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/974/2011/157 **February 27 , 2013**

Fidelity Assets and Securities Company Limited
Suvastu Imam Square (4th Floor)
65, Gulshan Avenue
Gulshan, Dhaka-1212

Attention: Managing Director/CEO

Subject: Penalty Order: Non-compliance of Commission's Directive No. SEC/CMRRCD/ 2001-43/43 dated June 15, 2010 in connection with unusual trading in shares of Paramount Insurance Company Limited.

Dear Sir,

Commission's penalty order No. SEC/Enforcement/974/2011/156 dated February 27, 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
Chairman's office, SEC

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Order

Whereas, the Securities and Exchange Commission issued Merchant Banker Registration Certificate to Fidelity Assets and Securities Company Limited under wmwKDwiwUR I G·‡PÄ Kwgkb AvBb, 1993 (1993 m‡bi 15 bs AvBb), read with wewa 7 of wmwKDwiwUR I G·‡PÄ Kwgkb (gv‡P©U e¨vsKvi I †cvU©‡dvwjI g¨v‡bRvi) wewagvjv, 1996 to conduct functions of issue manager/underwriter/portfolio manager 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 Paramount Insurance Company Limited, a show cause-cum-hearing notice No. SEC/Enforcement/974/2011/31 dated January 10, 2012 was issued to Fidelity Assets and Securities Company Limited to appear at the hearing. In the show cause-cum-hearing notice among others following were mentioned;-

"Whereas, Chittagong Stock Exchange Limited has conducted an investigation on unusual trading in shares of Paramount Insurance Company Limited.

Whereas, as per Clause 1 of the Commission's Directive No. SEC/CMRRCD/ 2001-43/43 dated June 15, 2010, the Merchant Banker shall not provide margin loan or credit facilities to their clients to purchase the equity with price earning ratio of above 40(forty).

Whereas, on the reported transaction date, P/E ratio of Paramount Insurance Company Limited was above 40. Asper Directive No. SEC/CMRRCD/2001-43/43 dated June 15, 2010, shares of Paramount Insurance Company Limited cannot be traded as marginable shares. However, the following client has been allowed to buy Paramount Insurance Company Limited's shares by using margin loan facilities:

Date wise trading pattern and ledger balance of the client are stated below:

Broker's Name: Be Rich Ltd. (121027)

SL No	Client Code	Client Type	Buy Date	Buy qty	Avg. Buy Rate	Amount (Tk.)	Opening Ledger Balance of the day	Closing Ledger Balance of the day
1	Z158		5-Oct-10	800	495.81	396,650.00	(1,362,493)	(1,628,144)
			24-Oct-10	200	568.00	113,600.00	(1,324,337)	(1,562,716)
			2-Nov-10	500	558.95	279,475.00	(1,233,187)	(1,580,691)

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Contraventions: Fidelity Assets and Securities Company Limited has violated Commission's Directive No. SEC/CMRRCD/2001-43/43 dated June 15, 2010 by providing margin loan to it's clients to purchase shares of Paramount Insurance Company Limited."

Whereas, hearing has been conducted.Mr. Md.Shahidul Alam (COO),Mr.Md.Moniruzzaman Akan (SAVP),Noorjahan Moni (HR & Admin Officer) has attended the hearing on behalf of the broker. They submitted an explanation letter no. FCML/SEC/Compliance/2012/37 dated February 19, 2012 to the Commission. They have confessed the allegation, begged apology promised to be more careful in future. Further to this they have said that the violation have been committed inadvertently."

Whereas, from the the enquiry report and the written explanation of the Merchant Bank it is proved that the allegation of violating Directive No. SEC/CMRRCD/ 2001-43/43 dated June 15, 2010 against Fidelity Assets and Securities Company Limited **(Merchant Bank)** is correct. Since margin loan has been provided on several dates so the violation can not be committed inadvertently. It is definitely intentional. Their explanation is not acceptable to the Commission.

Whereas, the aforesaid activities are tantamount to non-compliance of securities law, appeared to be deliberate and clear contravention of the above mentioned Directive. Therefore the said non compliance attracts 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 Fidelity Assets and Securities Company 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.1.00 (Tk.One) Lac upon Fidelity Assets and Securities Company 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:

Fidelity Assets and Securities Company Limited
Suvastu Imam Square (4th Floor)
65, Gulshan Avenue
Gulshan, Dhaka-1212