বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন
Bangladesh Securities and Exchange Commission

Jiban Bima Tower, 10 Dilkusha C/A, Dhaka-1000, Bangladesh
Phone (PABX): 0088-02 9568101-2, 0088-02 9561525,Fax: 0088-02 9563721, 717660

SEC/Enforcement/972/2011/7 **Registered with AD**
January 22 , 2013

Associated Capital Securities Limited **Fax No. 031-713646**
CSE's Membership No. 121063
Quadri Chamber (4th floor)
37,Agrabad C/A
Chittagong
Attention: Managing Director/CEO

Subject: Penalty Order: Non-compliance of the SEC's Directive No. SEC/CMRRCD/2001-43/42 dated June 15, 2010 and SEC/CMRRCD/2009-193/63 dated September 06, 2010 in connection with trading in shares of Quasem Drycells Limited.

Dear Sir,

Commission's penalty order No. SEC/Enforcement/972/2011/6 dated January 22 , 2013 is enclosed herewith for your kind information and necessary action.

For Bangladesh Securities and Exchange Commission

Mustari Jahan
Deputy Director (Enforcement Dept.)

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

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

Order

Whereas, as per section 2(i) of the Securities and Exchange Ordinance, 1969 (XVII of 1969), Associated Capital Securities Limited is a member of Chittagong Stock Exchange Limited;

Whereas, Bangladesh Securities and Exchange Commission issued Stock Broker Registration Certificate to Associated Capital Securities 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-‡eªvKvi I Ab‡gvw`Z cÖwZwbwa) wewagvjv, 2000, to conduct securities trading related activities under certain terms & conditions stipulated in the said certificate;

Whereas, on the basis of the investigation report of Chittagong Stock Exchange Limited on unusual trading in shares of Quasem Dry cells Limited, a show cause-cum-hearing notice No. SEC/Enforcement/972/2011/ 26 dated January 10, 2012 was issued to Associated Capital Securities Limited to appear at the hearing. In the show cause-cum-hearing notice among others following were mentioned;-

"Whereas, as per the Commission's Directive No. SEC/CMRRCD/ 2001-43/42 dated June 15, 2010, equity securities with price-earning ratio of above 40 (forty) shall not be entertained as 'marginable securities' under clause (d) of sub-rule (12) of rule 3 of the Margin Rules, 1999 and the stock brokers shall not provide loan facilities to their clients to purchase the said securities.

Whereas, as per SEC's Directive No. SEC/CMRRCD/2009-193/63 dated September 06, 2010; non marginable securities shall not be allowed to buy against pre-matured sell proceeds of any marginable securities.

Whereas, an investigation has been conducted by CSE regarding unusual trading in shares of Quasem Dry cells Limited. According to the report due to having of Price Earning Ratio more than 40 (during the reported period), shares of Quasem Dry Cells Limited has been treated as non marginable.

Whereas, the Investigation Team among others reported the following:

Brokers Name			4.ASSOCIATED CAPITAL SECURITIES LTD.(121063)						
SL No	Client Code	Client Type	Buy Date	Buy Qty	Buy Rate	Buy Amount	Opening Ledger Balance of the day	Cash/Cheque Received	Closing Ledger Balance of the day
1	P65	Margin	26.09.10	3500	86.83	303,900	(464,270)	-	(928,721)
			28.09.10	2000	91	182,000	(747,110)	-	(468,457)
			29.09.10	1500	89.9	134,850	(468,457)	-	(4,84,565)
2	7474	Margin	27.09.10	1000	88	88,000	(1,360,517)	-	(1,863,925)
			28.09.10	1000	89.6	89,600	(1,863,925)	-	(2,041,564)
			29.09.10	500	89.8	44,900	(2,041,564)	-	(2,054,906)

Contravention: Associated Capital Securities Limited has violated SEC's Directive No. SEC/CMRRCD/2001-43/42 dated June 15, 2010 by providing margin loan or Commissions Directive no SEC/CMRRCD/2009-193/63 dated 6th September, 2010 by allowing netting or adjustment facility to their clients in respect of buying shares of Quasem Drycell (Non-marginable Securities)."

Whereas,hearing was conducted. Mr. Sanjoy Kumar Day (Director and CEO) attended the hearing on behalf of Associated Capital Securities Limited. They submitted an explanation letter No.NIL dated February 23, 2012.In the letter among others they stated the following:

……."01| Avcwb wbðqB AeMZ Av‡Qb †h, Avgv‡`i PÆMvg ÷K G·‡P‡Äi †UwWs mdUIq¨viwU c‡ivcwi ¯qswµq wQjbv weavq ‡kqvi µq-weµ‡qi †¶‡Î Avgv‡`i cavb Kvhvj‡qi cb wbqšb wQjbv| evRv‡ii DaŸgLx Ae¯vq gj¨-Avq Abcv‡Zi `"Z cwieZ‡bi Kvi‡Y D‡jwLZ welqwU Avgv‡`i bwmivev` evÂ Gi Kgcv‡qÝ Awdmv‡ii bR‡i bv Avmvq Dc‡iv³ ¯í msL¨K †kqv‡ii †jb‡`b ¸‡jv m¤úb nq| G Kvi‡b Avgiv `:wLZ Ges ¶gv cv_x|

GLv‡b Av‡iv D‡jL¨ †h, G e¨cv‡i bwmivev` kvLv Gi Kgcv‡qÝ Awdmvi Rbve dvi"K †nvmvBb †K Avgiv Kvib `kv‡bvi †bwUk w`‡qwQ I AwaKZi mZKZvi wb‡`k w`‡qwQ| GgZve¯vq Dc†iwjwLZ welqwU m`q we‡ePbv ceK Avgv‡`i cwZ AvbxZ Awf‡hvM nB‡Z Ae¨vnwZ †`qvi Rb¨ mwebq Ab‡iva Rvbvw"Q|

Avgiv Avi I Rvbv‡Z PvB †h, eZgv‡b bZb †UwWs mdUIq¨vi- G †kqv‡ii ZwjKv n‡Z bb-gwRb †kqvi¸‡jv m¤úbi‡c ev` †`qv n‡"Q Ges ïagvÎ Mvn‡Ki bM` A_ c`v‡bi weci‡Z GKgvÎ cavb Kvhvjq n‡ZB bb-gwRb †kqvi µ‡qi m‡hvM c`vb Kiv n‡"Q|

02| Avcbvi AeMwZi Rb¨ Rvbvw"Q †h Avgiv weMZ 2005 mvj nB‡Z wmwKDwiwUR GÛ G·‡PÄ Kwgkb I PÆMvg ÷K G·‡P‡Äi hveZxq AvBb Abmib K‡i mbv‡gi mv‡_ e¨emv cwiPvjbv K†i AvmwQ|."

Whereas, from the enquiry report and the written confession of the broker it is proved that the allegation of violating SEC's Directive No. SEC/CMRRCD/2001-43/42 dated June 15, 2010 and Directive no SEC/CMRRCD/2009-193/63 dated 6th September, 2010 against Associated Capital Securities Limited is correct. Since the same violation has been committed on the several dates so it is considered as deliberate.Their explanation is not acceptable to the Commission.

Whereas, the aforesaid activities are tantamount to non-compliance of securities law, deliberate and clear contravention of the above mentioned Directives issued under the Securities and Exchange Ordinance, 1969 (XVII of 1969) . 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 Associated Capital Securities Limited for the stated violations.

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 Tk.2.00 (Tk.Two) Lac upon Associated Capital Securities Limited 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:
Associated Capital Securities Limited, CSE's Membership No. 121063
Quadri Chamber (4th floor), 37, Agrabad C/A,Chittagong