SEC/Enforcement/922/2011/ September , 2011

Order

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

Whereas, the Securities and Exchange Commission issued Stock Broker Registration Certificate to Dhaka 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‡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 enquiry report of Securities and Exchange Commission, a show cause-cum-hearing notice No. SEC/Enforcement/922/2011/226 dated April 19, 2011 was issued to Dhaka Bank Ltd. 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 trading in shares of ICB Islami Bank Limited.

Whereas, enquiry committee among others reported the following:

“From client transaction summary report of Dhaka Bank Ltd. It was found that among others Mr. Mosharaf Hossain & Dr. Shelly Jasmin (client code 583) bought 5,000 shares on 24-05-10 of ICB Islamic Bank Ltd without having adequate fund in his account and maintaining margin agreement with Dhaka Bank Ltd. Mentionable that the said client deposited amount of cheques Tk.40,60,000 on 26th May 2010. Ledger balance of the said clients' are stated below:

Date	Buy	Rate	Sale	Rate	Stock Ledger balance	Money ledger balance
						1654.34 (OB)
24-05-10	5,000	1271.60			5,000	- 40,56,357.58

Mr. Md. Azadur Rahman (client code 1205) bought 500 shares of ICB Islamic Bank Ltd on 13-05-10 using netting/money adjustment facility by selling others shares.

It also appeared from the collected documents that Dhaka Bank Ltd. allowed to buy shares of ICB Islamic Bank Ltd using netting/money adjustment facility by selling others shares in favor of Mr. Shafinaz Ahmed (client code 4825) for 1500 shares on 25th May 2010, Mr. Kazi Delwar Hossain (client code 4472) for 200 shares on 24th May 2010 and the said Bank has given loan facilities to buy shares of ICB Islamic Bank Ltd among others in favor of Al Haj Ruhul Amin (client code 2724) for 500 shares on 1502-10.”

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Contravention: Dhaka Bank 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 to buy shares of ICB Islamic Bank Limited which is a Z category company."

Whereas, hearing was conducted on June 23, 2011. Mr.Tanweer Rahim (Deputy Managing Director) and Mr. Md.Kamrul Aziz (SAVP) attended the hearing on behalf of Dhaka Bank Limited. They submitted a reply letter No. DBL/HO/DMD/2011/492 dated June 22, 2011 . In the letter among others they stated that "Kindly be informed that we offer our apologies for the said matter and would take this opportunity to relate the circumstances leading to the lapse which we assure you was unintentional and happened because of our limitation of the software at that time.

The client Mr. Mosharaf Hossain & Dr. Shelly Jasmin (Client Cod#583) had bought 5,000 shares of ICB Islamic Bank by depositing two Cheques. The cheque drawn on Dhaka Bank amounting to Tk. 23.00 (Twenty three) lac was debited from their account on the transaction date against the purchase order but the clearing cheque drawn on other bank amounting to Tk. 40.60 (Forty lac & sixty thousand) lac was encashed and adjusted with their trading account on may 26, 2010 (which received on May 24, 2010).

Mrs. Shafinaz Ahmed (Client Code # 4825), Mr. Azadur Rahman (Client Code # 1205), Mr. Kazi Delwar Hossain (Client Code # 4472) and Mr. Al Haj Ruhul Amin (Client Code # 2724) bought ICB Islamic Bank shares without having sufficient fund in their account. As per 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, money adjustment facility will be applicable in respect of A, B, N and G category securities. The nature of incident was due to oversight and pressure of heavy transactional flow, which was very unintentional and limitation posed by our previous software. It is worth mentioning here that disciplinary action has been taken against the concerned employee who committed this inadvertent lapse. However, out of the total trade volume of Tk. 9,471,960.00, an amount of Tk. 6,360,000.00 had been adjusted through encashment of clearing cheque.

Meanwhile we have migrated our previous Back-office software with new robust back-office software BLUECHIP provided by LEADS Corporation to safeguard and ensure such type of compliance. We also put more emphasize on sharing knowledge and educating the traders to make our transaction more responsive to Regulatory compliance.

In this regard, we once again seek your consideration of this oversight and request you to reconsider our case leniently. We assure you that we should be very careful in this matter and it will not happen in the future. We are continuously working to ensure compliant culture in the organization."

Whereas, the allegation was correct in respect of the client code No. 4825, 1205, 4472, 2724. They confessed the allegation in respect of the client code No. 4825, 1205, 4472, 2724.The above mentioned written statement 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 Dhaka Bank Ltd. (Stock Broker) is correct and 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 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 Dhaka 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 Dhaka 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:

Dhaka Bank Limited
DSE Membership No.193
100,Motijheel C/A
Dhaka-1000.