SEC/Enforcement/925/2011/556 By Special Messenger
September 06, 2011

Azam Securities Ltd.
DSE's Membership No.19
Room No.726&727
DSE Annex Building
9/E,Motijheel C/A
Dhaka-1000.
Attention: Managing Director/CEO

Subject: Penal Order: Non-compliance of 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, clause (d) of sub-rule (12) of rule 3 of the Margin Rules, 1999 as per Directive No. SEC/CMRRCD/2001-43/169 dated October 01, 2009, Directive No. SEC/CMRRCD/2001-43/31 dated March 23, 2010 in connection with unusual trading in shares of Safko Spinning Mills Limited

Dear Sir,

Commission's penal order No. SEC/Enforcement/925/2011/555 dated September 06, 2011 is enclosed herewith for your kind information and necessary action.

For 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), 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), Azam Securities Limited is a member of Dhaka Stock Exchange Limited;

Whereas, the Securities and Exchange Commission issued Stock Broker Registration Certificate to Azam Securities Limited under awi 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 investigation report of Dhaka Stock Exchange Limited, a show cause-cum-hearing notice No. SEC/Enforcement/925/2011/218 dated April 19, 2011 was issued to Azam Securities Ltd. to appear at the hearing on the May 04, 2011. 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, as per Clause 1 of the Commission's Directive No. SEC/CMRRCD/ 2001-43/169 dated October 01, 2009, issuer companies under Z category shall not be entertained as 'marginable securities' under clause (d) of sub-rule (12) of rule 3 of the Margin Rules, 1999.

Whereas, as per SEC's Directive No. SEC/CMRRCD/2001-43/31 dated March 23, 2010 ,the stock brokers shall not provide margin facilities to any member of the Board of Directors of its own company, officer and staff employed in the company management, their parent, spouse, son, daughter, sister, brother, son-in-law, daughter-in-law and other relatives.

Whereas, investigation team reported that "Ms. Shakira Parvin, client code # 0800, Mustaque Ahmed Chowdhury, client code # 0036, Mehrab Ali & Ruksana Yeasmin, client code # MN344 of Azam Securities Ltd. (DSE Member # 19) bought SAFKOSPINN shares by using credit facilities as shown below:

Client code	Client Name	Date	Buy Quantity	Buy rate	Ledger Balance at the end of day
0800	Shakira Parvin	21.09.10	800	338.5	-163279.58
0036	Mustaque Ahmed Chowdhury	30.09.10	1000	286	-1559233.38
MN344	Mehrab Ali & Ruksana Yeasmin	19.08.10	1500	128.6	-148514.50

Contravention: Azam Securities Limited (DSE member # 19) has violated clause (d) of sub-rule (12) of rule 3 of the Margin Rules, 1999 as per SEC's Directive No. SEC/CMRRCD/2001-43/169 dated October 01, 2009 by providing margin loan facilities in purchasing shares of Safko Spinning Mills Limited which is a Z category company.

Whereas, investigation team reported that "Few other clients of Azam Securities Ltd. named Mr. Ruhul Amin (client code 0550) and Mr. Md. Lutfar Rahman Chowdhury (client code# 2889), bought "SAFKOSPINN" (which is a "Z" category scrip) by using money adjustment facilities as shown below:

Client Code	Buy Date	Instrument	Buy Quantity	Buy Rate	Ledger Balance of previous day	Cash/ Cheque received	Amount used to buy SAFKOSPINN	Ledger Balance at the end of the day
0550	07.11.10	SAFKOSPINN	1400	508.03	140947.41	-	711237.50	64643.71
2889	04.10.10	SAFKOSPINN	300	251.08	70515.88	-	75325.00	78710.06

Contravention: Azam Securities Limited has 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 in purchasing shares of Safko Spinning Mills Limited which is a Z category company.

Whereas, investigation team further reported that, "Mr. Mustaque Ahmed Chowdhury, client code # 0036 is one of the directors of Azam Securities Ltd. who have availed margin facilities from Azam Securities Ltd. (DSE Member # 19)."

Contravention: Azam Securities Limited has violated SEC's Directive No. SEC/CMRRCD/2001-43/31 dated March 23, 2010 by providing margin facilities to it's director."

Hearing was rescheduled and conducted on June 20, 2011. Mr. Md.Rezaul Kibria (C.E.O) attended the hearing on behalf of Azam Securities Limited and submitted a reply letter no. ASL/DSE-019/06/2011/SEC-Safko Spin dated June 20, 2011.In the letter they confessed the allegation, begged apology and promised to no commit such violation in future. Among others they stated that "We understand that the above happenings violation of SEC rules and regulations regarding the share trading of "Z" category share. This is nothing but purely a mistake occurred by our Authorized Representatives. And we also assure that, we will be more careful in future against trading of specially "Z" category share. We have already taken official action against those Authorized Representatives and believe that no such occurrence will happen in future.

Therefore, we request for your kind consideration to look after the matter as a mistake. We also request for an **unconditional apology** in this regard."

Whereas, the above mentioned written statement proves that the mentioned allegation against Azam Securities Limited is correct. 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 Rule, Order and Directive . 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 Azam Securities 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 Azam Securities 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

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Dhaka-1000.