SEC/Enforcement/1196/2013/745 **By Courier**
December 31, 2014

Island Securities Limited
DSE's Membership No. 106
Faruk Chamber (6th floor)
1403, Sk.Mujib Road
Agrabad
Chittagong

Attention: Managing Director/CEO

Subject: Penalty Order: Non-compliance of Regulation 4(1) of Dhaka Stock Exchange (Short-Sale) Regulations, 2006

Dear Sir,

Commission's penal order No. SEC/Enforcement/1196/2013/ 744 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 Member (Enforcement), BSEC
P.O to Executive Director (Surveillance), BSEC
P.O to Executive Director (MIS), BSEC
Chairman's office, BSEC

SEC/Enforcement/1196/2013/ **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(i) of the Securities and Exchange Ordinance, 1969 (XVII of 1969), Island Securities Limited is a Trecholder of Dhaka Stock Exchange Limited;

Whereas, on the basis of the observation report of the Commission regarding short sale, a show cause-cum-hearing notice No. SEC/Enforcement/1196/2013/19 dated January 07, 2014 was issued to Island Securities Limited to appear at the hearing accusing for violating regulation 4(1) of the Dhaka Stock Exchange (Short-Sale) Regulations, 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 regulation 4 of the Dhaka Stock Exchange (Short Sale) Regulation, 2006, short sale of listed securities is prohibited.

Whereas, Enquiry Committee, BSEC has reported the following among others;

"

Client's BOID#	Client Code #	Date of Sale	Sold Qty.	Saleable Quantity	Short Sale Quantity
1201960021688755	-	07-03-2013	2200	0	2200

Contravention: Through the aforesaid activities, Island Securities Limited (DSE Member) violated Regulation 4(1) of the Dhaka Stock Exchange (Short-Sale) Regulations, 2006 ."

Unquote

Whereas, Mr. Md.Nurun Nabi (Senior Manager, Island Securities Limited) has attended the hearing. He has submitted an explanation reply letter No. ISL/DSE/2014/010 dated February 23, 2014. Among others they have stated that due to back office software problem they can not reconcile the shares and such incident has been occurred. They have explained that they have bought 2200 shares of BSCCL in the code of 21656 on 18/02/2013 and sold those shares on 07/03/2013.On 27/02/2013 due to back office software problem they have out 2200 shares of BSCCL from the account of client code no.21656.

Whereas, Commission has observed the following transaction of 2200 shares of BSCCL in the account of client code no.21656.

Buy date-**18/02/2013** (according to DP49)

Matured date-**24/02/2013**

Transfer (Debit) date-**27/02/2013** (according to DP49)

Sale date-**07/03/2013** (**according to the broker but not found in DP49**)

Whereas, Commission has observed that in the statement of account (DP49) of client code 21656, 2200 shares of BSCCL is credited on 24/02/2013 and debited on 27/02/2013.After 27/02/2013 the client code no.21656 had no shares of BSCCL in his holding. But the broker has stated that the shares sold on 07/03/2014. Their explanation does not support the status of DP49.Further to this, the broker has transferred the shares unethically and illegally from the account of client code no.21656 on 27/02/2013. From these observations it is proved that the broker has committed the violation advertently. Hence, the Commission has not accepted their explanation.

Whereas, the broker's aforesaid activities are tantamount to non-compliance of securities law that appears deliberate and clear contravention of regulation 4(1) of the Dhaka Stock Exchange (Short-

Sale) Regulations, 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 Island Securities Limited (broker).

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 Tk1.00. (Tk.One) Lac upon Island Securities Limited (broker) 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

Island Securities Limited
DSE's Membership No. 106
Faruk Chamber (6th floor)
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