SEC/Enforcement/925/2011/   September   , 2011

Order

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

Whereas, the Securities and Exchange Commission issued Stock Broker Registration Certificate to Hedayetullah 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-‡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 investigation report of Dhaka Stock Exchange Limited, a show cause-cum-hearing notice No. SEC/Enforcement/925/2011/219 dated April 19, 2011 was issued to Hedayetullah Securities Limited 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, investigation team reported that "Few clients of Hedayetullah Securities Ltd. (DSE Member # 140) bought SAFKOSPINN shares without having sufficient balance in their account as shown below:

Client code	Client Name	Date	Buy Quantity	Buy Rate	Ledger Balance at the end of day
254	M.M. Abedullah	02.09.10	2000	202.69	-415558.09
377	Mrs. Nargis Begum	19.10.10	1000	272.25	-48980.16
5826	Md. Sumon Uddin	27.10.10	600	432.50	-11405.80
15387	Hasan Ali Azam	19.10.10	500	273	-140941.05
11639	Munta Sherina Jahan	26.09.10	450	335.25	-175507.46

Contravention: Hedayetullah Securities Limited 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 further reported that "few other clients of Hedayetullah Securities Ltd. (DSE Member # 140) bought SAFKOSPINN shares 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
254	18.10.10	SAFKOSPINN	5000	264.76	21199.71	-	1323800.00	5710.40
254	20.10.10	SAFKOSPINN	850	293.07	5710.40	-	249112.50	16639.34
254	26.10.10	SAFKOSPINN	750	387.8	28800.84	-	290850.00	11813.09
15307	24.10.10	SAFKOSPINN	500	318.00	2862.28	-	159000.00	1147.90

Contravention: Hedayetullah 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."

Hearing was rescheduled and conducted on June 20, 2011. Mr. Md. Saiful Islam (C.E.O), Mr.Tareq Hossain Khan, Mr.Mahmudul Huq attended the hearing on behalf of Hedayetullah Securities Limited and submitted a reply letter no. NIL dated May 04, 2011.In the letter they confessed the allegation, begged apology and promised to not to commit such violation in future. In the letter among others they stated the following

"….we would like to explain about the contraventions stated in the letter as follows:

Code No. 254, M.M. Abedullah

Mr. M.M Abedullah bought 8600 Nos. SAFKO SPINNING shares at different date through telephonic order and he requested the trader to buy the shares and he will deposit the cheque before trading hour but he failed to submit the cheques several times and adjusted some dues by selling shares. It is to be noted here that we have issued show-cause notice to the related trader regarding this issues.

Code No. 377, Mrs. Nargis Begum

Mrs. Nargis Begum bought 1000 Nos. SAFKO SPINNING shares through telephonic order with the trader but she failed to deposit the cheque as she committed earlier and she did not able to adjust the full dues.

Code No. 5826, Md. Sumon Uddin

Mr. Md. Sumon Uddin bought 600 Nos. SAFKO SPINNING shares after depositing money in Cash. The value of share was Tk. 2,59,500.00 and he deposited Tk. 2,55,000.00. The trader did not able to calculate the actual value of shares at the time of executed the order and he confessed for his mistake.

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<u>Code No. 15387, Mr. Hasan Ali Azam</u>

Mr. Hasan Ali Azam bought 500 shares of SAFKO SPINNING by depositing cash at the same day but after trading hour at 6:30pm which he committed to pay before trading and it was posted at the following day. The value of share was Tk. 1,36,500.00 and the client deposited Tk. 1,34,000.00 shortage Tk (2,500). The trader confessed for the mistake as he did not able to calculate the value of shares properly.

<u>Code No. 11639, Ms. Munta Sherina Jahan</u>

Ms. Munta Sherina Jahan bought 450 Nos. SAFKO SPINNING shares by Tk. 1,50,862.50 and she deposited a cheque for Tk. 1,60,000.00 at the same day but she deposited the cheque after trading hour which was scheduled to deposit before trading hour and the amount was posted at the following day as the cheque was received at 7.00pm.

<u>Code No. 15307, Ms. Nadira Sharmin</u>

Ms. Nadira Sharmin bought 500 Nos. SAFKO SPINNING shares through telephonic order with our trader. As per trader statement the client requested the trader to buy the shares and she will deposit the amount in cash but she failed to deposit the amount.

Under the above Circumstances we do agree with the commission that some rules have been violated by us which were done quite unconsciously and lacking of knowledge about Securities Laws of our traders. We are apologies for violating the rules. We would also request you to consider the matter with sympathetic consideration and we will be sincere to follow the Securities Rules and Regulation properly in future."

Whereas, the above mentioned written statement proves that the mentioned allegation of violating 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 to it's client in purchasing shares of Safko Spinning Mills Limited which is a Z category company), 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 Safko Spinning Mills Limited which is a Z category company) against Hedayetullah Securities Limited 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 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 Hedayetullah Securities Limited for the stated violations.

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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 Hedayetullah 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

Distribution:

Hedayetullah Securities Limited
Swantex Building (6th floor)
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Dhaka-1000.