SEC/Enforcement/2155/2014/739

December 31, 2014 **By Courier**

Managing Director/CEO

FAR Chemical Industries Limited

M.L. Tower (5th Floor), 1 East Rampura, D.I.T Road
Dhaka, 1219

Subject: Penalty Order: Non compliance of Securities laws in connection with false declaration in the IPO prospectus

Dear Sir,

Commission's penalty order No. SEC/Enforcement/2155/2014/738 dated December 31, 2014 is enclosed herewith for your kind information and necessary action.

For Bangladesh Securities and Exchange Commission

Mustari Jahan
Deputy Director (Enforcement)

Distribution:
Chief Executive Officer, Dhaka Stock Exchange Limited
Chief Executive Officer, Chittagong Stock Exchange Limited

Copy for information:
P.O to Commissioner (Enforcement), BSEC
P.O to Executive Director (CI), BSEC
P.O to Executive Director (MIS), BSEC
Chairman's office, BSEC

SEC/Enforcement/2155/2014/ **December , 2014**

Order

Whereas, as per section 2 (cc) of the Securities and Exchange Ordinance, 1969 (ORDINANCE No. XVII of 1969) "Commission" means Bangladesh Securities and Exchange Commission constituted under Securities and Exchange Commission Act 1993;

Whereas, as per section 2(g) of the Securities and Exchange Ordinance, 1969 (XVII of 1969), FAR Chemical Industries Limited is an "issuer" (here in after referred to as "issuer");

Whereas, on the basis of the observation report of the Commission as to false declaration regarding pending criminal proceeding in the IPO prospectus, a show cause-cum-hearing notice No. SEC/Enforcement/2155/2014/529 Dated: August 14 , 201 4 was issued to FAR Chemical Industries Limited to appear at the hearing accusing for violating Section 18 of the Securities and Exchange Ordinance, 1969 and Rule 19 of the Securities and Exchange Commission (Public Issue) Rules, 2006 by giving false statement regarding pending criminal proceeding against **Kim Jong Suk** and **Abid Mustafizur Rahman** in the IPO prospectus as per requirement of Rule 8(9)(b) of the Securities and Exchange Commission (Public Issue) Rules, 2006.;. Hearing has been conducted with the accused. In the show cause-cum-hearing notice following have been mentioned among others;-

Quote

Whereas, as per Rule-19 of Securities and Exchange Commission (Public Issue) Rules, 2006, "If any issuer or its representative violates any of the provisions of these Rules or furnishes false, incorrect, misleading information or suppresses any information, the Securities and Exchange Commission may take appropriate action under the Securities and Exchange Ordinance, 1969."

Whereas, as per Section 18 of the Securities and Exchange Ordinance, 1969, "No person shall, in any document, paper, accounts, information or explanation which he is, by or under this Ordinance, required to furnish, or in any application made under this Ordinance, make any statement or give any information which he knows or has reasonable cause to believe to be false or incorrect in any material particular";

Whereas, as per Rule 8(9)(b) of the Securities and Exchange Commission (Public Issue) Rules, 2006 the issuer requires to declare the matter regarding any conviction of director, officer in a criminal proceeding or any criminal proceeding pending against him in the IPO prospectus;

Whereas, Commission has observed that a case was filed in the Motijheel Police Station by the Commission relating to Right issue matter of R. N Spinning Mills Ltd against **Kim Jong Suk** (Director

of R N Spinning Mills Ltd) and **Abid Mustafizur Rahman** (Director of R N Spinning Mills Ltd) who are the Managing Director and Chairman of Far Chemical Industries Limited respectively. So, criminal proceeding is pending against **Kim Jong Suk** and **Abid Mustafizur Rahman**. But in the IPO prospectus they have declared the following;

"No director or officer of FAR Chemical Industries Ltd. was involved in any of the following types of legal proceedings in the last 10 (ten) years."

"b. Any conviction of director, officer in a criminal proceeding or any criminal proceeding pending against him"

Whereas, since criminal proceeding is pending against Kim Jong Suk and Abid Mustafizur Rahman the issuer's aforesaid declared statement is considered as false by the Commission.

Contravention:

FAR Chemical Industries Limited has violated Section 18 of the Securities and Exchange Ordinance, 1969 and Rule 19 of the Securities and Exchange Commission (Public Issue) Rules, 2006 by giving false statement regarding pending criminal proceeding against **Kim Jong Suk** and **Abid Mustafizur Rahman** in the IPO prospectus as per requirement of Rule 8(9)(b) of the Securities and Exchange Commission (Public Issue) Rules, 2006.;

Unquote

Whereas, Mr. ABM Golam Mostafa, ACMA (Company Secretary, FAR Chemical Industries Limited) has attended the hearing. He has submitted an explanation letter no. NIL dated August 24, 2014 to the Commission. In the letter they have stated the following among others;

<u>Quote</u>

...........we would like to inform you that pending legal proceedings of two directors of RN Spinning Mills Ltd were **inadvertently** missed to disclose in the prospectus of FAR Chemical Industries Ltd. We are apologized for this type of mistake.

Later on, it was traced out and published as an additional disclosure for investors in the same four daily news paper where prospectus was published; accordingly the matter informed to the commission and stock exchanges with news paper clippings.

Unquote

Whereas, no issuer can declare any false statement in the IPO prospectus. Because a lot of investors' investment decision depends on each and every declaration of the issuer and its management in the IPO prospectus.

Whereas, Commission has observed that a case was filed in the Motijheel Police Station by the Commission relating to Right issue matter of R. N Spinning Mills Ltd against **Kim Jong Suk** (Director of R N Spinning Mills Ltd) and **Abid Mustafizur Rahman** (Director of R N Spinning Mills Ltd) who are the Managing Director and Chairman of Far Chemical Industries Limited respectively. Till now there is a criminal proceeding pending against **Kim Jong Suk** and **Abid Mustafizur Rahman**. But in the IPO prospectus they have declared the following;

"No director or officer of FAR Chemical Industries Ltd. was involved in any of the following types of legal proceedings in the last 10 (ten) years."

"b. Any conviction of director, officer in a criminal proceeding or any criminal proceeding pending against him"

Where as, criminal proceeding is pending against Kim Jong Suk and Abid Mustafizur Rahman the issuer's aforesaid declared statement is considered as false by the Commission.

Where as, the Commission has not accepted their explanation regarding the contravention and Commission is of the opinion that FAR Chemical Industries Ltd. has violated Section 18 of the Securities and Exchange Ordinance, 1969 and Rule-19 of Securities and Exchange Commission (Public Issue) Rules, 2006 advertently.

Whereas, the issuer's aforesaid activities are tantamount to non-compliance of securities law that appears deliberate and clear contravention of Section 18 of the Securities and Exchange Ordinance, 1969 and Rule-19 of Securities and Exchange Commission (Public Issue) Rules, 2006 attracting penal provision of section 22 of the Securities and Exchange Ordinance, 1969.

Whereas, to protect the discipline and transparency of the capital market along with its development the Commission deems it appropriate and necessary to impose penalty upon FAR Chemical Industries Ltd. (issuer).

Now, therefore, Bangladesh Securities and Exchange Commission, in exercise of the power conferred by section 22 (amended by the Securities and Exchange (Amendment) Act, 2000) of the Securities and Exchange Ordinance, 1969 (XVII of 1969) hereby imposes penalty for Tk5.00. (Tk.Five) Lac upon FAR Chemical Industries Ltd. (issuer) which is to be deposited to the Commission in the form of Bank Draft/Payorder favouring 'Bangladesh Securities and Exchange Commission' within 15 days from the date of issuance of this order.

By order of the Bangladesh Securities and Exchange Commission

Professor Dr. M. Khairul Hossain
Chairman

Distribution

Managing Director/CEO

FAR Chemical Industries Limited
M.L. Tower (5th Floor)
1 East Rampura, D.I.T Road
Dhaka,1219