# বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন

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

নং-এসইসি/এনফোর্সমেন্ট/২১৮৮/২০১৪/৯২

তারিখঃ ১৯ মার্চ ২০১৫ ইং

বাংলাদেশ জেনারেল ইন্সুরেন্স কোম্পানি লিমিটেড, ৪২ দিলকুশা সি/এ, ঢাকা-১০০০ ।

বিষয়: আদেশ।

কমিশনের ১৯ মার্চ ২০১৫ ইং তারিখের আদেশ নং-এসইসি/এনফোর্সমেন্ট/২১৮৮/২০১৪/৯১ এর সত্যায়িত অনুলিপি আপনার অবগতি ও প্রয়োজনীয় ব্যবস্থা গ্রহনের জন্য এতদ্‌সংগে সংযুক্ত করা হলো।

বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশনের পক্ষে

মোহাম্মদ হোসেন খান
উপ-পরিচালক

বিতরনঃ

প্রধান নির্বাহী কর্মকর্তা, ঢাকা ষ্টক এক্সচেঞ্জ লিমিটেড
প্রধান নির্বাহী কর্মকর্তা, চট্টগ্রাম ষ্টক এক্সচেঞ্জ লিমিটেড

অবগতির জন্য অনুলিপি:

১। নির্বাহী পরিচালক, আইন, বিএসইসি
২। নির্বাহী পরিচালক, মিউচ্যুয়াল ফান্ড ও এস পিভি, বিএসইসি
৩। নির্বাহী পরিচালক, এমআইএস, বিএসইসি
৩। চেয়ারম্যান মহোদয়ের দপ্তর, বিএসইসি

নং-এসইসি/এনফোর্সমেন্ট/২১৮৮/২০১৪/ ৯১

তারিখঃ ১৯মার্চ ২০১৫ ইং

আদেশ

যেহেতু, কমিশন এর আদেশ নং BSEC/MF&SPV-MF-112/2013/02/636 dated June 24, 2014 এর মাধ্যমে একটি তদন্ত কমিটি গঠিত হয় এবং উক্ত তদন্ত কমিটির দাখিলকৃত প্রতিবেদন অনুযায়ী findings and contraventions নিম্নরূপ:

"Quote

"------- **Under TOR 1:** বিধিমালার আলোকে ফান্ডের ব্যাংক একাউন্টগুলো যে সকল কারণে খোলা হয়েছে, সে সকল কারণে উক্ত হিসাবসমূহের লেনদেন হয় কিনা তা নিরীক্ষা করা;

Findings # 01:

(i) **Frequent inter-account fund movement among the Operational Bank Accounts of the same mutual fund under management of LR Global without any logical ground and**

(ii) **specially the inter- account fund movements from high interest bearing account to low interest bearing operational account creates significant interest loss on the fund.**

**Information:** According to the Trust Deed, A fund manager of a mutual fund can open different bank accounts as per operational requirement for smooth functioning of its operation subject to authorization/approval of the trustee of the said fund. According to approved standard trust deed of the commission for a mutual fund, the types of bank account may be for seven types of operational natures those are presented in the following table. Again, in reviewing the statement of LR Global, we found that the following fund wise existing bank accounts:

| Type | AIBL MF | DBH MF | GD MF | LRGB MF | MBL MF | NCCB MF |
|---|---|---|---|---|---|---|
| Sponsor A/c | | | | | | |
| Pre-IPO A/C | 01 | | 01 | 02 | 01 | 01 |
| IPO A/C (BDT) | 01 | 01 | 01 | 01 | 01 | 01 |
| IPO A/C (FC) | 03 | 03 | 03 | 03 | 03 | 03 |
| Dividend A/C | 01 | 02 | - | 01 | 01 | 01 |
| Custodian A/C | 01 | 01 | 01 | 01 | 01 | 01 |
| Operational A/C | 03 | 07 | 08 | 06 | 07 | 07 |
| **Total** | **10** | **14** | **14** | **14** | **14** | **14** |

**Opinion of LR Global:** In response to the query of the Enquiry committee the LR Global replied among others as "For better transparency and ease of fund's operational activities, each funds needs separate account for:

1. Sponsor investments
2. Pre-IPO investments
3. Collection of IPO proceeds in BDT
4. Collection of NRB Proceed in three currencies
5. Settlement Account with Custodian

Opening of these accounts is necessary to start the operation of any mutual fund. It is worth mentioning that settlement account with custody is a non-interest bearing account; in effect depriving our investors from interest income. To generate yield on the cash balance, different interest bearing accounts with different bank have been maintained..................." These accounts are termed as **"Operational Account"** in their correspondence.

**Observation of the Enquiry Committee:**

In reviewing their documents we found that the bank accounts have opened for the abovementioned reasons is in line with the provision of Trust Deed. However, they also opened multiple bank accounts in the name of **"Operational Account"** subject to approval of the Trustee claiming that to generate higher yield on available cash balances. According to their report the fund wise number of operational accounts are stated below:

| Name of the Fund | No. of Operational Accounts |
|---|---|
| DBH First Mutual Fund | 07 |
| Green Delta Mutual Fund | 08 |
| AIBL 1st Islamic Mutual Fund | 03 |
| MBL 1st Mutual Fund | 07 |
| LR Global Bangladesh Mutual Fund Once | 06 |
| NCCBL Mutual Fund One | 07 |

In reviewing the transactions in the above operational accounts, we found no strong ground to maintain multiple operational accounts. According to the transactions nature it reflects that as custodian account i.e. settlement account is nor-interest bearing; so, operational accounts should be used for all the activities other that settlement transaction of the fund; and specially for the transaction of IPO subscription, FDR investment and to meet the regular operational expenses.

In reviewing the transactions we found that one operational bank account is mainly maintained for transaction with the Custodial account for trade settlement purpose and also some transaction for fund's operational expenses. But the rest operational accounts are used mainly for transferring fund from one operational account to another account except a few transaction for investment in IPOs and FDR investment; whereas these two functions (i.e. investment in IPOs and FDRs) can also be performed by the single interest bearing operational account.

Although the AMC is claiming that multiple operational accounts are maintained for higher yield but in reality in most cases fund movement from one operational account to another operational accounts creates loss of interest. In reviewing all the transaction other than equal or above Tk. 10.00 million in the operational bank accounts we found *that almost 50% of the debit sum is for intra-account transfer among the operational accounts of the respective fund.* The transaction conducted in the operational accounts are categorized as per its purpose (equal or above Tk. 10.00 million) for the period of January 01, 2013 to March 31, 2014 and placed in the following tables for three funds (for example and ready reference) under management of LR Global :

| Fund Name | Inter A/C Transfer * | IPO Investment | FDR Investment | Inv. in Private Equity | Trade Settlement | Others |
|---|---|---|---|---|---|---|
| **DBH Ist MF** | **58.33%** | **27.75%** | **7.23%** | **0.48%** | **1.09%** | **5.12%** |
| **LRGB 1 MF** | **43.07%** | **15.01%** | **11.61%** | **2.35%** | **11.63%** | **16.33%** |
| **NCCBL 1st MF** | **42.43%** | **20.22%** | **23.61%** | **5.22%** | **7.01%** | **1.51%** |

**Note: We excluded all the inter account fund movement for IPO subscription and FDR Investment for this calculation head*

From the above table it reflects that the highest volume of available balance (equal or above Tk. 10.00 million) was in movement among the operational accounts and lowest volume of the available balance was used for trade settlement.

**Contravention of Rule 33 for fact under Findings # 01 by LR Global:**

LR Global Bangladesh AMC Limited has contravened Rule 33(1) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১ as such activities reflect the fund manager did not take rationale steps in opening multiple operational bank accounts and maintaining those bank accounts. As the purposes of multiple operational accounts are same, so there was no need to open multiple operational accounts with lower interest rate than existing one. The details of it are discussed on Findings # 02 below. The Rule 33 (1) is as under:

"৩৩। সম্পদ ব্যবস্থাপকের কর্তব্য ও দায়-দায়িত্ব।- (১) সম্পদ ব্যবস্থাপক মিউচ্যুয়াল ফান্ডের কার্যক্রম ব্যবস্থাপনা ও উহার স্কীম পরিচালনার জন্য যুক্তিসংগত ও প্রয়োজনীয় সকল পদক্ষেপ গ্রহণ করিবে এবং কোন স্কীমের সহিত সংশ্লিষ্ট তহবিলের বিনিয়োগ যেন এই বিধিমালা ও ট্রাস্ট দলিলের পরিপন্থী না হয় উহা নিশ্চিত করিবে।"

**Findings # 02: LR Global Opened & maintaining multiple operational bank accounts for the same fund at much lower interest rate albeit there is prevailing operational A/Cs with higher interest rate.**

**Opinion of LR Global:**

According to the statement of LR global among others that they opened multiple operational bank accounts for better fund management and risk minimization, concentration in a single bank is not given even with higher interest rate. In their response to the committee they mentioned among others as "............Although our primary consideration is to ensure high yield, we also consider respective bank's risk features to ensure the safety of funds. From a fund's unit holders' perspective, generating superior risk adjusted return on investment (in this case, cash & cash equivalent investment) is more important than choosing "high risk-high return" or "low risk-low return" investment options.................................

Since 2010, we have been maintaining multiple operational accounts across few banks for each fund. We opened few operational accounts in The City Bank, Mercantile Bank Ltd and NCC Bank Ltd. and some of their operational accounts resulted low interest yields. In Feb 2011, we opened multiple bank accounts for each fund in The City Bank based on the attractive feature of their deposit product as given below:

I. Interest rate 4.00% p.a. for < BDT 1 crore
II. Interest rate 7.50% p.a. for < BDT 5 crore
III. Interest rate 8.00% p.a. for < BDT 10 crore
IV. Interest rate 8.50% p.a. for > BDT 10 crore

But the said bank was calculating interest on monthly average balance. The monthly average balance for the month fell below 1 crore (lowest slab), resulting in low yield; soon after realizing that, we subsequently transferred the balance amount to another bank in next week to get higher yield on day end balance. Since then, we have never maintained any balance in the said bank due to its different calculation methodology (monthly average balance)......................."

**Observation of the Enquiry Committee:**

It reveals from their statement of detail bank accounts that the LR Global has opened operational bank accounts at lower interest rate although there exists operational accounts with comparatively higher interest rate. A brief of the statements is in the following table that reflects that multiple operational accounts opened with lower interest rate albeit operational account of higher interest rate exists. Even, in the same bank they also opened multiple operational accounts at lower interest rate.

| Fund Name | Bank Name | Operational A/C No. | Nature | Int. Rate | Opening |
|---|---|---|---|---|---|
| DBH MF | SEBL | 0072 13100000014 | Operational | 9.75% | 23-May-12 |
| | EBL | 101-136-0264115 | Operational | 7.00% | 5-Dec-12 |
| | SEBL | 0083 13100000013 | Operational | 7.00% | 25-Feb-13 |
| | | | | | |
| GD MF | SEBL | 0072 13100000015 | Operational | 9.75% | 23-May-12 |
| | EBL | 101-136-0264104 | Operational | 7.00% | 5-Dec-12 |
| | SEBL | 0083 13100000014 | Operational | 7.00% | 25-Feb-13 |
| | | | | | |
| LRGB 1 MF | BBL | 1513-2017-3591-2001 | Operational | 8.40% | 3-Feb-11 |
| | EBL | 101-136-0219992 | Operational | 7.00% | 31-Jan-12 |
| | SEBL | 0072 13100000012 | Operational | 9.75% | 10-May-12 |
| | SEBL | 0083 13100000011 | Operational | 7.00% | 25-Feb-13 |
| | | | | | |
| MBL MF | SEBL | 0072 13100000016 | Operational | 9.75% | 23-May-12 |
| | EBL | 101-136-0256503 | Operational | 7.00% | 30-Sep-12 |
| | SEBL | 0083 13100000015 | Operational | 7.00% | 25-Feb-13 |
| | | | | | |
| NCCB MF | SEBL | 0072 13100000013 | Operational | 9.75% | 10-May-12 |
| | EBL | 101-136-0256489 | Operational | 7.00% | 30-Sep-12 |
| | SEBL | 0083 13100000012 | Operational | 7.00% | 25-Feb-13 |

Interest rate in tha above table is prevailing interest rate in that bank account

The above information is placed in the following table as Date wise picture of Account Opening with current Interest Rate (%):

| Fund Name | Bank Name & A/C No. | 3-Feb-11 | 31-Jan-12 | 10-May-12 | 23-May-12 | 30-Sep-12 | 5-Dec-12 | 25-Feb-13 |
|---|---|---|---|---|---|---|---|---|
| DBH MF | SEBL-014 | | | | 9.75% | | | |
| DBH MF | EBL-115 | | | | | | 7.00% | |
| DBH MF | SEBL-013 | | | | | | | 7.00% |
| GD MF | SEBL-015 | | | | 9.75% | | | |
| GD MF | EBL-104 | | | | | | 7.00% | |
| GD MF | SEBL-014 | | | | | | | 7.00% |
| LRGB 1 MF | BBL-2001 | 8.40% | | | | | | |
| LRGB 1 MF | EBL-992 | | 7.00% | | | | | |
| LRGB 1 MF | SEBL-012 | | | 9.75% | | | | |
| LRGB 1 MF | SEBL-011 | | | | | | | 7.00% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| MBL MF | SEBL-016 | | | | 9.75% | | | |
| MBL MF | EBL-503 | | | | | 7.00% | | |
| MBL MF | SEBL-015 | | | | | | | 7.00% |
| NCCB MF | SEBL-013 | | | 9.75% | | | | |
| NCCB MF | EBL-489 | | | | | 7.00% | | |
| NCCB MF | SEBL-012 | | | | | | | 7.00% |

Again in reviewing the all the operational bank accounts of all the funds since 2010, then we found that LR Global is opening & maintaining different operational bank accounts since long. In our observation, to protect the interest of the unit holders, the fund managers should close those bank accounts with lower interest rate or al least stop transactions in those bank accounts. It is to be mentionable here that all the banks where LR Global opened bank accounts bearing same risk profile as per their credit rating and the amount is transacted in those operational bank accounts is a very negligible amount against the capital base of that banks. So we don not find any other reason or ground of opening and maintaining such low interest bearing bank accounts. Against our query during hearing, they replied among others that " ....with the application of our process to identify safe banks with relatively high yield, our research team provides us a list of potential banks- namely EBL, Southeast bank, Brac Bank etc....." However, we found that the funds under management of LR Global are losing interest on the available balance on those bank accounts and the Fund manager and the Trustee of those funds can not avoid the their responsibility for such loss of interest as per Rule 15 (5) (খ) and Rule 33(7) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১.

**Contravention of Rule 15 and 33 for facts under Findings # 02 by LR Global:**

According to the Rules, it is the fiduciary responsibility of the Fund manager and the trustee of the mutual fund to protect the trust property and also to protect the interest of the unit holders from any loss as per Rule 15 (5) (খ) and Rule 33(7) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১. The Rule is as under:

১৫(৫) উক্ত ট্রাস্ট দলিলে এমন কোন বিষয়ের উল্লেখ থাকিবে না যাহা-

(ক) মিউচ্যুয়াল ফান্ড বা উহার ইউনিট মালিকদের সম্পর্কে ট্রাস্টের দায়দায়িত্ব ও বাধ্যবাধকতা সীমাবদ্ধ করিবে বা উহার অবসান ঘটাইবে; অথবা

(খ) ট্রাস্টি বা সম্পদ ব্যবস্থাপকের কার্যে অবহেলা বা তৎকর্তৃক কোন কার্য করা বা না করার কারণে ইউনিট মালিকদের লোকসান ও ক্ষতি সাধিত হইবার পরও উহার দায়দায়িত্ব হইতে ট্রাস্টি ও সম্পদ ব্যবস্থাপককে অব্যাহতি দান করিবে।

৩৩(৭) কোন চুক্তিতে যাহাই থাকুক না কেন, কোন সম্পদ ব্যবস্থাপক বা উহার পরিচালক বা কর্মকর্তা স্ব স্ব পদে নিয়োজিত থাকাকালীন সময়ে নিজ নিজ কর্ম বা বিচ্যুতির জন্য মিউচ্যুয়াল ফান্ডের প্রতি স্ব স্ব দায় দায়িত্ব হইতে অব্যাহতি পাইবে না।

LR Global Bangladesh AMC Ltd. has contravened Rule 15 (5) (খ) and Rule 33(7) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১ by opening several Bank accounts with lower interest/profit rates where accounts with higher rates are already available.

**Findings # 03: Inter-account fund movement among the operational accounts with lower interest rate that create loss of interest on the funds under management of LR Global**

**<u>Opinion of the LR Global:</u>**

According to LR Global, the fund movement is for many reasons among others, as follows

1) Reducing single exposure limit: tries to keep exposure in a single financial entity not more than 60%-70% of cash balance of a single fund.
2) Gaining Average Yield: To maintain a sustainable yield, LT Global keeps higher balance in a bank which gives higher interest rate & lower balance in the bank giving lower interest rate.
3) Revision of Interest Rate from the bank: Whenever a bank has reduced its interest rate, LR Global has reallocated cash balance from one bank to another to confirm the higher yield of the fund
4) No Interest calculation on a certain day of the month by EBL: EBL does not pay interest on day end balance on the 30th day of those months having 31 days, so balance on that day shifted to another bank and return the amount in the next day.

**<u>Observation of the Inquire Committee:</u>**

In consideration of the above response of LR Global and in reviewing the relevant information, the inquiry committee found that <u>LR Global mostly transferring fund from Southeast Bank to Eastern Bank and Brac Bank; whereas presently Southeast Bank bears 9.75% interest rate and Eastern Bank carries 7.00% interest rate, Brac Bank carries 8.40% interest rate.</u> Again, in reviewing the information of account opening with interest rate at different banks and subsequent changes in interest rate in those bank accounts we found that in almost cases EBL is offering less interest rate by 2.00% to 3.00% from the rate offered by SEBL. On the other hand, the rate offered by BBL (@ 8.40%) and AIBL (@ 8.75%) has no change since 2011 which is clearly standing with a difference of minimum less interest rate by 3.00% from the rate offered by SEBL since 2012.

<u>So, considering the opinion of LR Global in this respect mentioned above, we found no references in the transfer of fund from the bank accounts of SEBL to the bank accounts of EBL or BBL or AIBL that will generate higher yield. Definitely, each such transaction is incurring significant interest loss that ultimately affecting the profitability of the fund.</u>

A picture is drawn in the following table how interest rate was changed in different time span in those operational bank accounts in different bank since 2011:

| | **Name of the Banks of Operational A/Cs** | | | |
|---|---|---|---|---|
| **Date** | **SEBL** | **EBL** | **AIBL** | **Brac Bank** |
| 3-Feb-11 | | | | **8.40%** |
| 9-Apr-12 | | | **8.75%** | |
| 23-May-12 | | | 8.75% | 8.40% |
| 5-Dec-12 | | **12.50%⇩** | 8.75% | |
| 27-Jan-13 | **12.50%⇩** | 11.00% | 8.75% | |
| 1-Jun-13 | 12.00% | **11.00%⇩** | 8.75% | |
| 14-Jul-13 | 12.00% | **9.50%⇩** | 8.75% | No change |
| 18-Aug-13 | **12.00%⇩** | 9.00% | 8.75% | |
| 1-Nov-13 | **11.50%⇩** | 9.00% | 8.75% | |
| 12-Dec-13 | **11.00%⇩** | **9.00%⇩** | 8.75% | |

| | | | | |
|---|---|---|---|---|
| 1-Jan-14 | 11.00% | **8.50%⇩** | 8.75% | |
| 23-Mar-14 | 11.00% | **7.00%** | 8.75% | |
| 25-Mar-14 | **10.50%⇩** | | 8.75% | |
| **Latest** | **9.75%** | | | |

From the above table it reveals that though Bank accounts bears almost same interest rate during January,13 i,e. 12.50% both in South East Bank and Brac Bank but later on the difference between the account was almost 2.00% to 2.50% between the banks. However, LR Global maintained those accounts and continuing transaction with these high difference. In result, we found that due to transfer of fund from one high interest bearing account to low interest bearing account, the funds under management of LR Global is losing interest notably. An estimated interest loss per transaction was derived in the following table based on some inter- operational account debit transactions of DBH 1st Mutual Fund (for example) related to transfer of fund (other than IPO subscription and FDR investment) from the high interest bearing operational account at SEBL to comparatively lower interest bearing operational accounts of EBL, BBL or AIBL without any ground.

| **Operational A/c No. '007213100000014 at Southeast Bank Ltd.** | | | **Comments on each Debit transaction at SEBL related to fund transfer from SEBL to EBL, BBL** | **Estimated Interest loss on Fund*** |
|---|---|---|---|---|
| **Date** | **Amount Debited** | **Reason of transaction** | | |
| 24-Feb-13 | 40,000,000 | Transfer to EBL | But again returned to SEBL on 25.02.13 | 1,666.67 |
| 25-Feb-13 | 20,000,000 | Transfer to EBL | But kept it upto 03.03.13, and then back the Tk. 20 ml on 3.03.13 to SEBL and the rest Tk. 20 ml transferred to Jamuna bank for FDR | 6,666.67 |
| 28-Feb-13 | 20,000,000 | Transfer to EBL | | 20,833.33 |
| 31-Mar-13 | 50,000,000 | Transfer to EBL | But again back to SEBL on 08.04.13 sum of Tk. 30.00 ml and Tk. 10.0 ml for IPO; keeping rest Tk. 10.0 ml | 31,250.00 |
| 22-May-13 | 20,000,000 | Transfer to EBL | But back it with the balance Tk. 10.0 ml to SEBL on 30.05.13, where the full amount was transferred from SEBL | 13,166.67 |
| 6-Jun-13 | 20,000,000 | Transfer to EBL | The amount is just transferred and back it to SEBL on 20.06.13 and 10.07.13 by Tk. 10.00 ml each without any reason; resulting interest loss | 33,333.33 |
| 27-Jun-13 | 10,000,000 | Transfer to EBL | | 9,027.78 |
| 23-Jul-13 | 20,000,000 | Transfer to EBL | Just keep at lower interest rate for 7 days they transferred to BBL | 23,611.11 |
| 4-Aug-13 | 40,000,000 | Transfer to EBL | On 4 Aug,13 balance at EBL was Tk. 60 ml taking Tk. 40. ml from SEBL and Tk. 20 ml from BBL; and later on Tk. 20 ml returned to SEBL and the rest tk. 40 ml transferred to UCBL for FDR. So, it kept 18 days at lower interest rate in EBL | 60,000.00 |
| 26-Aug-13 | 90,000,000 | Transfer to EBL | | 75,000.00 |
| 12-Sep-13 | 40,000,000 | Transfer to EBL | But again back it on 29.08.13 to SEBL. | 160,000.00 |

| | | | | |
|---|---|---|---|---|
| 31-Oct-13 | 10,000,000 | Transfer to EBL | After getting the amount the balance of EBL reached to Tk. 50 ml; and out of that Tk. 30.0 ml further back to SEBL in three transactions on 10,21 and 28 Nov,13. | 17,500.00 |
| 27-Feb-14 | 60,000,000 | Transfer to EBL | Movement is SEBL to EBL then to AIBL; AIBL paid it for IPO. So, what the reason of such routing? The amount can move from SEBL to AIBL (FDR) without losing interest | 48,437.50 |
| 20-Mar-14 | 30,000,000 | Transfer to Al-AIBL (@ 8.75% | Transferred to AIBL at Lower Interest rate A/C and then invest in IPO? So, why not from SEBL to IPO subscription? | 20,833.33 |
| 23-Mar-14 | 10,000,000 | Transferred to BBL @ 8.40% | Transferred to BBL's A/C and remain idle upto reporting date. So why this transferred occurred? | 5,055.56 |

- *Estimated loss calculation is derived at the prevailing interest rate in the account at the transaction date*

**Contravention of Rules 15 & 33 and Rule 24 for facts under Findings # 01-03 by both AMC and Trustee respectively:**

Due to such type of aforementioned fund transfer creates significant interest loss on the fund. It is mentionable here that such type of transfer of funds affected the profitability of the funds that ultimately reduces the capability to pay dividend to unit holders of the fund which is also evident from the dividend payment history of the funds discussed earlier.

If we calculate estimated interest loss incurred due to such type of transfer of funds from all the funds under management of LR Global and also considering transferred amount in all denomination (i.e. not only equal or above Tk. 10.00 million) then it will be a huge amount of loss that incurred by all the funds under management of LR Global over the years.
According to the Rules, it is the fiduciary responsibility of the Fund manager and the trustee of the mutual funds to protect the trust property and also to protect the interest of the unit holders from any loss as per Rule 15 (5) (L) and Rule 33(7) of wmwKDwiwUR I G·‡PÄ Kwgkb (wgDPz¨qvj dvÛ) wewagvjv, 2001. Although, as per the above Rule 15 (5) (L) and Rule 33(7) LR Global is directly liable for the loss incurred by their activity discussed above contravening the above rules; but Trustee of the funds i.e. BGIC is also equally liable for not ensuring the compliance of the Rules by the AMC of the funds i.e. LR Global as per Rule 24 (3) &(4) of সকিউরিটিজও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১. The Rules are as under:

২৪(৩) ট্রাস্টি ট্রাস্টের পক্ষে কোন অর্জন ও হস্তান্তরের জন্য প্রয়োজনীয় সকল দলিল সম্পাদনের ব্যবস্থা নিশ্চিত করিবে এবং সম্পদ ব্যবস্থাপক কর্তৃক লেনদেন যেন যথাযথভাবে এবং এই বিধিমালা অনুসারে সম্পাদিত হয় তাহা নিশ্চিত করিবে।

(৪) সম্পদ ব্যবস্থাপক কর্তৃক এই বিধিমালা মানিয়া চলার জন্য ট্রাস্টিও দায়ী থাকিবে।

**Findings# 04: Maintaining significant cash balances in those Operational Accounts that bear comparatively lower interest rate is another cause of losinf interest income.**

**Opinion of LR Global:**

As mentioned earlier in our Findings # 03, that LR Global is claiming whenever a bank has reduced its interest rate, LR Global has reallocated cash balance from one bank to another to confirm the higher yield of the fund.

**Observation of the Enquiry Committee:**

Although in the aforementioned letter of LR Global claimed that they try to reallocate cash balance in the higher interest bearing account but our observation is that LR Global is not maintaining the bank account as according to their claim above.

In reviewing the transactions of all the operational accounts we found that transactions are highly concentrated in four Banks; and out of those Bank accounts, two banks are heavily concentrated for all the transactions other than settlement transactions namely, Southeast Bank Ltd. and Eastern Bank Ltd. In consideration of closing balances of all the operational accounts of all the funds we found the concentrations are in the following proportions:

Figure in Tk. in million

| Operational A/Cs in the bank | Bearing Interest Rate | Closing Balance as on 31.12.13 | In % | Closing balance As on 31.03.14 | In % |
|---|---|---|---|---|---|
| SEBL | 9.75% | 313.99 | 65.00 | 285.27 | 30.50 |
| EBL | 7.00% | 165.41 | 34.24 | 188.36 | 20.14 |
| BBL | 8.40% | 1.77 | 0.37 | 255.04 | 27.27 |
| AIBL | 8.75% | 1.92 | 0.40 | 206.67 | 22.10 |
| **Total** | | **483.09 ml** | | **935.34ml** | |

**Impact events under Findings # 04:**

When transactions are conducted in the EBL, BBL, and AIBL in lieu of SEBL and also keeping balance in those operational accounts in lieu of SEBL, it negatively affected the fund for mismanagement of the fund manager.

**Contravention of Rule 15 & 33 for facts under Findings # 04:**

According to Rule 15 (5) (খ) and Rule 33(7) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১, any loss on the fund due to mishandling of operation by the fund manager solely lies on the fund manager as per Rules mentioned above.

**Under TOR 2: ফান্ডের কোনো অর্থ আইন বহির্ভূতভাবে উত্তোলন/স্থানান্তর করা হয়েছে কিনা তা নিরীক্ষা করা**

**Findings #05: LR Global is Charging a part of own "Office and Administrative Expenses" on the funds under its management contravening the Rules and without permission of the Commission**

**Opinion of LR Global:**

According to letter of LR Global that ".....Office and Administrative Expenses were charged as per 6th Schedule, Attachment – 2(details of the Revenue account) of Securities and Exchange Commission (Mutual Fund) Rules, 2001 and approved by the Trustee as represented in all Audited Accounts of the Mutual Funds...."

Again, according to LR Global "............................Office & Administrative Expenses" were charged after reasonability checking and within the limit that we understood of the mutual fund on periodical basis (monthly/ quarterly/annually, as applicable) under following categories those directly impact the operations of the mutual funds and also allowing us to maintain proper investor records and serve the unit-holders related to on- going dividend distribution and redemption of the placement shares:

i. Salary & Allowances (employees who are directly involved with mutual fund operations),
ii. Investors Relation Office Expenses (rent, utility bills, maintenance charges, etc:),
iii. Bloomberg terminal fees (for NAV checking of the mutual fund portfolio),
iv. Software maintenance expenses (for daily fund operations)
v. Conveyance bills (for daily fund operations),
vi. Other expenses, if any (directly related with mutual fund operations) including CDBL connection/Internet expense....................."

Again, LR Global is charging all type of legal expenses to the fund though it is not directly related with the fund operation ;and in this regard a brief statement of all legal expenses are placed in the following table along with the opinion of LR Global :

".............Also please find enclosed list stating date-wise payment against legal expenses along with the supporting documents / invoices for each mutual fund. Since inception the legal expenses were made for the benefit of the unit-holders related to investment activities, clarifications and conflicts among legal documents, due diligence, brokerage agreements, evaluation of legal/offering documents, etc. services that are not available in-house........"

According to statement of Office & Administrative expenses charged on the funds since inception are placed in the following table:

**Fund wise Office and Administrative Expenses:**

Amount in Taka

| Fund | 2010 | 2011 | 2012 | 2013 | 2014 | Total |
|---|---|---|---|---|---|---|
| DBH MF | 4,041,357 | 2,443,269 | 2,927,111 | 3,822,130 | 2,613,072 | 15,846,940 |
| Green Delta MF | 921,497 | 2,010,865 | 2,672,796 | 2,441,790 | 2,543,072 | 10,590,019 |
| AIBL 1st MF | | 1,986,253 | 2,623,379 | 2,391,076 | 2,501,951 | 9,502,659 |
| MBL 1st MF | | 1,950,424 | 2,620,206 | 2,471,016 | 2,501,951 | 9,543,597 |
| LR GB MF | | 380,093 | 2,732,567 | 2,491,982 | 2,489,001 | 8,093,643 |
| NCCBL MF | | | 1,278,554 | 2,102,318 | 2,514,998 | 5,895,870 |
| **Total** | **4,962,854** | **8,770,904** | **14,854,613** | **15,720,312** | **15,164,045** | **59,472,728** |

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

**Additionally fund wise legal expenses are also placed in the following table:**
**Fund wise Legal Expenses:**

Amount in Taka

| Fund | 2012 | 2013 | 2014 | Total |
|---|---|---|---|---|
| DBH First Mutual Fund | | 100,000 | 402,151 | 502,151 |
| Green Delta Mutual Fund | 100,000 | 100,000 | 402,151 | 602,151 |
| AIBL 1st Islamic Mutual Fund | | 50,000 | 402,151 | 452,151 |
| MBL 1st Mutual Fund | 50,000 | 50,000 | 402,151 | 502,151 |
| LR Global Bangladesh Mutual Fund One | 100,000 | 100,000 | 402,151 | 602,151 |
| NCCBL Mutual Fund-1 | 50,000 | 50,000 | 402,155 | 502,155 |
| Total | 300,000 | 450,000 | 2,412,910 | 3,162,910 |

**Additionally, in the response letter of LR Global they mentioned as follows:**

".......We have made these decisions with the best of intentions. These expenses were not more than 0.25% of the NAV of each mutual fund keeping the annual total expenses of the fund approximately 2.00% of the NAV of the fund (inclusive of all expenses) - within the limit of 4% of the NAV of the fund.

Regardless of our intentions, we realize now that we should have approached the honorable commission for the approval of the expenses instead. We earnestly request the Commission to instruct us in this regard for rectifying any issues that in your supreme authority you deem appropriate which may have been misunderstood in good faith.

We sincerely regret for not seeking clarification from the Honorable Commission since the inception of the funds. We sincerely hope the Honorable Commission will evaluate this with compassion and help us rectify issues that you deem appropriate....."

**Background of Charging Office & Administrative Expenses and Clarification of the Parties:**

It is to be mentionable here that Office & Administrative expenses are charged after taking opinion of the Auditor "Hoda Vasi Chowdhury & Co." but without any permission from the commission. The Trustee of the funds have also approved the Annual Accounts of the funds since long without taking any clarification/approval from the Commission in this regard. So, we sought clarification to Fund Manager, Auditor of the Fund and also the Trustee of the funds under management of LR Global.

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**Hence, in response to our letter of seeking clarification, LR Global replied among others as follows :**

"Clarification regarding receipt of Auditors opinion from Hoda Vasi & Chowdhury & Co., we would like to inform you that the opinions were received from the said Auditor in good faith and for internal clarification and for our understanding back in 2010.

Subsequently, the opinion was also shared with the Trustee since inception of these fees. All our financial statements properly disclosed and itemized these expenses within the limit and Financial Statements were duly approved by the Trustee..............................."

**The Trustee of the funds "BGIC" clarified in their letter among others as**: "...1. Trustee did not provide any written consent to LR Global Bangladesh Asset Management Company Ltd. to reimburse "Office & Administrative Expenses" from all the funds under their management. However, it is to be noted that based on the Professional advice of the Auditors received directly by the AMC and produced to us we approved the Annual Accounts of the Funds.

2. We would like to clarify that we as Trustee did not instruct or allow the Asset Manager to take any opinion from the Auditor, Hoda vasi Chowdhury & Co. about charging"Office & Administrative Expenses" from the funds. .....................

.............in view of the above we have already instructed all the Asset Managers that charging of "Office & Administrative Expenses" is not permitted and have provided copies of our instruction letters to the esteemed Commission. "

**Again the Audit firm "Hoda Vasi Chowdhury & Co." clarified their position in their letter among others as :** "...........There is no restriction anywhere on providing professional opinions to the clients. Our professional advice should not be treated as legal opinion but as guiding principle to the clients as a practicing member quasi legal profession like Chartered Accountants. In our letter dated 20 May 2013, in the absence of any clear provision, our conclusion of the professional opinion was to obtain BSEC's written consent before charging and allocating a portion of Asset Management Company's expenses to the mutual funds account. ..............."

In this regard, we also sought opinion of the MF & SPV Department. The opinion of the Department among others are as under:

".....As per MF & SPV Department record, we found no such referrence where LR Global has taken approval from the Commission to charge " Office & Administrative Expenses" for the funds under its management or even no such information from the Trustee with the Commission in this reference.................."

**Observation of Enquiry Committee:**

**About charging of Office & Administrative Expenses:**

There is no provision as per Rule 65 of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১ or in the Trust Deed or in any of the legal documents approved by the commission for any funds under Management of LR Global regarding allowing of charging aforementioned office & administrative expenses on the fund. As per Rules, AMC can only charge Management Fee and other allowable expenses as per Rule 65. If any expenses are required to be charged apart from provisions of Rule 65, AMC has to take prior approval from the Commission. But no such type of Communication is found with the Commission and also any explicit/implicit approval of the commission in this regard.



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It is also mentionable here that "**Attachment 2**" of the Sixth Schedule of the Rules is merely a pro-forma of the income statement and as according to the pro-forma, presentation of the income and expenses of the mutual funds are required as according to the approved expenses. But if expense nature is not mentioned in the offer documents and/or approved by the commission, expenses cannot be incurred/charged by the fund manager of the fund unless otherwise approved by the Commission. Hence, charging expenses under "Office & Administrative Expenses" by LR Global are contravention of Rule 65 and relevant provision of Trust Deed. Even there is no provision of such Office & administrative Expenses in the prospectus format for the mutual funds given in the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১. The Rule 65 of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১ is in short as under:

৬৫। **ব্যয়ের সীমাবদ্ধতা।**- (১) সকল ব্যয় স্পষ্টরূপে চিহ্নিত এবং প্রত্যেকটি স্কীমে বন্টিত হইতে হইবে।

(২) নিম্নবর্ণিত সীমা সাপেক্ষে সম্পদ ব্যবস্থাপক মিউচ্যুয়াল ফান্ডের নিকট বিনিয়োগ ব্যবস্থাপনা ও উপদেষ্টা ফি, যাহা প্রসপেক্টাসে উল্লে-খ করা হইয়াছে, এবং উহার ব্যবস্থাপনাধীন বিভিন্ন মিউচ্যুয়াল ফান্ড ও তার অধীনে ইস্যুকৃত স্কীমের নীট সম্পদের মোট পরিমানের উপর নিম্নবর্ণিত সীমা সাপেক্ষে দাবী করিতে পারিবে, যথাঃ-

............................................................

তবে শর্ত থাকে যে, কমিশন বিশেষ ক্ষেত্রে উক্ত ফি এর হার বৃদ্ধি করিতে পারিবেঃ

আরও শর্ত থাকে যে, উল্লিখিত সকল ক্ষেত্রে পঞ্চম তফসিল [বিধি ৫৬ দ্রষ্টব্য] এ উল্লিখিত বিনিয়োগে বাধা-নিষেধ এর ক্রমিক নং ১০ পরিপালন করিতে হইবে।]

(৩) উপ-বিধি (২) এ উল্লি-খিত ফি ব্যতীত, সম্পদ ব্যবস্থাপক নিম্নবর্ণিত ব্যয়সমূহও মিউচ্যুয়াল ফান্ড হইতে আদায় করিতে পারিবে, যথাঃ-

(ক) মিউচ্যুয়াল ফান্ড ও উহার স্কীমসমূহের সূচনাকালে ব্যয়িত প্রাথমিক ইস্যু খরচের অবসায়ন (amortization) যাহা মেয়াদী ক্ষেত্রে পূর্ণ মেয়াদ এবং বেমেয়াদী ক্ষেত্রে সাত বৎসর সময়ের মধ্যে করিতে হইবেঃ

তবে শর্ত থাকে যে, প্রাথমিক ইস্যু খরচ কোন স্কীমের সংগৃহীত তহবিলের শতকরা পাঁচ ভাগের বেশী হইবে না, যাহার প্রক্কলিত খাতওয়ারী বিভাজন প্রসপেক্টাসে উল্লে-খ করিতে হইবে;

(খ) নিম্ন বর্ণিত ব্যয়সহ নিয়মিত ব্যয়সমূহ, যথাঃ-

(অ) ট্রাস্টি ও হেফাজতকারীকে প্রদত্ত ফি, ব্যাংক চার্জ, ব্রোকারেজ কমিশন, বিপণন ও বিক্রয় ব্যয়;

(আ) লিস্টিং ফি (প্রযোজ্য ক্ষেত্রে) ও ইউনিট সংক্রান্ত অন্যান্য খরচ।

Again, according to the voucher provided by the LR Global, we found that among others, partial/full of the following expenses of LR Global are reimbursed from the six Mutual funds under its management under Office & Administrative expenses:

i. Salary & Allowances
ii. MF Employee Bonus Expenses
iii. Software cost (Fixed Reimbursement)
iv. IRO (Investors Relation Office) Expenses (Includes Rent, Electricity bill, fresh water bill, & other expenses of IRO )
v. Internet Expenses
vi. Bill for legal an professional fees
vii. Other Expenses of Head Office (Includes Convenience, TNT, Mobile, stationery, entertainment expenses and others)
viii. Bloomberg terminal fees

**About Charging of Legal Expenses:**

It is also notable here that during 2012 to 2014 there was no new fund/scheme was launched. So, when we sought clarification about the legal expenses, and then we found that the LR Global Bangladesh Asset management Company Ltd. has taken Legal services from two

Legal Advisors during 2013 to 2014 period namely "Sheikh & Company" and "Hasan & Associates" in its own name and without mentioning the services for any specific fund. The details of the information about the services we got from LR Global are as under:

| Name of the Legal Firm | Date of Bill | Service Nature | Bill Amount | Comment of Committee |
|---|---|---|---|---|
| i. Sheikh & Company | 07.09.2014 | Preparing & Scrutinizing documents and <u>conducting hearing</u> and legal research about Mutual Funds | Tk17,00,000 | In the bill no fund name is mentioned. <u>Hearing Conducting by the Commission for non-compliance conducted by LR Global AMC.</u> |
| ii.Hasan & Associates | 11.09.2014 | Professional fees for legal services upon Mutual Fund | Tk 7,12,910 | In the bill no fund name is mentioned and also purpose is not clear. |
| Total | | | **Tk24,12,910** | Allocated among the six funds by Tk. 4,02,151.00 for each FUM of LR Global |

As per সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১, legal expenses are incurred only during pre-launching period for registration and other documents preparation purposes and this expenses is charged in the said fund as per Rule 65 (3) (ka) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১. But in this case we found that the expenses incurred for legal services are not fund specific rather service taken by the Asset Manger and charged equally to all the six funds under the management of LR Global. <u>So, this is also contravention of Rule 65 of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১, because there is no such provision of allocating such type of legal expenses to the fund.</u>

**<u>Contravention of Rule 65 or facts under Findings # 05 by LR Global:</u>**

By charging Office & Administrative expenses and legal expenses from the funds under management, LR Global AMC Ltd. are in clear contravention of Rule 65 of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১. Additionally, LR Global did not take permission of the Commission though the Auditor suggested to obtain approval before charging the above expenses.

**<u>Contravention of Rule 68 for facts under Findings # 05 by Hoda Vasi Chowdhury & Co., Auditor of the Funds and also liable for Contravention of Rule 65.</u>**

Although Hoda Vasi Chowdhury & Co. claimed that they suggested LR Global to take opinion of the commission before charging office and administrative expenses. but in the Audit report they did not qualify that LR Global has not taken consent of the Commission before charging "Office and Administrative Expenses." The above activity of the Auditor is contravention of Rule 68(4) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১ because they did not seek explanation of the LR Global whether they have received any opinion from the commission in this respect as according to their suggestion and also not qualified in the audited statement about the lacking of LR global.



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Again, policy regarding part/full of the offices and administrative expenses incurred by the LR Global is reimbursed from all the funds under management of LR Global is not disclosed in the Corporate Audited Accounts of LR Global Bangladesh AMC Ltd.

But in the audited Accounts of the funds under management of LR Global, Hoda Vasi Chowdhury & Co., Auditor of all the funds of LR Global did not disclosed in the note the total amount of expenses incurred by LR Global Corporate and subsequently reimbursed from the funds on which proportionate rate. So, this is completely a misleading information provided by the Auditor. We feel that the Auditor conducted this intentionally to keep secret the information from the Regulator, and the stakeholders. In the Audited accounts, their statement is as follows:

"3.9 Office & Administrative Expenses

> Office & Administrative Expenses represent expenditure incurred for staff and office & administrative related cost allocated by and reimbursed to LR Global Bangladesg AMC Ltd. proportionately. Office and administrative expenses is charged under the provision of Annexure – 2 of Schedule 6 (Clause 69) of Securities and Exchange Commission (Mutual Fund) Rules, 2001."

> It is to be mentionable here that, Hoda Vasi Chowdhury & Co. is primarily liable for charging the expenses of "Office and Administrative Expenses" by the LR Global, because they first gave opinion on 28 October, 2010 to LR Global AMC Ltd. on their request that charging of the above expenses is as per Rules. An Auditor can provide professional opinion within their periphry but such opinion should not be on the legal part where specific regulator exist for that. So, Hoda Vasi Chowdhury & Co. conducted their function beyond their limit specifically in the letter dated 28 October, 2010. Again, giving opinion on the same issue, the same auditor is also auditor those expenses, which is completely a conflict of interest.

So it is a great concern that Fund Manager, LR Global; Trustee of the funds, BGIC; and Auditors of the funds; Hoda Vasi Chowdhury & Co. are equally liable for the non-compliance of Rule 65; and specially, Auditor is liable for contravention of Rule 68 (4) by not disclosing the true state of affairs of the expense charged on the fund.

The Rule 68(4) is as under:

> ৬৮(৪)নিরীক্ষকের প্রতিবেদনে, অন্যান্যদের মধ্যে, এই মর্মে মতামত থাকিতে হইবে যে, তিনি তাহার সর্বোত্তম জ্ঞান ও বিশ্বাসমতে হিসাব নিরীক্ষণের জন্য প্রয়োজনীয় সকল তথ্য ও ব্যাখ্যা পাইয়াছেন কিনা; এবং ব্যালেন্স শীট, রাজস্ব হিসাব ও নগদান প্রবাহ বিবরণী যথাক্রমে স্কীমের সত্য ও ন্যায্য আর্থিক অবস্থা, হিসাবকালীন সময়ের ঘাটতি বা উদ্বৃত্ত ও নগদ অর্থ প্রবাহ প্রদর্শন করে কিনা, এবং এই বিধিমালার বিধি ৫৬ এর পঞ্চম তফসিলে বর্ণিত বিনিয়োগের বাধা নিষেধ অনুযায়ী স্কীমের অর্থ বিনিয়োগ করা হইয়াছে কিনা;

**Contravention of Rule 24 for facts under Findings # 05 by BGIC, Trustee of the Fund.**

The Trustee is approving the yearly Audited Accounts of the Fund where the LR Global mentioned the expenses and also before charging the expenses LR communicated the matter to the Trustee; but the Trustee did not intimated the matter to the commission before approving the Audited Accounts. So it is clear contravention of the Rule 24 (2). Again, Trustee is also liable for such charging of expenses as per Rule 24(8). The above two rules are as under:

২৪(২) কোন ট্রাস্টি যদি কখনও মনে করে যে মিউচ্যুয়াল ফান্ডের কার্যক্রম সংশ্লিষ্ট আইন বা এই বিধিমালা অনুযায়ী পরিচালিত হইতেছেনা তাহা হইলে, তৎক্ষণাৎ উক্ত ট্রাস্টি পরিস্থিতি সংশোধনের উদ্দেশ্যে প্রয়োজনীয় ব্যবস্থা গ্রহণ করিবে এবং কমিশনকে তৎসম্পর্কে অবহিত করিবে।

২৪(৮) এই বিধিমালা ও ট্রাস্ট দলিল অনুযায়ী মিউচ্যুয়াল ফান্ডে প্রদেয় কোন অর্থ এবং কোন স্কীমের ইউনিট মালিকদের পক্ষে মিউচ্যুয়াল ফান্ডে গৃহীত কোন অর্থের হিসাবের জন্য ট্রাস্টি দায়ী থাকিবে।

Findings # 06 : **Frequent withdrawal of Funds from the operational A/Cs of the fund to the LR Global's (i.e. the fund manager) corporate account in the name of Office & administrative expenses and other purposes.**

**Information from the documents of LR Global:**

According to statement provided by LR Global that the company is presently maintaining the following Bank accounts for its own operational purpose.

| Bank Name | Account No. | Opening Date | Nature |
|---|---|---|---|
| Standard Chartered Bank Gulshan Br. | 01118392101 | 31.03.2014 | Operational |
| Do | 01105348701 | 08.09.2009 | Do |
| **Southeast Bank Ltd Donia Br.** | **007213100000020** | **25.06.2012** | **Do** |
| Brae Bank Limited Gulshan Br. | 1501202057968001 | 02.03.2011 | Do |

Again as per our query regarding frequent transfer of fund from the fund's operational a/c to LR Global's Corporate account no. 0072-131-00000020; they noted that such transfer of fund from fund's operational account to LR Global's corporate account to reimburse the expenses of the company from the funds under its management. **In this regard, a** brief of the statement is collected during visit to the office of LR Global, which is attached herewith to reflect how frequently LR Global is reimbursing expenses of the office & administrative expenses from the all the funds as through bank accounts. According to that statement LR Global has withdrawn more that Tk. 50.00 million from all the funds since launching of those funds in the name of Office & Administrative Expenses.

It is also mentionable here that a few transactions are placed on sample basis conducted on the two funds under Management of LR Global in the following table which are not included in the list mentioned above for the purpose of "Office & Administrative expenses". But the transactions are conducted directly from the fund's operational account to LR Global's corporate account and in the same LR Global's corporate account to fund's operational account.

| Mutual Fund | Date | A/C No. | Narration | Debit Amount | Credit Amount | Comment |
|---|---|---|---|---|---|---|
| DBH MF | 01.01.13 | 0072131--014 | Amt trf from 131-14 to 131-20 | 7,165,800 | | Not clear when refunded and why returned? |
| DBH MF | 04.02.13 | Do | Do | 7,009,790 | | |
| DBH MF | 30.03.14 | Do | Amt trf from 131-20 to 131-14 | | 1,000,000 | |
| | | | | | | |
| AIBL MF | 03.04.13 | 0027 131-990 | Amt TRF to A/C: 131-20 | 6,442,018 | | Not clear when refunded and why returned? |
| AIBL MF | 30.03.14 | Do | Amt trf from A/c. 131-20 to 131-990 | | 853,000 | |
| AIBL MF | 30.03.14 | Do | Do | | *26,869,500 | |

**Observation of the Committee:**

The fund manager may charge fund for the expenses from the funds' bank accounts as per clause 8.5 of the Trust Deed of the fund. But we found that LR Global charges the above expenses on the fund beyond their limit of role defined in the clause 8.5 of the Trust Deed. So, any violation of the clauses of the Trust Deed is ultimately violation of the Rule 15 (3) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, 2001 because Trust Deed is approved by the Commission under the Rule 15. The Rules is as under:

> ১৫(৩) উক্ত ট্রাস্ট দলিল নিবন্ধনের পূর্বে কমিশনের নিকট উহা অনুমোদনের জন্য পেশ করিতে হইবে এবং উক্তরূপ অনুমোদন প্রাপ্তির পরই উক্ত দলিলটি নিবন্ধন করা যাইবে।

The relevant clauses of 8.5 of the standard Trust deed is as under:

8.5.2 sset Management Company may charge Fund for Investment Management and Advisory fees, which are fully disclosed in the Prospectus of the Fund and as provided for in the বিধিমালা.

8.5.4

i. In addition to the fees mentioned hereinabove, the Asset Management Company may charge the Fund all recurring expenses including the following expenses:

- i) Marketing and selling expenses including commissions of the agents, if any.
- ii) Brokerage and transaction costs.
- iii) Cost of registrar services for transfer of securities transacted and redeemed.
- iv) Trusteeship fees.
- v) Custodian fees.
- vi) Dematerialization fees and others.
- vii) Re-registration fees, if any.
- viii) Relevant expenditure for calling meeting by the trustee committee and
- ix) Other expenses incurred for managing the mutual fund.

Again we found no declaration in the Audited accounts of the Company that administrative expenses of the company is reimbursed from the funds and also no declaration in the mutual fund's annual audited accounts that office & administrative expenses incurred by the fund manager i.e. LR Global is reimbursed from the funds under its management proportionately.

**Contravention of Rule 15 & Clause 8.5 of the Trust Deed for the fact under Findings # 06 by LR Global:**

LR Global has violated their periphery of charging expenses under Clause 8.5 of the Trust Deed which is ultimatly violation of Rule 15 (3) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, 2001.

Findings # 07: **LR Global transferred/invested huge fund in some private companies violating Rules from the six mutual funds under its management and a part of the transferred amount had returned to the funds' account without any return/profit.**

**Information from LR Global:**

According to the statement provided by the LR Global related to transactions with the private companies, we found that during 1st January, 2103 to 31st March, 2014 the sum-up of the



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investment, withdrawal and net investment in private companies those have not taken approval of the Commission for raising of capital are stated as follows :

| Particulars | Investment | Withdrawal | Net Investment |
|---|---|---|---|
| Total transaction with Thyrocare Bangladesh Ltd. | 303,027,000 | 61,012,500 | 242,014,500 |
| Total transaction with Tribeca Managament Ltd. | 615,000,000 | 615,000,000 | - - |
| Total transaction with Guardian Healthcare Ltd. | 27,800,000 | 7,134,000 | 20,666,000 |
| Total transaction with Property investors Ltd. | 10,000,000 | | 10,000,000 |
| **Total Investment in Private Equity** | **955,827,000** | **683,146,500** | **272,680,500** |

**Observation of the Committee:**

It reflects from the above table that during 1st January, 13 to 31st March, 14 LR Global invested total Tk. 955.83 million in some private companies violating Rule 55 সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১ of from all the funds under its management but investment withdrawn from those private investment was Tk. 683.15 million i.e. net investment was Tk. 272.68 million including investment in private bond. So, we found that an amount of Tk. 683.15 million was supported by the funds under management of LR Global without any investment return during the whole period from January,13 to March,14. Though the investment conducted during the whole period mentioned above, but investment withdrawal from all the six funds are presented in the following table:

| Date | Investment Withdrawal | Investment withdrawal from Private Equity |
|---|---|---|
| 29-Sep-13 | 15,000,000 | Investment withdrawal from Tribeca Management Ltd. |
| 29-Dec-13 | 269,400,000 | Investment withdrawal from Tribeca Management Ltd. |
| 20-Jan-14 | 300,000,000 | Investment withdrawal from Tribeca Management Ltd. |
| 22-Jan-14 | 30,600,000 | Investment withdrawal from Tribeca Management Ltd. |
| **Sub-Total** | **615,000,000** | **Total Investment withdrawal from Tribeca Management Ltd.** |
| 30-Mar-14 | 61,012,500 | Investment withdrawal from Thyrocare Bangladesh Ltd. |
| 3-Jun-13 | 7,134,000 | Investment conversion to equity from Preference share of Guardian Healthcare |
| **Total** | **683,146,500** | **Total Investment withdrawal from Private Equity** |

**Impact of events under Findings# 07 of FUM of LR Global:**

If we consider investment loss @10% on total investment withdrawal amount i.e. Tk. 683,146,500.00 for one year on average then we found that an estimated amount of Tk. 68.31 million loss incurred by the all the funds under management of LR Global for just imprudent investment decision that can not be avoided as per Rule 15 (5) (খ) and Rule 33(7) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১.

It is also mentionable here that the out of the above investment withdrawal amount of Tk.. 683.14 million, LR Global returned the invested amount of Tk. 615.00 million only from Tribeca Management Ltd; though according to the Quarterly report as on 31st March,2014, there was no investment as on March end basis.

In response to our query, LR Global replied among others as:
".... We have not provided any information about Tribeca Management Ltd. since we don't have any investment in the company from the Mutual Funds as of date. We have invested in the Company from the Mutual Funds for the purpose to establish a Non-Banking Financial Institution, but later withdrew our investment...........

From their reply it reflects that LR Global invested the amount in Tribeca Management Ltd. and other such company from the funds under its management is completely for the own interest of LR Global management. So, it can be termed as transfer of fund from the mutual funds under its management.

Again Investment withdrawal should be directly from the respective company's account to Fund's bank account; but we found many withdrawal transactions are conducting by LR Global from its own account to fund's account. It is completely violation of Rule 74 (2) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১. Because, it reflects that the amount of investment withdrawal amount is received by the fund manager and/ or deposited to its own account for own purpose then returned back it to the funds' account. A few sample transaction are presented below:

| Fund | Date | Bank name | Amount Credited | Investment / withdrawal |
|---|---|---|---|---|
| DBH MF | 30.3.14 | Southeast Bank Ltd. | 1,000,000 | Investment withdrawal from Thyrocare Bangladesh Ltd. (through LRGB AMC) |
| GD MF | 30.3.14 | Southeast Bank Ltd. | 1,200,000 | Investment withdrawal from Thyrocare Bangladesh Ltd. (through LRGB AMC) |
| AIBL MF | 30.3.14 | Southeast Bank Ltd. | 853,000 | Investment withdrawal from Thyrocare Bangladesh Ltd. (through LRGB AMC) |
| AIBL MF | 30.3.14 | Southeast Bank Ltd. | 26,869,500 | Investment withdrawal from Thyrocare Bangladesh Ltd. (through LRGB AMC) |
| MBL MF | 30.3.14 | Southeast Bank Ltd. | 840,000 | Investment withdrawal from Thyrocare Bangladesh Ltd. (through LRGB AMC) |
| LRGB MF | 30.3.14 | Southeast Bank Ltd. | 2,770,000 | Investment withdrawal from Thyrocare Bangladesh Ltd. (through LRGB AMC) |
| NCCB MF | 30.3.14 | Southeast Bank Ltd. | 1,020,000 | Investment withdrawal from Thyrocare Bangladesh Ltd. (through LRGB AMC) |
| Total | | | 34,552,500 | |

The Rule 74 of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১ is as under:

৭৪। **মিউচ্যুয়াল ফান্ডের সিকিউরিটি ক্রয় ও বিক্রয়।**-(১) প্রত্যেক মিউচ্যুয়াল ফান্ড সরবরাহের ভিত্তিতে সিকিউরিটি ক্রয় বিক্রয় করিবে এবং ক্রয়ের সকল ক্ষেত্রে সিকিউরিটির সরবরাহ গ্রহণ এবং বিক্রয়ের সকল ক্ষেত্রে সিকিউরিটির সরবরাহ প্রদান করিবে এবং কোন ক্ষেত্রেই ঘাটতি বিক্রয় বা আগাম লেনদেন বা বদলা অর্থায়নে নিয়োজিত হইবে না।

(২) প্রত্যেক মিউচ্যুয়াল ফান্ড উহার নিজ নামে সংশি-ষ্ট স্কীমের হিসাবে সিকিউরিটিজ ক্রয় বা হস্তান্তর করিবে।

**Contravention of Rule 15 & 33 and Rule 74 for fact under Findings # 07 by LR Global:**

In view of the above, clearly it is huge interest/return loss of all the funds under its management and LR Global can not avoid its responsibility and liability for such loss as per Rule 15 (5) (খ) and Rule 33(7). Additionally, the Fund manager, LR Global can not receive the proceeds of investment return to its company and then pay back to the fund account which is contravention of Rule 74 (1) & (2).

**Under TOR 3:** ফান্ডের কোনো অর্থ আইন বহির্ভূতভাবে বিনিয়োগ করা হয়েছে কিনা তা নিরীক্ষা করা;

Issue 8: **Investment in some Private Companies violating Rule 55 of** সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১ **and also violating the Securities and Exchange Commission Ordinance, 1969.**

**Information from LR Global:**

According to the submitted documents by LR Global the details about the investment status in the private company (Ordinary share, preference share and Bond) is as follows:

| Private Company | Balance as on 31.12.2012 | Net Investment Q1,13-Q1,14 | Balance as on 31.03.14 | Balance as on 30.06.14 |
|---|---|---|---|---|
| Balance with Guardian | 45,000,000 | 20,666,000 | 65,666,000 | 65,666,000 |
| Balance with property investors | 118,000,000 | 10,000,000 | 128,000,000 | 178,000,000 |
| Balance with Thyrocare Bangladesh Ltd. | - | 242,014,500 | 242,014,500 | 242,014,500 |
| Balance with Tribeca management Ltd. | | | | |
| Balance with unicorn Industries | 165,000,000 | | 165,000,000 | 165,000,000 |
| **Sub-total** | **328,000,000** | **272,680,500** | **600,680,500** | **650,680,500** |

Out of the above five private companies, only Unicorn Industries Ltd. has Taken consent from the Commission for capital raising purpose. So, the transaction with other four private companies where no consent of capital raising was there are placed in the following table:

| Transaction with Private company | Investment | Withdrawal | Net Investment (Q1,13 - Q1,14 ) |
|---|---|---|---|
| Total transaction with Thyrocare | 303,027,000 | 61,012,500 | 242,014,500 |
| Total transaction with Tribeca | 615,000,000 | 615,000,000 | - |
| Total transaction with Guardian | **20,666,000** | | 20,666,000 |
| Total transaction with Property investors | 10,000,000 | | 10,000,000 |
| **Total** | **948,693,000** | **676,012,500** | **272,680,500** |

**Opinion of LR Global :**

In seeking clarification regarding investment in private companies from LR Global, they replied among others as under:

*..........we made these investments for the benefit of our investors with the best of intensions. Also, we believe if funds such as us do not take the lead in making investments at least on a limited basis, other institutions and foreign investors will not be inspired to make investment for the development of the country, create employment and contribute to the growth of the country to reach its true potential........"*

**Observation of the Enquiry Committee:**

It reflects from the above table that LR Global is continuously investing in some private companies though the above investment is completely non – compliance of Rule 55 of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১. as these companies has not taken any consent from the Commission for capital raising. The Rule 55 is as under:

৫৫। বিনিয়োগের উদ্দেশ্য।- (১) উপ-বিধি (২) এ বর্ণিত শর্ত সাপেক্ষে মিউচ্যুয়াল ফান্ডের কোন স্কীমের অধীন সংগৃহীত অর্থ কেবলমাত্র স্টক এক্সচেঞ্জে তালিকাভূক্ত সিকিউরিটিজ, প্রাথমিক সিকিউরিটিজ (IPO) এবং অর্থ বাজারে হস্তান্তরযোগ্য সিকিউরিটিজে বিনিয়োগ করা যাইবেঃ তবে শর্ত থাকে যে, কমিশনের সম্মতি প্রাপ্ত কোন প্রাথমিক সিকিউরিটিজ ইস্যুকারী কোম্পানীর সিকিউরিটিতে প্রাক-আইপিও (pre- IPO) পে-সমেন্টও ইহার অন্তর্ভূক্ত হইবে।

Again, as these four companies have not taken any consent of capital raising from the Commission as per Section 2A (2) and purchase of securities of such company is prohibited under Section 2C of Securities and Exchange Ordinance, 1969. So, LR Global has violated Section 2C of Securities and Exchange Ordinance,1969 by investing in those four companies and in each company the investment amount is above the regulatory limit. The above Sections are as under:

2A. Control over issue of capital.- (1) [No issuer, or no company] incorporated in Bangladesh shall, except with the consent of the Commission, make an issue of capital outside Bangladesh.

(2) [No issuer, or no company], whether incorporated in Bangladesh or not, shall, except with the consent of the Commission,-

(a) make an issue of capital in Bangladesh;

(b) make in Bangladesh any public offer of securities for sale;

(c) renew or postpone the date of maturity or repayment of any security maturing for payment in Bangladesh.

2C. Purchase of securities.- No person shall accept or give any consideration for any securities in respect of an issue of capital made or proposed to be made in Bangladesh or elsewhere unless the consent or recognition of the Commission has been accorded to such issue of capital.

Mentionable here that regarding the shareholding position of these private companies we received data from the MF & SPV Department those are placed in the From the above company information it is found that Entity address of Tribeca Management Ltd. is same office of the LR Global corporate and company file by Mr. Kayes Khalil khan who is also ex-employee of the LR Global. Again, the same person Mr. Khan also filed the company "Property Investors Ltd." to RJSC. It reflects that directly or indirectly LR Global has control over these companies theough shareholding patter does not reflect that. Besides that, the shareholding pattern of these company reflect that there is common shareholding in all these four companies.



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Again, in reviewing the recourse of investment in those private companies we found no strong legal base of recourse from those companies. So, it is great matter of concern for all the funds under management of LR Global if full amount of investment is not possible to return to the funds, because, such investment is about 8.00% of the total fund size which is greater position of risk of loss.

**Recourse of the Investment in Private Equity, as per statement of LR Global:**

In response to our query during hearing that what recourse they have considered before investing in these private companies; then they replied among others as under:

*"Private Equity investments represent 5% of our fund under management that require consent from BSEC. From a risk management perspective, there are two issues that we kept in mind while investing and limited the overall exposure. First, the performance risk of the underlying company and second liquidity risk. ......................................................*

*All securities (ordinary or preferred) we hold are freely transferable. All preference shares have stated maturity date prior to expiry of our fund. In addition, for Property Investors Ltd., the fund investments are secured by all fixed and floating assets and we have the right to direct sale of assets in an orderly fashion. For Guardian Healthcare Ltd., the bond investment is secured by creating floating charge on all fixed and floating assets. Finally, in Thyrocare Bangladesh Ltd., the Preference Shares are senior in priority of payments to ordinary shares. The company is an affiliate of Thyrocare Technology Ltd. - the largest (and affordable) Preventive Care Company in the world conducting over 150,000 investigations per day. Thyrocare value is over USD 500 mm and is expected to be listed in 2016 or earlier. in India that can also facilitate our exit. Thyrocare Bangladesh Ltd. has 25 years agreement that provides among other rights - use of Registered Trademark, proprietary software, technical advice, access to discounted material and equipment and proprietary technology and products and services. Thyrocare use a proven and highly scalable business model that has been highly successful proven by 20+ years of track record and proven performance in India. ................."*

**Contravention of Rule 55 of Mutual Fund Rules and Section 2C of SEC Ordinance, 1969 for facts under Findings # 08 by LR Global:**

From the above review, it is clear contravention of Rule 55 (1) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১ done by LR Global for investing in private companies where no approval of Commission for capital raising and also contravention of Section 2C for investing in such companies by LR Global from the funds.

Issue 9 : **LR Global conducted fund to fund invested in all the mutual funds under its same management violating সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১**

**Information from LR Global:**

According to the information provided by LR Global that it has conducted fund to fund investment in all the six mutual funds under its same management A brief of the investment status as on 30th June, 2014 is placed in the following table:

**As on June 30, 2014** Investments in Taka

| Name of Funds | AIBL 1st MF | DBH 1st MF | Green Delta MF | LRGB MF1 | MBL 1st MF | NCCB MF1 | Total |
|---|---|---|---|---|---|---|---|
| AIBL 1st MF | | | 530,000 | 130,780,200 | 29,683,894 | 31,209,100 | **192,203,195** |
| DBH 1st MF | 14,927,382 | | 61,000 | 153,368,345 | 15,124,623 | 31,689,550 | **215,170,900** |
| Green Delta MF | 19,898,709 | | | 177,661,750 | 700,350 | 31,856,900 | **230,117,709** |
| LRGB MF1 | 117,110,150 | | | | 36,522,400 | 120,425,800 | **274,058,350** |
| MBL 1st MF | 14,138,800 | | | 125,066,968 | | 30,493,205 | **169,698,973** |
| NCCB MF1 | 18,518,270 | | | 148,349,097 | | | **166,867,367** |
| **Total** | **184,593,310** | **-** | **591,000** | **735,226,360** | **82,031,268** | **245,674,555** | **1,248,116,493** |

**Opinion of the Committee:**

According to Clause 7 of **পঞ্চম তফসিল [বিধি ৫৬ দ্রষ্টব্য] বিনিয়োগে বাধা-নিষেধ,** the fund manager can not invest in the same scheme/mutual fund. The said Rule is as under:

৭.একই সম্পদ ব্যবস্থাপকের এক স্কীম অন্য স্কীমে বিনিয়োগ করা অথবা ধার দেওয়া যাইবে না।

But the AMC is conducting the practice since long although LR Global introduced this non-compliance in the industry as per our study.

**As on June 30, 2014** Gain/(Loss) in Taka

| Name of Funds | AIBL 1st MF | DBH 1st MF | Green Delta MF | LRGB MF1 | MBL 1st MF | NCCB MF1 | Gain/(Loss) |
|---|---|---|---|---|---|---|---|
| AIBL 1st MF | | | - | (34,652,027) | (11,062,344) | (8,453,200) | **(54,167,572)** |
| DBH 1st MF | (2,170,582) | | (8,000) | (40,488,481) | (5,285,173) | (8,490,613) | **(56,442,848)** |
| Green Delta MF | (970,909) | | | (45,459,428) | (273,700) | (6,176,738) | **(52,880,775)** |
| LRGB MF1 | (23,348,350) | | | | (15,587,400) | (32,805,491) | **(71,741,241)** |
| MBL 1st MF | (1,191,600) | | | (32,237,380) | | (8,398,957) | **(41,827,937)** |
| NCCB MF1 | (1,280,270) | | | (36,745,274) | | | **(38,025,543)** |
| **Total** | **(28,961,710)** | - | **(8,000)** | **(189,582,590)** | **(32,208,618)** | **(64,324,999)** | (315,085,916) |

In analysis the investment status, we found from the above table that due to such non-compliance of the Rules, the funds under the LR Global has incurred cumulative loss of Tk. 315,085,916

**Opinion of LR Global for the above non-compliance:**

LR Global replied about the non-compliance which is among others as follows:

......In the past, we interpreted the rules for investment restriction in mutual funds managed by us differently. ..........................These investments represent approximately 7.5% across our holdings and we plan to gradually reduce our holdings as soon as practicable in an orderly fashion.

First, under rule 55 (2) second paragraph mentions that even under one mutual fund one scheme can invest in another scheme of the same mutual fund following the notification process stated in the same rule. This was interpreted as applicable to Mutual Fund with multiple schemes. Since BSEC reserves the right to facilitate scheme to scheme investment within a Mutual fund, we understood that for two separate funds (legal entities), restrictions are not applicable, since rule 55 (2) provides the flexibility to make such investments.

Second, under rule 56 (7) similarly, the interpretation prior to our first such (July 2010), the investment restriction was only applicable to Mutual Fund with multiple schemes. This was clarified and interpreted as we assumed in 2010, by BSEC after meetings with the Commission, and subsequently BSEC approved Prospectus (with such investments) for at least 8 funds with the understanding that this restriction was applicable to Multi scheme mutual funds. In addition, we reported these investments on a regular basis since 2010, and did not receive any objections from any concerned parties; therefore, we believed we were operating within the rules. In retrospect, had we have known, we would not have made these investments. These investments represent approximately 7.5% across our holdings and we plan to gradually reduce our holdings as soon as practicable in an orderly fashion.

**Contravention of Rule 56 for facts under Findings # 09 by LR Global:**

From the above observation, it reflects that LR Global contravened the Clause 7 of পঞ্চম তফসিল [বিধি ৫৬ দ্রষ্টব্য] বিনিয়োগে বাধা-নিষেধ, by investing in the same funds under its management.

Findings # 10: **Investment in FDRs with lower interest rate than prevailing one creates huge losses on the funds under the management of LR Global.**

**Observation of the Committee:**

In reviewing the status of investment in FDR we found that LR Global is keeping deposits of the funds in different commercial bank and financial institutions in different rates. But in many cases the deposit rate in some banks and financial institutions is much lower than the prevailing interest rate in the market. Just considering the attainable interest rate at the same time, we have calculated an estimated loss amount on such deposit since inception of the fund. where LR Global maintained deposit as FDR with comparatively lower interest rate. A brief of the above instances is presented below to show to what extent mutual funds under the management of LR Global was affected by loss of interest for such act.

| Date | Name of Sceme | Bank / NBFI | Term (days) | Interest rate (%) | Investment | Interest/ Profit Earned | Attainable Interest rate (%) | Interest/ Profit Could be earned |
|---|---|---|---|---|---|---|---|---|
| 20-Jun-13 | LRGB 1 | SCB | 176 | 10.75% | 50,000,000 | 2,627,778 | 10.75% | 2,627,778 |
| 24-Jun-13 | DBH First | SEBL | 183 | 12.00% | 10,800,000 | 658,800 | 12.00% | 658,800 |
| 28-Jun-13 | LRGB 1 | Union Capital | 183 | 11.25% | 50,000,000 | 2,859,375 | 12.50% | 3,177,083 |
| 2-Jul-13 | MBL 1st | IDLC Finance | 184 | 12.60% | 45,000,000 | 2,898,000 | 12.60% | 2,898,000 |

| Date | Name of Sceme | Bank / NBFI | Term (days) | Interest rate (%) | Investment | Interest/ Profit Earned | Attainable Interest rate (%) | Interest/ Profit Could be earned |
|---|---|---|---|---|---|---|---|---|
| 20-Jul-13 | LRGB 1 | LankaBangla Finance | 184 | 13.50% | 50,000,000 | 3,450,000 | 13.50% | 3.450.000 |
| 22-Jul-13 | LRGB 1 | LankaBangla Finance | 180 | 13.50% | 100,000,000 | 6,750,000 | 13.50% | 6.750.000 |
| 22-Jul-13 | LRGB 1 | LankaBangla Finance | 184 | 13.50% | 100,000,000 | 6,900,000 | 13.50% | 6.900.000 |
| 22-Jul-13 | DBH First | LankaBangla Finance | 180 | 13.50% | 30,000,000 | 2,025,000 | 13.50% | 2.025.000 |
| 22-Jul-13 | Green Delta | LankaBangla Finance | 180 | 13.50% | 20,000,000 | 1,350,000 | 13.50% | 1.350.000 |
| 25-Jul-13 | LRGB 1 | Union Capital | 184 | 11.25% | 100,000,000 | 5,750,000 | 12.50% | 6,388.889 |
| 25-Jul-13 | LRGB 1 | Union Capital | 184 | 11.25% | 100,000,000 | 5,750,000 | 12.50% | 6.388.889 |
| 27-Jul-13 | NCCBL 1 | Union Capital | 184 | 11.25% | 50,000,000 | 2,875,000 | 12.50% | 3.194.444 |
| 3-Aug-13 | NCCBL 1 | Union Capital | 184 | 11.25% | 50,000,000 | 2,875,000 | 12.50% | 3.194.444 |
| 5-Aug-13 | LRGB 1 | IDLC Finance | 180 | 12.50% | 40,000,000 | 2,500,000 | 12.50% | 2.500.000 |
| 11-Aug-13 | NCCBL 1 | IDLC Finance | 180 | 12.50% | 60,000,000 | 3,750,000 | 12.50% | 3.750.000 |
| 18-Aug-13 | Green Delta | IDLC Finance | 180 | 12.50% | 50,000,000 | 3,125,000 | 12.50% | 3.125.000 |
| 11-Sep-13 | LRGB 1 | Union Capital | 181 | 11.25% | 50,000,000 | 2,828,125 | 12.50% | 3.142.361 |
| 2-Dec-13 | LRGB 1 | Union Capital | 182 | 11.25% | 50,000,000 | 2,843,750 | 12.50% | 3.159.722 |
| 11-Dec-13 | MBL 1st | SCB | 182 | 8.50% | 50,000,000 | 2,148,611 | 9.50% | 2.401.389 |
| 13-Dec-13 | LRGB 1 | SCB | 182 | 8.50% | 50,000,000 | 2,148,611 | 9.50% | 2.401.389 |
| 29-Dec-13 | Green Delta | Union Capital | 182 | 11.00% | 50,000,000 | 2,780,556 | 12.00% | 3.033.333 |
| 7-Jan-14 | Green Delta | IDLC Finance | 180 | 12.00% | 50,000,000 | 1,500,000 | 12.00% | 1.500.000 |
| 7-Jan-14 | LRGB 1 | IDLC Finance | 180 | 12.00% | 50,000,000 | 1,500,000 | 12.00% | 1.500.000 |
| | | | | | | 665,242,415 | | 709,678,314 |
| | | | | | Estimated | Loss amount | | 44,435,899 |

As per our calculation, it is found that LR Global could earn Tk.70.96 crore from investments instead of Tk.66.52 crore using cash of different funds under management of LR Global and could earn an extra amount of Tk.4.44 crore.

**<u>Contravention of Rule 15 & 33 for facts under Findings # 09 by LR Global:</u>**

So, we can conclude that LR Global can not avoid the responsibility of such significant loss on the fund due to its mismanagement as per Rule 15 (5) (খ) and Rule 33(7) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১.

**TOR 5:** উপরোল্লিখিত কারণ অনুসন্ধানের কারণে যদি ব্যাংক লেনদেন সম্পর্কিত অন্য কোনো বিষয় আবির্ভূত হয়, সেক্ষেত্রে তদন্তকারী দল সে বিষয়গুলোও পর্যালোচনা করতে পারবে।

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

**Findings # 11 LR Global did not provided regular bi-monthly reporting related to banking transaction to Trustee and Custodian related to details of the banking transactions as per Rules**

**Observation of the Committee:**

Reference to the hearing with the Custodian and Trustee of the funds, we asked them that whether Custodian and Trustee are receiving the detail banking transaction relation information bi-monthly as per Rule 33 of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১. Then we got the response from both Trustee and custodian of the Fund that LR Global are not providing bi-monthly report as per Rules. So, it is contravention of Rule 33 (2) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১, which is as under:

> ৩৩(২)সম্পদ ব্যবস্থাপক মিউচ্যুয়াল ফান্ড তথা উহার অধীনে স্কীম পরিচালনার জন্যে যেই সকল ব্যাংকে হিসাব খুলিবে ও বন্ধ করিবে তাহার পূর্ণ বিবরণসহ ঐ সকল হিসাবে লেনদেনকৃত তথ্যাদি এবং সংশ্লিষ্ট সিকিউরিটিজ লেনদেনের বিস্তারিত পাক্ষিক ভিত্তিতে ট্রাস্টি ও হেফাজতকারীকে সরবরাহ করিবে।

**Response of Trustee "BGIC"**

:........Bi-monthly bank transaction reports from the AMC are not being received except in one occasion. We shall take up with the Asset management company to submit the bi-monthly reports on regular basis."

**Response of Custodian "Standard Chartered Bank":**

Response: In accordance section 33 of Mutual Fund Regulation 2001 LRG is required to provide a bi-weekly detail statement of bank account opening & closing and details transaction to their trustee and custodian bank. However, we have not received any such statement from LRG as of date. But LRG has informed us that they been submitting quarterly statement to BSEC under section 70 of the same regulation. The copy of which has also been provided to us by LRG. We have also initiated a process of collecting the bi-weekly statement from our AMC clients regularly and LRG confirmed to us they would submit all the relevant statements to us at the earliest.

**Contravention of Rule 33 for facts under Findings # 11 by LR Global; BGIC and Standard Charted Bank:**

From the above review, it reflect that all the parties i.e. Fund manager, LR Global, Trustee of the Funds, BGIC; and Custodian of the funds, Standard Chartered Bank are equally liable for non-compliance of reporting under Rule 33(2) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১.

Findings # 12: **LR Global, the fund manager did not provided securities and certificates** for all the investment in **Other than Listed securities of all the funds under its management to the Custodian of the Fund as per** সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১ **and the custodian of funds, "Standard Chartered Bank" did not maintained the full assets of the fund under their custody as per Rules.**

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**Opinion of the Committee:**

When we seek query in the hearing "whether the custodian are keeping full assets of the fund and to what extent Trustee is ensured that full assets of the fund are under custodian?"

Then Trustee of the Funds, BGIC and Custodian of the Funds, Standard Chartered bank replied that LR Global, the fund manager did not provide securities and certificates for all the investment in Other than Listed securities of all the funds under its management to the Custodian of the Fund as per Rule 41 সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১ and the custodian of funds, "Standard Chartered Bank" did not maintained the full assets of the fund under their custody as per Rules. The Rule 41 is as under:

৪১। হেফাজতকারীর দায়-দায়িত্ব।- (১)হেফাজতকারী মিউচ্যুয়াল ফান্ডের সিকিউরিটি সমূহ নিরাপদ হেফাজতে রাখিবে এবং মিউচ্যুয়াল ফান্ডের সম্পদের সর্বোচ্চ নিরাপত্তার ব্যবস্থা করিবে।

(২) হেফাজতকারী, অন্যান্যের মধ্যে, মক্কেলের খাত ওয়ারী নিম্নোক্ত দলিল ও তথ্যাদি সংরক্ষন করিবে-

(ক) সিকিউরিটিজ গ্রহণ এবং বিতরণের পূর্ণাঙ্গ বিবরণ;

(খ) অর্থ গ্রহণ এবং বিতরণের পূর্ণাঙ্গ বিবরণ;

**Response of Trustee "BGIC"**

" The Custodians of the funds, Standard Chartered Bank, has not been able to fully satisfy us that all assets of the funds are safe and sound under their custody particularly relating to Bank balances, Fixed Deposits with banks, investment made in bonds and non-listed securities......................................"

**Response of the Custodian:**

Finally, Standard Chartered Bank replied to the committee during Enquiry period that they have taken control over the securities other than listed one. Their reply, among others, are as under:

"......we confirm that LR Global AMC Ltd. has delivered the concerned share certificates and FDR receipts as mentioned in the bi-weekly statements as of 31st August, 2014 submitted to us for the following six funds which were sent to you along with our letter dated 2nd September 2014. "

**Contravention of Rule 41 for facts under Findings # 12 by LR Global; BGIC and Standard Charted Bank:**

From the above review, it reflect that all the parties i.e. Fund manager, LR Global, Trustee of the Funds, BGIC; and Custodian of the funds, Standard Chartered Bank are equally liable for non-compliance of reporting under Rule 41 of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১; because Fund manager should provide the securities, Trustee should monitor these and custodian should keep these securities as per the Rules.

**General Contravention of Trustee:**

Being guardian of the Fund, Trustee of the funds i.e. BGIC is also equally liable for not ensuring the compliance of all the Rules those contravened by the AMC of the funds i.e. LR Global as per Rule 24 (4) of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা, ২০০১ in addition specific contravention conducted by the Trustee discussed above. The Rule 24 (4) is as under:

২৪ (৪) সম্পদ ব্যবস্থাপক কর্তৃক এই বিধিমালা মানিয়া চলার জন্য ট্রাস্টিও দায়ী থাকিবে।" Unquote"

# বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন

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


যেহেতু, কমিশন উপরোল্লিখিত প্রতিবেদন অনুযায়ী সিকিউরিটিজ আইন পরিপালনে ব্যর্থতার জন্য বাংলাদেশ জেনারেল ইন্সুরেন্স কোম্পানি লিমিটেড এর বরাবরে একটি show-cause-cum-hearing notice সূত্র নং- SEC/Enforcement/2188/2014/663 তারিখ ০৯ নভেম্বর , ২০১৪ ইং প্রেরণ করে এবং ১৬ নভেম্বর , ২০১৪ ইং তারিখে শুনানীর দিন ধার্য্য করে এবং ধার্য্যকৃত তারিখে বাংলাদেশ জেনারেল ইন্সুরেন্স কোম্পানি লিমিটেড এর প্রতিনিধি উপস্থিত হয়ে ১৬ নভেম্বর , ২০১৪ ইং তারিখের পত্রের মাধ্যমে লিখিত বক্তব্য দাখিল করেন। যাতে অন্যান্যের মধ্যে, নিম্নোক্ত বিষয়গুলির উল্লেখ আছে:-

"We refer to your letter number SEC/Enforcement/2188/2014/663 dated 9th November, 2014 and would like to thank you for giving us an opportunity to provide our written explanation regarding the above subject.

- **Contravention of Rules 15 & 33 and Rule 24 for facts under Findings # 01-03 by both AMC and Trustee respectively**

We as Trustee have given permission to the Asset Management Company (AMC) to open Accounts with banks and non-banking financial institutions as and when required by the Asset Manager as per Trust Deed, however we must mention that investment decisions are solely of the Asset Management Company and it is clearly stated in the Trust Deed that **"The Trustee shall not participate in any decision making process for investments of the Fund".** We would like to mention at this point that we as Trustee did not scrutinize the investments made from the funds kept in banks by the Asset Management due to the above restriction as it goes beyond our jurisdiction to interfere in the investment decisions of the Asset Management Company. To make things clear further our rationale to not interfere with the investment decision of the Asset Management Company was that we as Trustee do not interfere with the investments made by the Asset Management Company in the Capital market where the Asset Management Company can choose and buy any stock at any price they want and we as Trustee do not have the right to object or interfere in the investment process. The Asset Management Company has sole discretion to choose any stock at any price they want and they are solely liable for the profit or loss generated. We do not question whether they are buying a "Z" category company or an "A" category company because it is solely their decision. Similarly, we as Trustee do not believe that the rules permit us to interfere where the Asset Management Company places their funds and at what rate. It may be further mentioned that it will also not be practical or feasible for the Trustee to participate in the investment decisions of the Asset Management Company. Furthermore, we must mention that we also truly believed that LR Global was minimizing the risks by placing funds in different banks because as per rule 40% of the Fund size does not have any defined area for investment and the Asset Manager has the option of choosing where they want to place the fund within the Rules. It must be mentioned that this 40% of the Fund amounts to be quite a large amount and we as Trustee also believed when we were explained that by placing funds in different banks the Asset Manager was spreading the risk which we felt was being done for the betterment of the Fund and the Unitholders of the Fund.

We would also like to state that BSEC has prescribed "Investment Parameters" in respect of investment in securities (60% of the Fund). However, for the remaining 40% of the Fund no Parameters have been prescribed by the Commission and not certainly for investment in Bank Accounts. Furthermore, no assessment is made as to why investing in one particular share/stock has performed poorly as compared to another. This is left to the judgment of the Asset Manager. Looking at the bigger picture, what is assessed is the performance of the Asset Manager to obtain the best possible return for the unit holders by various mix of investments.

We have discussed and will continue to discuss with the personnel from the Mutual Fund & SPV department of BSEC and the Asset Manager whether it will be advisable to limit or restrict the Asset Manager to operate only one operational bank account irrespective of the amount available taking into consideration the risk involved of placing the fund in one bank. It is mentionable here that we as Trustee will need full co-operation and support from the esteemed Commission to implement these changes which we have received till date and expect to receive the same in the future.

- **Contravention of Rule 24 for facts under Findings # 05 by BGIC, Trustee of the Fund**
In regards to charging of "Office & Administrative Expense" by LR Global Bangladesh Asset Management Company Ltd. we interpreted this expenditure as allowable under সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন ( মিউচুয়াল ফান্ড) বিধিমালা, ২০০১ attachment 2 of Sixth Schedule. Further we reviewed the Auditor's professional advice provided by the LR Global Bangladesh Asset Management Company Ltd and after reviewing both these documents we as Trustee were convinced that Office and Administrative Expenses could be charged by the Asset Management Company from the Fund. It is mentionable here that staff expense charged by another Asset Management Company consisted of basic salary, allowance, festival bonus and incentive bonus and after reviewing this we were fully convinced that LR Global would also be able to charge this expense and we were assured that there was no further requirement to communicate with the esteemed Commission directly since deduction of office and administrative expense from the Fund was already being practiced by another Asset Management Company.
It may be further mentioned that after discussions with the personnel from the Mutual Fund & SPV department of the esteemed Commission we have already instructed all the Asset Management Companies we work with not to charge for any "office and administrative expense" via our letter dated September 21, 2014 which is attached for your kind reference.

**Contravention of Rule 33 for facts under Findings # 11 by LR Global; BGIC and Standard Chartered Bank:**

We as Trustee would like to mention that we did not receive the Bi-Monthly report from LR Global Bangladesh Asset Management Company as per সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচুয়াল ফান্ড) বিধিমালা, ২০০১. However, it must be mentioned that after having discussions with the personnel from Mutual Fund & SPV department and the Asset Manager we are obtaining the Bi-Monthly reports. It is important to mention that we are keeping the Mutual Fund & SPV department fully informed of the steps we are taking to ensure compliance as per সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচুয়াল ফান্ড) বিধিমালা, ২০০১. A copy of the letter regarding our mandatory compliance requirement sent to all the Asset Managers are attached for your kind reference which we have reviewed with the personnel from the Mutual Fund & SPV Department before sending to the Asset Managers. It is also important to mention that we as Trustee will need full co-operation from the Asset Managers to provide us the same and in order for us to implement this reporting we need constant support and guidance from the Mutual Fund & SPV Department of the esteemed Commission.

**Contravention of Rule 41 for facts under Findings # 12 by LR Global; BGIC and Standard Chartered Bank:**

We would like to mention that obtaining and keeping the assets of Mutual Funds is solely the responsibility of the Custodian of the Fund. However, we must mention that this was not being practiced by the Custodian in the past. We have held discussions with the Mutual Fund & SPV department to find a method by which the Custodian is able to take over the assets as there have been certain concerns from the Asset Management Companies to hand over the assets. Furthermore, we would like to state that we have communicated with the Custodian several times and requested them to provide us and confirm the list of all assets under their custody for our review and it is mentionable also that we have not received satisfactory response from them till date. We are still awaiting to receive confirmation from the Custodian (Standard Chartered Bank) directly that they have taken control of all securities and assets of Funds managed by LR Global Bangladesh Asset Management Company Limited. Our correspondence with the Custodian is attached for your kind reference and the esteemed Commission was also kept informed about our request made to the Custodian via our letter dated November 6, 2014 and received by them on 9th November, 2014.

We are fully aware that we as Trustee are accountable for ensuring compliance of Rules by the Asset Management Companies and in this respect we would like to mention that we as Trustee of Mutual Funds have always tried and continue to try within our capabilities and limitations to ensure that the Asset Management Companies comply with all the rules and regulations of Bangladesh Securities Exchange Commission (BSEC) while managing the Funds. However, if the esteemed Commission for any reason feels there have been certain lapses from our end that we could have looked into and it was within our capability we sincerely regret that and would like to state that it was primarily due to our misunderstanding of certain rules.

At this point we must mention that we have taken several steps to ensure that compliance requirements of Bangladesh Securities and Exchange Commission (BSEC) is met by the Asset Management Companies and also by the Custodian and we are in regular communication with the personnel from Mutual Fund & SPV department and have made some new reporting formats (copies attached) to ensure more detailed reporting is provided by the Asset Manager and we have advised them to submit these to both BSEC and Trustee.

We are attaching several letters along with our prescribed reporting formats (copies attached) that have been sent to the Asset Manager for your kind information. These reporting formats were prepared by us in consultation with the personnel from Mutual Fund & SPV Department. Copies of the same letters and formats have already been submitted to the Commission.

It is also important to mention here that the Mutual Fund Industry in Bangladesh is relatively new and all parties concerned in the management and operational side is still gaining knowledge and for this reason there is still scope for improvement which we as Trustee are trying to do to within our maximum capability. We as Trustee are continuously trying to make improvements to ensure better transparency and detailed reporting by the Asset Managers in order to fulfill the compliance requirements of the esteemed commission. However, it must be also mentioned that to implement new changes we are continuously faced with a lot of challenges and obstacles which we try to overcome within our capacity in order to implement changes. For this reason, we as Trustee would also like to mention that we need continuous co-operation and support from the esteemed Commission in order for us to be able to implement changes for the betterment of the Mutual Fund Industry and Capital Market in Bangladesh.

It is also important to mention that the role of the Trustee in comparison with the Asset Management Companies is no less and in fact Trustee being the Guardian of the Fund automatically has more responsibility to the Unitholders of the Fund but it is noteworthy to mention that the fees we receive as Trustee in comparison to the fees the Asset Management Companies receives in a year is negligible. For example for a fund with Net Asset Value of TK. 1,000,000,000 (Take One Hunderd Crore) the Asset Management Company would calculate their fees based on different slabs ranging from 1% to a maximum of 2.50% of the Net Asset Value however the Trustee receives a fee of



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# বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন

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


merely 0.10% of the Net Asset Value annually. This means that the Asset Management Company would receive an Annual Management Fee of around TK. 14,000,000 (Taka One Crore And Forty Lac) only as against the Trustee would receive an annual fee of TK. 1,000,000 (Taka Ten Lac) only. We would also like to highlight this to the esteemed Commission that it is also very important for the Commission to review this fee structure which will also greatly contribute in better monitoring of the Asset Management Companies by any Trustee.

We truly believe that we as Trustee are trying within our capabilities to ensure that all compliance requirements are adhered to and report immediately to the esteemed Commission of any non-compliance.

We believe to ensure full compliance all the relevant parties involved with Mutual Funds will need to work together and that is what we are trying to implement with proper guidance and support from the Commission.

In view of our explanations given above and the stringent measures we have started taking to ensure compliance by Asset Managers according to সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচুয়াল ফান্ড) বিধিমালা, ২০০১, we humbly request the esteemed Commission to accept our submission on the assurance that we are trying with best of our abilities and limitations to take all effective measures to ensure that securities laws are fully complied with by the Asset Management Company and the Custodian and if the Commission for any reason feels there was any non-compliance on our part we respectfully request the esteemed Commission to give us an opportunity to rectify any remaining issues with the assistance from the Mutual Fund & SPV Department of the esteemed Commission and continue to serve and work as Trustee smoothly."

যেহেতু, বাংলাদেশ জেনারেল ইন্সুরেন্স কোম্পানি লিমিটেড তারিখ ১৬ নভেম্বর, ২০১৪ 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 বাংলাদেশ জেনারেল ইন্সুরেন্স কোম্পানি লিমিটেড এর উক্ত লংঘন ইচ্ছাকৃত;

যেহেতু, সিকিউরিটিজ সংক্রান্ত উল্লিখিত আইন ও উহার অধীন জারিকৃত বিধি-বিধান পরিপালনে বাংলাদেশ জেনারেল ইন্সুরেন্স কোম্পানি লিমিটেড এর উক্তরূপ ব্যর্থতা সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা ২০০১ এর বিধি ৮২ এবং বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন আইন, ১৯৯৩ এর ধারা ১৮ এর অধীন শাস্তিযোগ্য অপরাধ;

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

অতএব, সেহেতু, কমিশন, উল্লিখিত যাবতীয় বিষয় বিবেচনাপূর্বক, সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মিউচ্যুয়াল ফান্ড) বিধিমালা ২০০১ এর বিধি ৮২ এবং বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন আইন, ১৯৯৩ এর ধারা ১৮ এ প্রদত্ত ক্ষমতাবলে বাংলাদেশ জেনারেল ইন্সুরেন্স কোম্পানি লিমিটেড এর উপর ২৫ (পঁচিশ) 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।

বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশনের আদেশক্রমে,

মোঃ আঃ সালাম সিকদার
কমিশনার

বিতরনঃ
বাংলাদেশ জেনারেল ইন্সুরেন্স কোম্পানি লিমিটেড ।