

SEC/Enforcement/829/2010/419
April 22, 2010

By Special Messenger
By Fax: 02-9554496

Arafat Securities Limited
DSE Membership No.094
59/3/3, Purana Paltan (3rd floor)
Dhaka-1000

Attention: Managing Director/CEO

Subject: Show cause cum notice for hearing: Non-compliance of securities related laws.

Whereas, as per section 2(i) of the Securities and Exchange Ordinance, 1969 (XVII of 1969), Arafat Securities Limited (DSE Member No.094) is a member of Dhaka Stock Exchange Limited;

Whereas, the Securities and Exchange Commission, at the request of Arafat Securities Limited issued a Stock Broker Registration Certificate to Arafat Securities Limited under aviv 10(1) of the wmwKDwiwUR I G-#PÅ Kwgb AvBb, 1993, read with wewa 5 (5) of the wmwKDwiwUR I G-#PÅ Kwgb (÷K wWjvi, ÷K-#e^avKvi I Aby#gvw`Z cÖwZwbwa) wewagvjv, 2000, to conduct securities trading related activities under certain terms & conditions stipulated in the said certificate;

Whereas, an inspection was conducted vide Commission's Order No.SEC/SRI/INS/DSE-MEM/157 dated January 21, 2010 under wewa 15 I 16 of wmwKDwiwUR I G-#PÅ Kwgb (÷K wWjvi, ÷K-#e^avKvi I Aby#gvw`Z cÖwZwbwa) wewagvjv, 2000 and cÖweavb 36 of wWcwRUwi (e^{en}vwik) cÖweavbgvjv, 2003 read with 6(1) of the Securities and Exchange Ordinance, 1969 to inspect books & records and documents of Arafat Securities Limited; The findings and contraventions of inspection report are as under:

- “ 1. So far we examined the records, it appeared that Arafat Securities Ltd. did not maintain customer account's information in Form IA properly. Because, in some cases, signature of authorized person and introducer's information was not found.

Contravention: Through the aforesaid activities, Arafat Securities Ltd. violated rule 8.(1)(ccc) of the Securities and Exchange Rules, 1987.

2. During inspection, we found that Arafat Securities Ltd. involved in the following short selling of shares as stated below:

(i) Mr. Md. Luthfor Rahman (Client Code # 00055, BO ID- 1202970004718304)

Instruments	Actual Sale Date	Actual Sale Quantity	Matured Quantity	Short Quantity
AB Bank	10/01/2010	500	3	497
AIMS1STMF	10/01/2010	20,000	-	20,000

(ii) Mr. Md. Anwarul Azim (Client Code # 01543, BO ID- 1202970005773711)

Instruments	Actual Sale Date	Actual Sale Quantity	Matured Quantity	Short Quantity
ULC	06/01/2010	700	-	700
Jamuna Oil	13/01/2010	4,500	2,000 (as purchased on 10.01.2010)	2,500

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(iii) Mohd. Anwarul Azim (Client Code # 00072, BO ID- 1202970004055312)

Instruments	Actual Sale Date	Actual Sale Quantity	Matured Quantity	Short Quantity
BEACHHATCH	08/12/2009	30,000	20,000*	10,000
BEACHHATCH	09/12/2009	7,500	-	7,500
BEACHHATCH	10/12/2009	8,000	-	8,000
BEACHHATCH	13/12/2009	3,500	-	3,500

* On 07.12.2009 the balance of BEACHHATCH of Mohd. Anwarul Azim was 10,000 and he bought 10,000 shares on 03.12.2009.

Contravention: Through the aforesaid activities, Arafat Securities Ltd. violated regulation 4 of the Dhaka Stock Exchange (Short Sale) Regulation, 2006.

3. During inspection, we found that Arafat Securities Ltd. involved in the following unauthorized transfer of shares:

(i) Mr. Md. Luthfor Rahman (Client Code # 00055, BO ID- 1202970004718304)

Instruments	Balance on BOISIN report on 07.12.2009	Balance on BOISIN report on 08.12.2009	Unauthorized transfer quantity	Evidence of sale
AB Bank	1,683	443	1,240	The transaction is not shown in the client ledger statement (trading/transaction statement) and no sale order is submitted in this respect by Arafat Securities

(ii) Mr. Md. Anwarul Azim (Client Code # 01543, BO ID- 1202970005773711)

Instruments	Balance on BOISIN report on 11.01.2010	Balance on BOISIN report on 12.01.2010	Unauthorized transfer quantity	Evidence of sale
Jamuna Oil	1,700	0	1,700	The transaction is not shown in the client ledger statement (trading/transaction statement) and no sale order is submitted in this respect by Arafat Securities

(iii) Mohd. Anwarul Azim (Client Code # 00072, BO ID- 1202970004055312)

Instruments	Balance on BOISIN report on 03.12.2009	Balance on BOISIN report on 06.12.2010	Unauthorized transfer quantity	Evidence of sale
Beach Hatchery	14,500	9,500	5,000	The transaction is not shown in the client ledger statement (trading/transaction statement) and no sale order is submitted in this respect by Arafat Securities

Contravention: Through the aforesaid activities, Arafat Securities Ltd. violated regulation 32(5) of wWcwRUwi (e'enwWiK) cÖweavbgvjv, 2003 and conditions 2 I 3 of óK wWjvi , óK te^vKvi I Aby†gvw`Z cÖwZwbwa†`i AvPiY of wewa wmwKDwiwUR I GK^†PÄ Kwgbk (óK wWjvi , óK te^vKvi I Aby†gvw`Z cÖwZwbwa) wewagvjv , 2000."

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Whereas, the aforesaid activities are tantamount to non-compliance of securities laws that appears deliberate and clear contravention of rule 8.(1)(ccc), 4.(1) of the Securities and Exchange Rules, 1987, regulation 4 of the Dhaka Stock Exchange (Short Sale) Regulation, 2006 and regulation 32(5) of wWcwRUwi (e`envwiK) cÖweavbgvjv, 2003 and conditions 2 I 3 of óK wWjvi , óK te`avKvi I Abyþgww`Z cÖwZwbwaþ`i AvPiY of wewa wmwKDwiwUR I GK`aþPÄ Kwgkb (óK wWjvi , óK te`avKvi I Abyþgww`Z cÖwZwbwa) wewagvjv , 2000 attracting penal provision of section 22 of the Securities and Exchange Ordinance, 1969;

Whereas, the Commission feels in this respect that an opportunity of being heard be given to the issuer and to you on the above matter before taking the further measures as per provision of section 18 of the Securities and Exchange Ordinance, 1969;

Now, therefore, you are requested to appear at hearing personally or through authorized persons **(written authorization need to be submitted during hearing)** on **May 12, 2010 at 10.00 A.M.** at Commission's Board Room, as provided under section 22 of the Securities and Exchange Ordinance, 1969 on the stated ground of contraventions, along with your written explanation, if any, showing cause as to why appropriate action should not be taken by the Commission against Arafat Securities Limited for the above stated contraventions, failing which the Commission will be constrained to take decision exparte in this respect.

For the Securities and Exchange Commission

Mir Mosharraf Hossain Chowdhury
Director

Copy for information:

Chief Executive Officer, Dhaka Stock Exchange Ltd.
Member (Enforcement), SEC
Executive Director, (Registration), SEC
Executive Director, (SRI), SEC
Director (R & D), SEC
Chairman's Office, SEC