Accordingly, we would like to humbly request you to pardon us from the allegation of the purported contravention of section 18 of the Securities and Exchange Ordinance, 1969 since there was no mala fide intention on the matter rather it was an honest mistake.

Reply to the Show Cause No. 02

In the Show Cause Notice it has been alleged that we have contravened Rule 6 of the Margin Rules, 1999 through permitting our exposure to a single security [i.e. Shahjibazar Power Co. Ltd. (SPCL)] to exceed 100% of our average Net Capital as on November 13, 2014.

In this connection it is stated that pursuant to Rule 6(2) of the Margin Rules, 1999 "exposure to a single security" means –

a) The **book value** of the single security carried in the member's own account,
b) The contract value of the single security underlying client's cash accounts to the extent that they have not been paid for, and
c) The amount of credit extended to clients for the purchase of the single security on margin.

As per the aforesaid definition exposure to SPCL as on November 13, 2014 was as follows:

a) The **book value** of SPCL in our Dealer Account – **Tk. 149,694,000.00** (Fourteen Crore Ninety Six Lac Ninety Four Thousand Taka) only.
b) The contract value of SPCL underlying client's cash accounts to the extent that they **have not been paid for – Nil**
c) The amount of credit extended to clients for the purchase of SPCL on margin – **Tk. 78,777,416.72** (Seven Crore Eighty Seven Lac Seventy Seven Thousand Four Hundred Sixteen Taka and Seventy Two Paisa) only.

Thus our total exposure to SPCL as on November 13, 2014 was **Tk. 228,471,416.72** (Twenty Two Crore Eighty Four Lac Seventy One Thousand Four Hundred Sixteen Taka and Seventy Two Paisa) only and our Net Capital as on November 13, 2014 was **Tk. 259,574,839.20** (Twenty Five Crore Ninety Five Lac Seventy Four Thousand Eight Hundred Thirty Nine Taka and Twenty Paisa) only.

Hence, it is clear that our exposure to SPCL as on November 13, 2014 did not exceed 100% of our Net Capital. As such, we would like to humbly state that since the exposure did not exceed 100% of our Net Capital there was no violation of Rule 6 of the Margin Rules, 1999 and as such we may be cleared of the above allegation.

Reply to the Show Cause No. 03

It has been alleged that we have contravened Rule 5 of the Margin Rules, 1999 through permitting deficit arising from transactions by a single client to exceed 25% of our average Net Capital. In this connection we would like to humbly state that, as apparent from the paragraph above (at Page 1), we had erroneously but through an honest mistake miscalculated the Net Capital. This miscalculation of Net Capital was later re-calculated and corrected as per the instruction and advice of Mr. Rezaul Karim, Director of the Commission in November 13, 2014.

As a result of the miscalculation of the Net Capital the deficit arising from the transactions by a single client to exceed 25% of our average Net Capital. As we re-calculated and corrected the Net Capital, we took immediate steps to reduce the deficit that had arisen due to the miscalculation. Accordingly, since then we have actively reduced the deficit amount gradually to comply with the enclosed on the account of GETCO Telecommunication Limited (Client Code: 325) we have brought the deficit of the account within the permitted limit and on account of Star Sharebazaar Limited (Client Code: 520) we are gradually bringing the deficit within the permitted limit. Our reason for opting for a gradual method rather than a more immediate or drastic method is to ensure that our abrupt sale procedure may lead to market volatility. As such, in the interest of keeping market stability we have only gradually sold on the account of Star Sharebazaar Limited but are taking all steps to bring ourselves within the permitted deficit for a single client.

Therefore, as it is demonstrated from above the excess deficit was caused by the miscalculation of our Net Capital, which was a bona fide and honest mistake. As soon the mistake was pointed out to us by the BSEC we have also taken active and honest steps to bring the deficit on the single client is within the permitted limit.

In view of the above, we may be excused from the above allegation.

Reply to the Show Cause No. 05

In the Show Cause Notice it has been alleged that we have contravened Rule 4(2) of the Securities and Exchange Rules, 1987 through placing buy orders of SPCL for our Dealer Account while buy orders of SPCL of our client remained unexecuted.

In this connection it is stated that our Dealer Account is maintained by our Investment Committee and this Account's operation is maintained in a single TWS and in a single room. The BO Account No. 1205000042118883, Client Code: 228 is operated in another TWS which is located in our extension of Head Office at PFI Tower (6th Floor), 56-57 Dilkusha C/A, Dhaka-1000. It needs to be mentioned here that the operation of Client Code: 228 is handled by the team of Prime Finance Capital Management Limited and there is no relationship between these two accounts. Thus, we would like to categorically and humbly stipulate that the two accounts are maintained completely independent of each other without any interaction between the personnel of the two accounts with each other. As a result, it was not possible to know what order was placed for Client Code: 228. It is pertinent to mention here that we imposed restriction on generating order status report during trade hours because in our view such option could be misused to cheat or put any of our clients at a disadvantageous.

As such, we humbly submit that there was no contravention of Rule 4(2) of the Securities and Exchange Rules, 1987.

Reply to the Show Cause No. 06

In the Show Cause Notice it has been alleged that we have used the customers' fund for our own purposes and thereby contravened Code of Conduct No. 6 under Rule 11 of the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (স্টক-ডিলার, স্টক-ব্রোকার ও অনুমোদিত প্রতিনিধি) বিধিমালা, ২০০০।

In this connection it is stated that by your previous letter no. BSEC/Enforcement/2190/2014/667 dated November 09, 2014, you raised the said allegation. We gave reply to the said allegation vide our letter no. PISL/DSE/2014/1320 dated November 12, 2014. We came to know that the Commission has already imposed penalty for the said contravention in the 533rd Commission Meeting dated December 09, 2014. Accordingly, the matter has already been resolved and laid to rest. As such it is our humble submission that one cannot be punished twice for the same mistake/offence as it is against the principle of natural justice as such we may be excused from the above allegation.

Reply to the Show Cause No. 08

In the Show Cause Notice it has been alleged that we have contravened Code of Conduct No. 6 & 7 under Rule 11 of the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (স্টক-ডিলার, স্টক-ব্রোকার ও অনুমোদিত প্রতিনিধি) বিধিমালা, ২০০০ by successive purchases of SPCL shares through the account of our Chief Executive Officer (CEO) and through our Dealer Account and through purchasing huge shares of SPCL during July 15, 2014 to November 16, 2014 and thereby creating extreme buy pressure and creating artificial market by employing unlawful tactics.

In this connection it is stated that the shares of SPCL purchased by our CEO was purchased as part of his personal investment decision. Regarding the purchase of SPCL shares by us, it is stated that the decision to purchase SPCL shares by us through our Dealer Account was taken by our Investment Committee in their 15th Meeting held on August 04, 2014. The decision was taken to purchase shares of SPCL on the basis of the Research Report submitted to the said Committee by the Research Team. Although, our CEO is a member of the Investment Committee, due to conflict of interest, he refrained from attending the said meeting.

In this connection, we would like to provide the following information about Shahjibazar Power Co. Ltd. (SPCL) which has led us to make the investment which we carried out:

Shahjibazar Power Co. Ltd. (SPCL) is one of the largest and most modern, rentals Power Generation Company in Bangladesh. SPCL has started its operation in January 2009. Since its inspection due to hard work, sincerity and honesty, it has become renowned in Bangladesh within this short span of time. It is situated in around Sylhet city at Fatehpur, Shahjibazar, Hobigonj.

SPCL has set up 86 MW gas based power plant and started commercial production on February 10, 2009. The total production (electricity) of the company will be sold solely to the Bangladesh Power Development Board (BPDB) as per 15 years Power Purchase Agreement (PPA). So, it can be mentioned that BPDB is only the customer of the company which is a government entity and the revenue is fully secured by the guarantee provided by the BPDB. We also know that if a power plant is not operated for a temporary period as per instruction of the BPDB the company will be receiving a fixed payment which is really attractive for a power project.

- It has been revealed from the prospectus that Petromax Refinery Limited, a fully owned subsidiary company, produces petroleum and petrochemicals like diesel, octane and kerosene from gas condensate. The Petromax Refinery started its operation on September 14, 2013 which would help in contributing the substantial part of net profit and Net Asset Value (NAV) of the SPCL.

Comparison with another companies listed in DSE & CSE in this sector:

Sl. No.	Particulars	Petromax Refinery Limited	CVOPRL
01.	Total Asset Value (BDT in Crore)	404.32	45.00
02.	Paid-up-Capital Money Deposit (BDT in Crore)	19.93	20.00
03.	Production Capacity (M/Ton per day)	295.86	150.00

- It has also been revealed from the prospectus that Midland Power Company Limited, an 49% owned associate company, 51 MW gas based power plant, started its commercial operation on December 06, 2013 which also have positive impact in increasing the net profit and NAV of the SPCL. Again the BPDB is only the customer of the total production of electricity produced by this associate company of SPCL.
- The company has reported on July 15, 2014 its basic EPS Tk. 1.50 and diluted EPS Tk. 1.35 for the three months ended March 31, 2014, basic EPS Tk. 2.54 and diluted EPS Tk. 2.28 for the nine months ended March 31, 2014. Considering three the months EPS, the annualized basic EPS would be Tk. 6.00 and diluted EPS Tk. 5.40 and considering nine months EPS, the annualized basic EPS would be Tk. 3.38 and diluted EPS Tk. 3.04. The basic P/E and diluted P/E of the SPCL are 17.79 (annualized on 9 months basic EPS) and 19.78 (annualized on 9 months basic EPS) respectively calculated on the basis of average market price from July 15, 2014 to August 10, 2014 (Last trading date before suspension) which is Tk. 60.15.

It is submitted that Code of Conduct No. 6 under Rule 11 of the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (স্টক-ডিলার, স্টক-ব্রোকার ও অনুমোদিত প্রতিনিধি) বিধিমালা, ২০০০ provides as follows:

কোন স্টক ডিলার, স্টক ব্রোকার বা অনুমোদিত প্রতিনিধি নিজ স্বার্থ সিদ্ধির জন্য কোন অপকৌশলের আশ্রয় লইতে পারিবেন না, কাহাকেও ঠকানো বা প্রবঞ্চনার উদ্দেশ্যে কোন লেনদেন করিতে পারিবেন না বা নিজ স্বার্থ সিদ্ধির উদ্দেশ্যে অথবা বাজারের ভারসাম্য বিনষ্ট করার উদ্দেশ্যে কোন গুজব ছড়াইতে বা কার্যক্রম পরিচালনা করিতে পারিবেন না।

As such, Code of Conduct No. 6 under Rule 11 of the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (স্টক-ডিলার, স্টক-ব্রোকার ও অনুমোদিত প্রতিনিধি) বিধিমালা, ২০০০ prohibits unlawful tactics in connection with the stock market, for example spreading rumour, carrying transaction to defraud anyone, etc.

Code of Conduct No. 7 under Rule 11 of the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (স্টক-ডিলার, স্টক-ব্রোকার ও অনুমোদিত প্রতিনিধি) বিধিমালা, ২০০০ provides as follows:

কোন স্টক ডিলার, স্টক ব্রোকার বা অনুমোদিত প্রতিনিধি এককভাবে অথবা অন্যান্যদের সহিত সম্মিলিতভাবে কোন কৃত্রিম বাজার সৃষ্টি করিতে পারিবেন না যাহা সাধারণ বিনিয়োগকারীদের জন্য ক্ষতিকর হইবে অথবা বাজারের সুষ্ঠু ও অবাধ কার্যকারিতা বাধাগ্রস্থ করিবে।

It is stated that from your data it is apparent that we purchased 11,07,600 shares of SPCL. The said purchase was made pursuant to the decision of our Investment Committee based on information provided by SPCL itself in its prospectus as well as information available in the general market through newspapers and Price Sensitive Information (PSI) and as such the said purchase cannot be treated as creating artificial market.

In addition, we have taken uttermost caution to ensure that our CEO did not attend the particular meetings of the Investment Committeewhere decisions relating to the PSI and transactions of SPCL were carried out. As such our CEO was also not made privy to any of the decisions or discussions of the Investment Committee. Any decision he has made regarding his personal investment is completely based on his individual assessment and expertise. It may be humbly mentioned that our CEO has long experience in the relevant field and has been carrying out business with integrity and honesty. As such, it is humbly submitted that, any decision he has made, has been made on his own without any divulging of information from the investment committee.

As such, we humbly submit that there was no violation of Code of Conduct No. 6 & 7 under Rule 11 of the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (স্টক-ডিলার, স্টক-ব্রোকার ও অনুমোদিত প্রতিনিধি) বিধিমালা, ২০০০ and we pray that we will be pardoned from this allegation.

Reply to the Show Cause No. 09

That in the Show Cause Notice you have alleged that we have contravened Commission's Directive No. SEC/CMRRCD/2009-193/135 dated September 30, 2012 by allowing excess margin to the clients.

In this connection it is stated that the margin loan in the accounts referred to in your Notice was allowed long ago when the margin ratio was higher. No further margin loan was allowed subsequently. The clients purchased the shares of SPCL through netting facilities **and when the said customers bought SPCL, that time SPCL was marginable security**.

In this connection we reiterate that Commission's Directive No. SEC/CMRRCD/2009-193/135 dated September 30, 2012 has reduced margin ratio to 1:0.5 with effect from July 01, 2014. However, the margin ratio of 1:2 was kept effective till June 30, 2013. On the other hand by Commission's Order No. SEC/CMRRCD/2009-193/145 dated April 10, 2013 the effectiveness of Rule 3(5) of the Margin Rules, 1999 has been suspended and the said suspension is still continuing vide Commission's Order No. SEC/CMRRCD/2009-193/162 dated September 30, 2014. Please also note that the suspension of netting facilities imposed by Commission's Directive No. SEC/CMRRCD/2009-193/63 dated September 06, 2010 was repealed with effect from January 11, 2011 vide Commission's Directive No. SEC/CMRRCD/2009-193/94 dated January 10, 2011.

In view of the aforesaid Directives and Orders of the Commission, the question of contravention of Commission's Directive No. SEC/CMRRCD/2009-193/135 dated September 30, 2012 as alleged in your Notice does not arise at all and we may be cleared of such allegation.

Reply to the Show Cause No. 20

That in the Show Cause Notice you have alleged that through purchasing shares of SPCL during the relevant period we have contravened section 17(e)(v) of the Securities and Exchange Ordinance, 1969, which provides as follows:

"No person shall, **for the purpose of inducing, dissuading, effecting, preventing or in any manner influencing or turning to his advantage, the sale or purchase of any security**, directly or indirectly, (e) **do any act or practice or engage in a course of business, or omit to do any act which operates or would operate as a fraud, deceit or manipulation upon any person**, in particular

(v) directly or indirectly effect a series of transactions in any security creating the appearance of active trading therein or of raising of price for the purpose of inducing its purchase by others or depressing its price for the purpose of inducing its sale by others"

Please note that section 17 of the Securities and Exchange Ordinance, 1969 prohibits fraudulent acts, etc., and the "purpose" as enunciated in section 17 of the Securities and Exchange Ordinance, 1969 is a prerequisite for constitution of a fraudulent act within the meaning of that section. In the instant case, we have not made any transaction in the shares of SPCL **for the purpose of inducing, dissuading, effecting, preventing or in any manner influencing or turning to its advantage, the sale or purchase of the shares of SPCL** and from the alleged transactions it cannot be construed that the said transactions in the shares of SPCL were made for any of the said purposes.

Please also note that in order to constitute a prohibited act under sub-section (e) of section 17 of the Securities and Exchange Ordinance, 1969 it requires any act or practice or engagement in a course of business, or omission to do any act which operates or would operate as a **fraud, deceit or manipulation upon any person**. In the instant case, we have not made any transaction or have not omitted to do anything which operates or would operate as a **fraud, deceit or manipulation upon any person** and from the alleged transactions it cannot be construed that we have made any transaction or have omitted to do anything which operates or would operate as a **fraud, deceit or manipulation upon any person**. We humbly submit that at no time have we taken any action which could or may amount to an action to defraud, deceit or manipulate any person rather all actions have been taken upon proper and detail assessment of information available in the market through prospectus, price sensitive information and in newspapers. Moreover, all actions have been taken upon strictly complying with the rules, notifications and directives of the BSEC. Accordingly, it is humbly submitted that there was no deliberate and/or clear contravention of any securities law on our part.

In the circumstances we hope and pray that the above explanation would suffice to satisfy you to come to a conclusion that there was no violation on our part of any securities laws as alleged in your Notice and accordingly, we hope and pray that we may be absolved from any further measures under section 22 of the Securities and Exchange Ordinance, 1969 or section

18 of the Securities and Exchange Commission Act, 1993 or Rule 12 of the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (স্টক-ডিলার, স্টক-ব্রোকার ও অনুমোদিত প্রতিনিধি) বিধিমালা, ২০০০।"

যেহেতু, প্রাইম ইসলামী সিকিউরিটিজ লিমিটেড তারিখ ফেব্রুয়ারি ২৩, ২০১৫ ইং পত্রের মাধ্যমে উল্লিখিত ব্যর্থতা তথা বিধি বিধান লংঘন সংক্রান্ত অভিযোগ স্বীকার করে যে লিখিত ব্যাখ্যা প্রদান করেছে তা কমিশনের নিকট গ্রহনযোগ্য বলে বিবেচিত হয়নি এবং প্রাইম ইসলামী সিকিউরিটিজ লিমিটেড এর উক্ত লংঘন ইচ্ছাকৃত;

যেহেতু, সিকিউরিটিজ সংক্রান্ত উল্লিখিত আইন ও উহার অধীন জারিকৃত বিধি-বিধান পরিপালনে প্রাইম ইসলামী সিকিউরিটিজ লিমিটেড এর উক্তরূপ ব্যর্থতা section 22 of the Securities and Exchange Ordinance, 1969 এর অধীন শাস্তিযোগ্য অপরাধ;

যেহেতু, কমিশনের বিবেচনায়, সিকিউরিটিজ আইন পরিপালনে উল্লিখিত ব্যর্থতার জন্য, তথা পুঁজিবাজারের উন্নয়নের পাশাপাশি বাজারের শৃংখলা ও স্বচ্ছতা রক্ষার স্বার্থে প্রাইম ইসলামী সিকিউরিটিজ লিমিটেডকে জরিমানা করা প্রয়োজন ও সমীচীন;

অতএব, সেহেতু, কমিশন, উল্লিখিত যাবতীয় বিষয় বিবেচনাপূর্বক, Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969) এর section 22 [যা The Securities and Exchange (Amendment) Act, 2000 দ্বারা সংশোধিত] এ প্রদত্ত ক্ষমতাবলে প্রাইম ইসলামী সিকিউরিটিজ লিমিটেড এর উপর ২,৫০,০০,০০০.০০ (দুই কোটি পঞ্চাশ লক্ষ) টাকা জরিমানা ধার্য্য করল যা অত্র আদেশের তারিখ হতে ১৫ (পনের) দিনের মধ্যে 'বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন' এর অনুকূলে ইস্যুকৃত ব্যাংক ড্রাফট/পে-অর্ডারের মাধ্যমে কমিশনে জমা করতে হবে। এছাড়া, সিদ্ধান্ত গৃহীত হয় যে এই আদেশ ইস্যু করার ৩ (তিন) মাস সময়ের মধ্যে প্রাইম ইসলামী সিকিউরিটিজ লিমিটেড এসকল নন কমপ্লায়েন্স সমূহ পরিপালন করে কমিশনে রিপোর্ট দাখিল করবে এবং পরিপালনে ব্যর্থ হলে কমিশন কর্তৃক সিকিউরিটিজ আইন মোতাবেক পরবর্তী প্রয়োজনীয় ব্যবস্থা গ্রহন করা হবে।

বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশনের আদেশক্রমে,

13/7/15

মোঃ আঃ সালাম সিকদার
কমিশনার

বিতরনঃ

প্রাইম ইসলামী সিকিউরিটিজ লিমিটেড ।
প্রধান নির্বাহী কর্মকর্তা, ঢাকা ষ্টক এক্সচেঞ্জ লিমিটেড।
প্রধান নির্বাহী কর্মকর্তা, চট্টগ্রাম ষ্টক এক্সচেঞ্জ লিমিটেড।

অবগতির জন্য অনুলিপিঃ

১। নির্বাহী পরিচালক, আইন, বিএসইসি।
২। নির্বাহী পরিচালক, সার্ভেইল্যান্স, বিএসইসি।
৩। নির্বাহী পরিচালক, এমআইএস, বিএসইসি।
৪। চেয়ারম্যান মহোদয়ের দপ্তর, বিএসইসি

বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন
জীবন বীমা টাওয়ার (১৫, ১৬, ১৭ ও ২১তম তলা), ১০ দিলকুশা বা/এ, ঢাকা-১০০০, বাংলাদেশ।

Name of the broker: Prime Islami Securities Limited
Client Code:D0400
Client Name:Prime Islami Securities Limited

Date	Buy Qty	Buy rate	Buy value	Sale Qty	Sale rate	Sale value	Trade volume: DSE+CSE	Trade volume: Client buy	Trade volume: Client Contribution
4-Aug-14	50,000	65.27	3,263,500			0	3,122,000	50,000	1.60%
20-Oct-14	309,800	98.00	30,360,400			0	782,600	309,800	39.59%
23-Oct-14	495,400	130.31	64,555,574			0	2,668,600	495,400	18.56%
29-Oct-14	51,200	190.70	9,763,840			0	260,200	51,200	19.68%
30-Oct-14	56,200	208.20	11,700,840			0	190,600	56,200	29.49%
3-Nov-14	55,600	187.49	10,424,444			0	934,200	55,600	5.95%
5-Nov-14	32,000	188.17	6,021,440			0	647,600	32,000	4.94%
6-Nov-14	7,400	220.60	1,632,440			0	120,400	7,400	6.15%
9-Nov-14	50,000	239.44	11,972,000			0	863,400	50,000	5.79%
Total	**1,107,600**	**135.15**	**149,694,478**	**0**	**N/A**	**0**	**9,589,600**	**1,107,600**	**11.55%**
Realized gain(Tk.)						**N/A**			
Realized gain(%)						**N/A**			
Market closing price as on 25-Nov-14						**254.60**			
Unrealized gain(Tk.)						**132,300,482.00**			
Unrealized gain(%)						**88.38%**			

Appendix-A

ফোন (পিএবিএক্স) : +৮৮০-২-৯৫৬৮১০১-২, +৮৮০-২-৯৫৬১৫২৫, ফ্যাক্স : +৮৮০-২-৯৫৬৩৭২১, ই-মেইল : secbd@bdmail.net, ওয়েব : www.secbd.org, www.sec.gov.bd

Group trading & gain

SL. No.	Client Name	Code	Broker name	Total Buy Qty	Total sale Qty	Avg buy price	Avg sale price	Sale proceeds	Purchase value of the sold Qty	Realized gain	Unrealized gain @ 254.60(mkt price as on 25.11.14)
1	Prime Islami Securities Limited	D0400	Prime Islami Securities Limited	1,107,600	-	135.15	N/A	N/A	-	N/A	132,300,482
1	Abul Kalam Eajdani	2473	AIBL Capital Market Services Ltd.	40,000	-	62.20	N/A	N/A	-	N/A	7,696,000
2	Md. Abul Kalam Eajdani	1620	PFI Securities Limited	41,000	-	64.14	N/A	N/A	-	N/A	7,808,860
4	Md. Abul Kalam Eajdani	665	BLI Capital Limited(merchant bank)	100,000	-	64.12	N/A	N/A	-	N/A	19,048,000
			Total	1,288,600	-	125.12					166,853,342

Realized gain(%)	N/A
Unrealized gain(%)	103.49%
Client buy as a % of total trade(50,832,200)	2.54%

Mentionable that, Mr. Abul Kalam Eajdani is the Chief Executive Officer of the Prime Islami Securities Limited.

Appendix-B