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/969/2011/183 **March 12 , 2013**

ICB Securities Trading Company Limited
DSE's Membership No. 129
Shilpa Bank Bhaban (13th Floor)
8, DIT Avenue
Dhaka-1000.
Attention: Managing Director/CEO

Subject: Penalty Order: Non-compliance of SEC/CMRRCD/2001-43/42 dated June 15, 2010 in connection with unusual trading in shares of and "BDAUTOCA".

Dear Sir,

Commission's penalty order No. SEC/Enforcement/969/2011/182 dated March 12, 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), BSEC
P.O to Executive Director (Surveillance), BSEC
P.O to Executive Director (MIS), BSEC
Chairman's office, BSEC

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Order

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

Whereas, the Securities and Exchange Commission issued Stock Broker Registration Certificate to ICB Securities Trading Company 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 investigation report of Dhaka Stock Exchange Limited regarding unusual trading in shares of 'LEGACYFOOT' and "BDAUTOCA", a show cause-cum-hearing notice No. SEC/Enforcement/969/2011/53 dated February 13, 2012 was issued to ICB Securities Trading Company Limited to appear at the hearing. In the show cause-cum-hearing notice among others following were mentioned;-

"Whereas, as per Commission's Directive No. SEC/CMRRCD/ 2001-43/42 dated June 15, 2010 equity securities with price-earning ratio of above 40 (forty) shall not be entertained as 'marginable securities' under clause (d) of sub-rule (12) of rule 3 of the Margin Rules, 1999 and the stock broker shall not provide loan facilities to their clients to purchase the said securities.

Whereas, during the reported period PE ratio of BDAUTOCA was above 40.Therefore as per Commission's Directive No. SEC/CMRRCD/ 2001-43/42 dated June 15, 2010 shares of BDAUTOCA can not be treated as 'marginable securities'.

Whereas, an investigation has been conducted by DSE regarding unusual trading in shares of 'LEGACYFOOT' and "BDAUTOCA".

Whereas, investigation team among others reported the following; -

"In respect of the following clients, your company bought BDAUTOCA by using margin facilities as shown below-

Client code	Client Name	Date	Buy Quantity	Buy Rate	Amount used to buy BDAUTOCA	Ledger Balance at the end of day
PT 8587	K. M. Abdullah	31.03.11	1400	581.05	813464.65	-1,064,282.63
BARICML	ICB Capital Management Ltd.	28.03.11	100	500.75	50074.78	-12,244,874.89

Contravention: Through the aforesaid activities ICB Securities Trading Company Ltd. has violated SEC's Directive No. SEC/CMRRCD/2001-43/42 dated June 15, 2010."

Whereas, hearing has been conducted. Ms. Jubaida Nasrin (CEO) has attended the hearing on behalf of the broker. They submitted an explanation letter no. No-ISTCL/2012/9288 dated March 12, 2012 to the Commission. In the letter among others they stated the following;

"We are sorry to mention that the incident happened inadvertently in an unguarded moment during a very busy time of trading hours with the enormous orders of a huge crowd of investors by our trader Mr. Fayzul Kabir, who, was made confirmed of having positive balance of Tk. 8,98,938.66 in the Ledger Statement produced by the respective client, the reporting date of which was actually 28 March 2011. In fact, the misleading failure occurred in our Back

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Office Software and our trader Mr. Fayzul Kabir made the mistake instantly. As a part of regular examination, we came to know the fact and called on the respective client immediately and since he failed to deposit further, he sold off those shares from his portfolio having no alternative.

We regret to state that due to some unavoidable circumstances, we are not in a position to clarify our position about the "BARICML" since that is the omnibus account of the ICB Securities Trading Co. Ltd.; Barisal Branch in favour of ICB Capital Management Limited, Barisal Branch. As the financial ledger position of an individual client under omnibus account are maintained by the respective Merchant Banker's disposal, so we are not capable to identify the exact balance position of a individual client under omnibus account. We can identify only the day end consolidated financial ledger position of an omnibus account holder.

We are sorry again for the unpleasant event, which happened just for a software failure."

Whereas, from the investigation report and the written explanation of the broker it is proved that the allegation of violating Directive No. SEC/CMRRCD/2001-43/42 dated June 15, 2010 (by providing margin loan to it's clients to purchase shares of BDAUTOCA) against ICB Securities Trading Company Ltd. is correct. 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 ICB Securities Trading 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 ICB Securities Trading 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

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