SEC/Enforcement/922/2011/ **September , 2011**

Order

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

Whereas, the Securities and Exchange Commission issued Stock Broker Registration Certificate to Al Arafa Islami Bank Limited under aviv 10(1) of the wmwKDwiwUR I G·‡PÄ Kwgkb AvBb, 1993, read with wewa 5 (5) of the wmwKDwiwUR I G·‡PÄ Kwgkb (÷K-wWjvi, ÷K-‡evKvi I Ab‡gw`Z cwZwbwa) wewagvjv, 2000, to conduct securities trading related activities under certain terms & conditions stipulated in the said certificate;

Whereas, on the basis of the enquiry report of Securities and Exchange Commission, a show cause-cum-hearing notice No. SEC/Enforcement/922/2011/223 dated April 19, 2011 was issued to Al Arafa Islami Bank Limited to appear at the hearing. In the show cause-cum-hearing notice among others following were mentioned;-

"Whereas as per Order No. SEC/SRMID/94-231/1638 dated January 30, 2008 and further Order no. SEC/SRMID/94-231/1640 dated January 31, 2008, money adjustment facility will be applicable in respect of A, B, N and G category securities. Therefore, money adjustment facility will not be applicable in respect of Z category securities.

Whereas, an enquiry was conducted by Securities and Exchange Commission on unusual price hike of shares of ICB Islami Bank Limited.

Whereas, enquiry committee among others reported the following:

"Mr. Golam Kibria (client code # 555), a client of Al-Arafah Islami Bank Limited bought 10,000 numbers of shares of ICB Islamic Bank Limited on 19th May 2010. From the table below as drawn from the client's ledger statement, it is appeared that the client bought the said number of shares of the said bank by using netting/money adjustment facility.

Date	Buy/Sell	Debit	Credit	Balance	Sale proceeds matured on	Adjusted balance
16-05-10				-1,51,17,254.03		-1,51,17,254.03
17-05-10	Sale AB Bank		5,94,50,138.82	-1,51,17,254.03	20-05-10	4,42,32,884.79
17-05-10	Pay to client	3,01,50,000.00		-4,52,67,254.03		1,40,82,884.79
19-05-10	Buy ICBIBank	1,08,14,423.75		-5,60,81,677.78		32,36,017.77

Contraventions: Al-Arafah Islami Bank Limited violated Commission's Order No. SEC/SRMID/94-231/1638 dated January 30, 2008 and further Order no. SEC/SRMID/94-231/1640 dated January 31, 2008 by allowing netting/money adjustment facility to it's client to buy shares of ICB Islamic Bank Limited which is a Z category company."

SEC/Enforcement/922/2011/ September , 2011

Whereas, hearing was conducted on June 23, 2011. Mr.Rezaur Rahman (M.D. AIBL Capital Market Services Limited) and Mr. Muhammad Husain Ahmad Faruqi ,Md.Mufazzal Hossain attended the hearing on behalf of Al-Arafah Islami Bank Limited and they submitted a reply letter No. AIBL/HO/MDS/2011/27 dated May 05, 2011 received on June 23, 2011.In the letter among others they stated the following:

"One of our clients Mr. Golam kibria (Code # 555) bought 10,000 shares of ICB Islamic Bank Limited on 19th May 2010 value of which was Tk. 1,08,14,423.75. As per law, on T+1 i.e. on 20th May 2010 the payment of Tk. 1,08,14,423.75, among others, was made to DSE when (20th May 2010) the client had matured cash balance of Tk. 1,40,82,884.79. The payment against the purchase of 10,000 shares ICB Islamic Bank Limited was made out of the client's own matured fund. As per client ledger, the client had matured balance of Tk. 1,40,82,884.79 on 20-05.10. Out of this fund, payment to DSE was made on 20-05.10, i.e. on T+1 for the above purchase.

We also refer to your letter No. SEC/Surveillance/2003-0561/462, dated December 08, 2010 under which stock-brokers are not barred to buy client's share before en-casement of the client's cheque. In this case, the client did not purchase share on the same day of selling shares, but bought shares when he had matured fund on the day of payment. Therefore, he did not enjoy any margin or netting facility.

However, if there was any non-compliance of securities related laws in respect of the above stated trading that was beyond our knowledge/understanding and we regret for that.

We, therefore, hope and pray that you will consider our case and exempt us from the allegation of contravention of securities law, if any."

Whereas, they treated the fund on the way (immatured fund) as client's cheque against buy of shares of ICBIBL. Their explanation is unacceptable in this regard.

Whereas,Commission's Order No. SEC/SRMID/94-231/1638 dated January 30, 2008 and further Order no. SEC/SRMID/94-231/1640 dated January 31, 2008 was issued to discourage the trading of Z category securities. Where as, the said broker facilitate the client by allowing to purchase Z category securities against immatured fund.

Whereas, facility of buying against immatured fund is netting/money adjustment facility. They allowed netting/money adjustment facility to the said client to buy shares of ICB Islamic Bank Limited which is a Z category company.

Whereas, the aforesaid written statement of Al-Arafah Islami Bank Limited proves that the mentioned **allegation** of violating Commission's Order No. SEC/SRMID/94-231/1638 dated January 30, 2008, further Order no. SEC/SRMID/94-231/1640 dated January 31, 2008 (by allowing netting/money adjustment facility to it's client in purchasing shares of ICB Islamic Bank Limited which is a Z category company) against Al-Arafah Islami Bank Limited is **correct**.

SEC/Enforcement/922/2011/ **September , 2011**

Whereas, the aforesaid activities are tantamount to non-compliance of securities law, deliberate and clear contravention of the stated Order. The said violations attract penal provision of section 22 of the Securities and Exchange Ordinance, 1969.

Whereas, to protect the discipline and transparency of the capital market along with it's development the Commission deems it appropriate and necessary to impose penalty upon Al Arafa Islami Bank Limited for the stated violations.

Now, therefore, Securities and Exchange Commission, in exercise of the power conferred by section 22 (amended by the Securities and Exchange (Amendment) Act, 2000) of the Securities and Exchange Ordinance, 1969 (XVII of 1969) hereby imposes penalty for Tk.5 (Tk. Five) Lac upon Al Arafa Islami Bank Limited which is to be deposited to the Commission in the form of Bank Draft/Payorder favouring 'Securities and Exchange Commission' within 15 days from the date of issuance of this order.

By order of the Securities and Exchange Commission

Professor Dr. M. Khairul Hossain
Chairman

Distribution:

Al Arafa Islami Bank Limited
Peoples Insurance Bhaban (6th floor)
36, Dilkusha C/A
Dhaka-1000.