SEC/Enforcement/872/2011/ August , 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 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/872/2011/108 dated February 24, 2011 was issued to Dhaka Bank Limited to appear at the hearing on the March 13,2011. In the show cause-cum-hearing notice among others following were mentioned;-

"Whereas, as per স্টক †evKvi wbeÜb mb` bs- wbeÜb-3.1/wWGmB-193/2008/293, ZwiLt 04/08/2008 Bs I স্টক †evKvi wbeÜb mb` bs- wbeÜb-3.2/ wmGmB-081/2010/, ZwiLt 09/06/2010 Bs (issued to Dhaka Bank Limited) Gi শর্ত নং- ২ "mb` cvcK Securities and Exchange Ordinance, 1969 (XVII of 1969), wmwKDwiwUR I G·‡PÄ Kwgkb AvBb, 1993 (1993 m‡bi 15 bs AvBb), Ges wmwKDwiwUR I G·‡PÄ Kwgkb (÷K-wWjvi, ÷K-†evKvi I Ab‡gvw`Z cwZwbwa) wewagvjv, 2000 Gi Aaxb Kwgkb KZK mgq mgq c`Ë ev RvixKZ Av‡`k ev wb‡`k Ges GB mb‡`i mKj kZ gvwbqv Pwj‡Z eva¨ _wK‡eb|"

Whereas, as per AvPiY wewa ১, ২ ও ৭ of দ্বিতীয় তফসিল of wmwKDwiwUR I G·‡PÄ Kwgkb (óK wWjvi, óK †evKvi I Ab‡gvw`Z cwZwbwa) wewagvjv, 2000;

"c‡Z¨K ÷K wWjvi, ÷K ‡evKvi I Ab‡gvw`Z cwZwbwa‡K Zvnvi e¨emv I GZ`msµvš Kvhvw` cwiPvjbvi †¶‡Î mbvg, `¶Zv, wek¯Zv I mZZv eRvq iwL‡Z nB‡e|"

"c‡Z¨K ÷K wWjvi, ÷K ‡evKvi I Ab‡gvw`Z cwZwbwa Zvnvi g‡°‡ji mwnZ Kvq-Kvi‡ev‡ii mgq wek¯Zvi mwnZ Zvnv‡`i digv‡qm †gvZv‡eK g‡°‡ji Rb¨ m‡evËg evRvi `‡i wmwKDwiwU µq ev weµq Kwi‡eb|"

" †Kvb ÷K wWjvi, ÷K ‡evKvi ev Ab‡gvw`Z cwZwbwa GKKfv‡e A_ev Ab¨vb¨‡`i mwnZ mw¤§wjZfv‡e ‡Kvb KwÎg evRvi mwó Kwi‡Z cwi‡eb bv hvnv mvaviY wewb‡qvMKvix‡`i Rb¨ ¶wZKi nB‡e A_ev evRv‡ii mô I Aeva KvhKwiZv evavM¯ Kwi‡e|"

Whereas, an enquiry was conducted by Securities and Exchange Commission. Enquiry committee reported the following:

"On January 20, 2011, Dhaka Bank Limited sold a number of shares on behalf of their clients aggressively not following the available buy order of those securities.As per the Trade execution documents provided by DSE, the inquiry officers found that the aforesaid stock-broker submitted

sale order of different securities at a lower rate than the actual trade execution rate (available buy rate at that time). The detail transaction of the aforesaid stock-broker is delineated below**:**

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TRADING REPORT ON JANUARY 20, 2011.

SL NO.	INSTRUMENT CODE	EVENT	BUY/SALE	PRICE	QUANTITY	CUSTOMER CODE	TIME
1	**Prime Bank**	**Submitted**	**S**	**61.00**	**7000**	**912**	**13:02:50:721**
	Prime Bank	PartExec		62.10	750	912	13:02:50:726
	Prime Bank	PartExec		62.00	1000	912	13:02:50:741
	Prime Bank	Part Exec		62.00	1000	912	13:02:50:747
	Prime Bank	Full Exec		61.20	4250	912	13:02:50:755
2	**Golden son**	**Submitted**	**S**	**66.00**	**5000**	**4546**	**13:01:44:152**
	Goldenson	PartExec		67.00	500	4546	13:01:44:162
	Goldenson	PartExec		67.00	2000	4546	13:01:44:171
	Goldenson	PartExec		67.00	2000	4546	13:01:44:178
	Goldenson	FullExec		67.00	500	4546	13:01:44:200
	Golden Son	Submitted	S	66.20	8000	4950	13:03:16:803
	Goldenson	Modified	S	65.00	8000	4950	13:03:22:442
	Golden son	Part Exec		66.00	1500	4950	13:03:22:453
	Goldenson	Part Exec		65.20	2500	4950	13:03:22:458
3	**Navana CNG**	**Submitted**	**S**	**147.80**	**200**	**117**	**13:01:04:372**
	Navana CNG	FullExec		150.00	200	117	13:01:04:378
4	**Bay Leasing**	**Submitted**	**S**	**2255.00**	**1500**	**663**	**13:04:14:671**
	Bay Leasing	PartExec		2270.00	150	663	13:04:14:676
	Bay Leasing	PartExec		2270.00	100	663	13:04:14:683
5	**UCBL**	**Submitted**	**S**	**175.10**	**500**	**3860**	**13:01:31:538**
	UCBL	Full Exec.		175.20	500	3860	13:01:31:543
	UCBL	**Submitted**	**S**	**175.20**	**250**	**3860**	**13:02:00:912**
	UCBL	Full Exec.		175.40	250	3860	13:02:00:917

Contravention: Through the aforesaid activities Dhaka Bank Limited (DSE Membership No. 193) has violated শর্ত নং- ২ of কমিশন কর্তৃক ইস্যুকৃত স্টক †evKvi wbeÜb mb` bs- wbeÜb-3.1/wWGmB-193/2008/293, ZvwiL 04/08/2008 Bs I স্টক †evKvi wbeÜb mb` bs- wbeÜb-3.2/ wmGmB-081/2010/, ZvwiL 09/06/2010 Bs **and** AvPibwewa ১, ২ ও ৭ of দ্বিতীয় তফসিল of wmwKDwiwUR I G·‡PÄ Kwgkb (óK wWjvi, óK †evKvi I Ab‡gvw`Z cÖwZwbwa) wewagvjv, 2000 |"""

Whereas, hearing was conducted as per schedule. Mr.Tanweer Rahim (Deputy Managing Director) and Mr.Md.Kamrul Aziz (FAVP) attended the hearing on behalf of Dhaka Bank Limited and submitted a reply letter No. DBL/HO/CMS/2011/ dated March 13, 2011. In the letter among others they stated the following:

"1. That on 20.01.2011 market was closed till 1.00 pm instead of regular starting time 11.00 pm. there was a selling pressure.

2.Clause 2(1) of the code of conduct, promulgated under rule 11 of the securities and exchange commission (stock dealer, stock broker and authorised representative) rules, 2000 ('the rules'), require us to buy or sell the securities on behalf of our clients in accordance with their instructions at the best market price. The duties imposed upon us by the said clause are that we have to act in accordance with the instructions of our client and at the same time we need to ensure that our clients are getting the best market price in buying or selling their securities. Where there was no confusion or question in acting in accordance with the instruction of the clients, there was a question as to what was the 'best market price' in a panic-stricken market.

3. We would like to explain one of the trade scenarios as stated in the Notice.

SL No.	Instrument Code	Event	Buy/Sale	Price	Quantity	Customer Code	Time
1	**Prime Bank**	**Submitted**	**S**	**61.00**	**7000**	**912**	**13:02:50:721**
	Prime Bank	Part Exec		62.10	750	912	13:02:50:726
	Prime Bank	Part Exec		62.00	1000	912	13:02:50:741
	Prime Bank	Part Exec		62.00	1000	912	13:02:50:747
	Prime Bank	Full Exec		61.20	4250	912	13:02:50:755

If the flow chart is considered from an ideal viewpoint, then it can be said that the sale order was submitted at a lower rate than the actual trade execution rate (available buy rate at that time). But if the prevailing market condition of that time is considered perhaps it may be said that the available buy rate was not a matter for the seller to be considered. The seller was ready to loose Tk.1.00 or Tk.2.00 per share because he was desperate to mitigate his loss as much as possible. We sincerely believe that you would appreciate the difficulty we faced in placing the order.

4. From the above flow chart it is also apparent that the trade was executed at market touchline price irrespective of the fact that the securities were offered at a lower rate. In other words the trade was executed at the actual trade execution rate (available buy rate at that time).

5. That since the trade was executed at touch line prices it can be assumed that the buyer and the seller were not aware about their respective offers of each other. The buyer would not have bought the securities at a higher rate had he known about the seller's rate. Likewise the seller would not have sold the securities at a lower rate had he known about the buyer's rate.

6. That the impact of the system lag, as explained in paragraph 5 and 6 above, is severe in that both the buyer and the seller get affected monetarily i.e. buyer paying more money and seller gets less that he anticipated. Moreover it can be argued from the regulator's viewpoint that either the buyer or the seller is involved in ***Market Manipulation*** in that the seller is selling at a lower rate or that the buyer is buying at a higher rate.

7. Now we would like to draw your kind attention to the volume of trade concluded through us on 20.01.2011, as stated in the Notice. Aggregate selling price of the securities traded under allegation on 20.01.2011 is Tk. 15,29,625.00 (Taka fifteen lac twenty nine thousand six hundred twenty five) only. The volume is very normal if the same is compared with the daily business volume. Also note that the number of trade executed in the market on 20.01.2011 was 10,433 and the volume was Tk. 68,08,42,397.00 (Taka sixty eight crore eight lac forty two thousand three hundred ninety seven) only out of which only 15 trades Tk. 15,29,625.00 (Taka fifteen lac twenty nine thousand six hundred twenty five) only were executed though us which was marked as aggressive sell and noticed. This participation with an insignificant volume substantiates that we were not aggressive in selling the securities.

8. For the reasons mentioned above we strongly refute the allegation of breaching Clause 7 of the Code of Conduct by creating an artificial market solely or in connivance with others. In accordance with Clause 1 of the Code of Conduct, we have been conducting our business as a stock broker/dealer by providing services to our clients with reputation, efficiency, trustworthiness and honesty. No question whatsoever has so far arisen with regard to our aforesaid attributes.

In the premises stated above we would like to leave ourselves at your kind disposal. We can only say that the execution of the trade on 20.01.2011, as alleged in the Notice, was neither deliberate nor aggressive. Despite our above explanation if our step is considered/held wrong then our humble prayer to you to consider the same as a step with marginal error in a panic stricken market. We would also like to bring to your kind notice that sufficient measure of penalty sanction has already been imposed upon us.

Our Acting CEO, Mr. Md. Kamrul Aziz Nippon was kept under suspension for a period of 1 (one) month with effect from 20.01.2011. The stockbroker and stock dealer licenses of the Bank of both bourse were also kept under suspension for a period of 15 (fifteen) days starting from 23.01.2011 to 07.03.2011.

We, therefore, fervently request you to exonerate us from the allegations. Your prudent guidance shall enable us to provide service in the sector more efficiently."

Whereas, Dhaka Bank Limited has submitted sale order of different securities at a lower rate than the actual trade execution rate (available buy rate at that time), therefore the mentioned allegation of violating violated শর্ত নং- ২ of কমিশন কর্তৃক ইস্যুকৃত স্টক †evKvi wbeÜb mb` bs- wbeÜb-3.1/wWGmB-193/2008/293, ZwiLt 04/08/2008 Bs I স্টক †evKvi wbeÜb mb` bs- wbeÜb-3.2/ wmGmB-081/2010/, ZwiLt 09/06/2010 Bs **and** AvPibwewa ১, ২ ও ৭ of দ্বিতীয় তফসিল of wmwKDwiwUR I G·‡PÄ Kwgkb (óK wWjvi, óK †evKvi I Ab‡gwì`Z cwZwbwa) wewagvjv, 2000 against Dhaka Bank Limited is proved as correct. Their written 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 stated শর্ত and AvPiY wewa. The said violations attract penal provision of aviv 18 of wmwKDwiwUR I G·‡PÄ Kwgkb AvBb, 1993.

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.

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Now, therefore, Securities and Exchange Commission, in exercise of the power conferred by aviv 18 of wmwKDwiwUR I G·‡PÄ Kwgkb AvBb, 1993 hereby imposes penalty for Tk.20 (Tk. Twenty) 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 30 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.