SEC/Enforcement/916/2011/ **August , 2011**

Order

Whereas, as per section 2(g) of the Securities and Exchange Ordinance, 1969 (ORDINANCE No. XVII of 1969) Islamic Finance and Investment Limited is an issuer (herein after referred to as an “issuer”);

Whereas, on the basis of the enquiry report of Securities and Exchange Commission a show cause-cum-hearing notice No. SEC/Enforcement/916/2011/182 dated March 23, 2011 was issued to the issuer, it’s managing director, company secretary, and all directors to appear at the hearing on the April 05, 2011. In the show cause-cum-hearing notice among others following were mentioned;-

“Whereas, as per condition No.4 (imposed under Section-2CC of the Securities and Exchange Ordinance, 1969) of SEC’s approval letter No.SEC/CI/RI-43/2010/223 dated July 20, 2010 for issuance of Rights Shares “The company shall deliver the offer document approved by the Commission to the shareholders entitled to have rights shares, stock exchange(s) and the Commission within 10(ten) working days from the record date for the determination of entitlement of rights share;”

Whereas, an enquiry was conducted by Securities and Exchange Commission on right offer documents of Islamic Finance and Investment Limited.SEC received many complains from the right share entitled shareholders against Islamic Finance and Investment Limited regarding irregularities in distribution of right offer documents.
Whereas, the enquiry committee among others reported the following:

“As per record the total number of clients entitled for the Right Shares of the company were **8091** (excluding the number of clients entitled for fraction of right shares)”

“As per record**, total 2041** number of shareholders of the company did not get their Right Offer Documents (ROD) within the stipulated time”

“After the deadline of the subscription period. i.e., after October 05, 2010, a number of shareholders complaint to the Commission regarding non-receipt of Right Offer Documents of Islamic Finance & Investment Limited within the stipulated time and for this they could not deposit to the required amount for the right shares.”

“The enquiry officers found a number of shareholders who did not get the Right Offer Documents due to incomplete address printed by the company on the form of ROD. Among these shareholders’ ROD, the officers found that the company did not mention any floor number, holdings number, name of area and name of institutes. For these reasons, the **designated** courier service could not reach them and hence the shareholders did not get their ROD within stipulated time, which is totally unacceptable. The details are delineated below:”

SL NO	BOID	NAME	OFFERED SHARES	ACTUAL ADDRESSES OF SHAREHOLDERS	ADDRESS WRITTEN ON RIGHT OFFER DOCUMENTS
1	1201510004123465	MOHAMMED KHAZA MOIN UDDIN	37	26/S/Ka (1ST FLOOR), 'MONESWARE 1ST LANE, 'HAJARIBAGH, 'DHAKA	26/S/Ka (1ST FLOOR), 'MONESWARE 1ST LANE, DHAKA-1209
2	1201520003998988	Md. Abdur Razzak Sarkar	25	Assistant Manager, Admin Dept, 'Meghna Life Ins. Co. Ltd., 'Biman Bhaban, 100, Motijheel, 'Dhaka	Assistant Manager, Admin Dept,'Meghna Life Ins. Co. Ltd., DHAKA-1000
3	1201580006017169	SYED TAFIQUL ISLAM	50	NATIONAL LIFE INSURANCE CO LTD, 'NLI TOWER (10th FLOOR), '54, KARWAN BAZAR, 'DHAKA	NATIONAL LIFE INSURANCE CO LTD, 'NLI TOWER (10th FLOOR), DHAKA-1219.

4	1201910000066989	Business And Management Co.Ltd	572	Business And Management Co.Ltd, '23/G/7,Panthapath, (Samarai'Convention centre,3rd floor), 'Dhaka	Business And Management Co.Ltd, '23/G/7,Panthapath,
5	1201990020095466	AL HAJ MOHAMMED ABDUL GOFUR	200	8/12-F, ARAMBAG RESIDENTIAL' AREA (EASTERN HOUSING),'PALLABI, MIRPUR, 'DHAKA	8/12-F, ARAMBAG RESIDENTIAL, 'AREA (EASTERN HOUSING), DHAKA-1216.
6	1202090019649117	MD. JIARAT ALI KHAN	200	C/O-MD.LIAKAT ALI KHAN, MANAGER' AUDIT (2ND FLOOR) JIBAN BIMA'CORP. HEAD OFFICE, 24 MOTIJHEEL, 'DHAKA	C/O-MD.LIAKAT ALI KHAN, MANAGER, 'AUDIT (2ND FLOOR) JIBAN BIMA, DHAKA-1000.
7	1202280000055001	S.M. Muniruzzaman	50	House-6, Lane-9/1'Road-1/B, Block-D'Section-12, Pallabi, Mirpur 'Dhaka	House-6, Lane-9/1, 'Road-1/B, Block-D, Dhaka-1216
8	1202280000945171	Md.Ashraful Azad Bhuiyan	3	Crystal Insurance Co.Ltd, '18,Rajuk Avenue (Lal Bhaban)'9th Floor'Dhaka	Crystal Insurance Co.Ltd, '18,Rajuk Avenue (Lal Bhaban), Dhaka.
9	1202280013398896	KHALID MAHMOOD	156	APT. NO. B-2, BLDG NO-1.'PROPERTY DUPLEXES,'1/6 ESKATON GARDEN ROAD,'DHAKA	APT. NO. B-2, BLDG NO-1, PROPERTY DUPLEXES, DHAKA-1000
10	1202410015335924	MR. BISHNU PADA SEN	50	THE ACME LABORATORISE LTD.'CORPORATE OFFICE, 10TH FLOOR, '1/4, KALLAYNPUR, MIRPUR ROAD.'DHAKA	THE ACME LABORATORISE LTD, 'CORPORATE OFFICE, 10TH FLOOR, DHAKA-1207
11	1202600005160181	MD. IBRAHIM KHALILULLAH	1875	11/A. ABBAS GARDEN, 'NEW AIRPORT ROAD'CANTONMENT'DHAKA	11/A. ABBAS GARDEN, 'NEW AIRPORT ROAD, DHAKA-1206
12	1202830017177656	ANWARUL HAQUE	15	27, DILKHUSHA C/A, 'ROOM NO-603, '5TH FLOOR, 'DHAKA	27, DILKHUSHA C/A, ROOM NO-603, DHAKA-1000
13	1202840013515784	MD. MONIRUL ALAM HOWLADER	25	C/O- S.M. ROKON UDDIN PRIME, 'ISLAMI LIFE INSURANCE LTD.'29, DHILKUSHA (9TH FLOOR)'DHAKA	C/O- S.M. ROKON UDDIN, PRIME ISLAMIC LIFE INSURANCE LTD,, DHAKA,
14	1203020024529110	MD.HASANUZZAMAN	50	BUILDING NO-1, HOUSE NO-6(2ND'FLOOR) C/O-MD ZINNAT ALI MONO'MEDICAL STAFF QUATER,LALBAG, 'DHAKA	BUILDING NO-1, HOUSE NO-6(2ND'FLOOR) C/O-MD ZINNAT ALI MONO, DHAK-1200.
15	1203260018264915	Md. Masudur Rahman	350	MATCO ENTERPRISE, 'House# 18, Rd# 27,'Block# J, Banani, 'Dhaka	MATCO ENTERPRISE, 'House# 18, Rd# 27, 'DHAKA-1213.
16	1203270023338066	M/S. N. AHSAN & CO.	1000	LIAISON OFFICE 'MEGHNA GROUP,'59, BANGSHAL ROAD, 'DHAKA	M/S. N. AHSAN & CO, 'LIAISON OFFICE, 'MEGHNA GROUP, DHAKA-1100
17	1203530009122550	MD. MAMUNUR RASHID	10	'RUPKATHA' HOUSE# 29, '(4TH FLOOR), ROAD# 14,'SECTOR# 13, UTTARA MODELTOWN, 'DHAKA	'RUPKATHA' HOUSE# 29, '(4TH FLOOR), ROAD# 14,'DHAKA-1230

18	1201520013108917	Mr. Nazrul Hoque	25	House-5, (2nd Floor), Road-9/1, Block-F, South Banosree, Dhaka	House-5, (2nd Floor), Road-9/1, Block-F, Dhaka
19	1201900018522597	M. A. JINNAH	200	NIRU VILA, 78 / 19 A, SAYANEAR R / A, MIRPUR, DHAKA	NIRU VILA, 78 / 19 A, SAYANEAR R / A, DHAKA
20	1201600010875890	Syed Mohammad Mashfiq Ur Reza	50	HOUSE- 26, SONARGOAN JANAPATH ROAD, SECTOR-11, UTTARA, DHAKA	HOUSE- 26, SONARGOAN JANAPATH ROAD, DHAKA-1230.
21	1201530000106871	Mrs. Lutfa Begum	175	House# 40, Road#2, Block # E, Sec-11, Pollabi, Dhaka	House# 40, Road#2, Block # E, Sec-11, Dhaka
22	1202200003461314	MD.SHIRAJUL ISLAM TALUKDER	3	ASISTANT DIRECTOR (AUDIT), AUDIT CELL.ADMINISTRATIVE BLD., Sher-E-Bangla Agri. University, DHAKA	ASISTANT DIRECTOR (AUDIT), AUDIT CELL.ADMINISTRATIVE BLD., DHAKA
23	1201570000992886	PRABIR CHANDRA PAUL	25	PAPER RHYME, HOUSE-67/C-1, ROAD-13-B, BLOCK-E, BANANI, DHAKA	PAPER RHYME, HOUSE-67/C-1, ROAD-13-B, DHAKA
24	1201900000105992	Mridul Biswas	12	ARONG JEWELLERS, SHOP#27, LEVEL#5, BLOCK#D, BASUNDHARA SHOPPING COMPLEX, PANTHAPATH, Dhaka	ARONG JEWELLERS, PANTHAPATH, BASUNDHARA SHOPPING COMPLEX, Dhaka
25	1201580000183983	MR. MD. SERAJUL ISLAM	5	4TH FLOOR (4B),'HOUSE#19, ROAD#13/A, DHANMONDI R/A, DHAKA	HOUSE#19, ROAD#13/A, 4TH FLOOR (4B), DHAKA
26	1201750000253629	Mr. Kazi Rezanur Rahman	14	Alif Mansion, 3rd Floor, 4B, 12/2,AKM Dash Lane, Tikatuly, Dhaka	Alif Mansion 3rd Floor, 4B, Dhaka-1203
27	1201920000680870	MASHROOR HOSSAIN BHUIYAN	1	HOUSE # 35, ROAD # 7, BLOCK-G, BANANI, DHAKA	HOUSE # 35, ROAD # 7, BLOCK-G, DHAKA-1203.

"The enquiry officers found some specific allegations of the shareholders of the company regarding non-receipt of ROD. The details are delineated below:"

" Mr. Md. Motaleb Hossain, BO ID 1203350022776531, was holding 100 shares of IFIL as on record date on 11.08.10, which was offered for 50 right shares. He stated that the company printed incomplete address on the right offer documents, which suffered him a lot to get the documents in time."

"**Findings:** The enquiry officers found that the ROD was received by the A Quasem & Company on September 30, 2010. But Islamic Finance & Investment Limited printed an incomplete address on the Right Offer Document, which is not expectable."

"Mr. Gias Uddin Ahmed (BO ID No. 1602170013381910) was holding 9000 shares of IFIL and he was entitled for 4500 right shares. He claimed that he received the ROD on October 06, 2010 where the deadline for acceptance of the application was October 05, 2010".

"Findings: The enquiry Officers found that Mr. Miajun received the said ROD on October 03, 2010 on behalf of Mr. Gias Uddin Ahmed. The company should distribute the ROD earlier because a preparation is needed to the shareholders to deposit a large amount of money for their right shares."

"Mr. Emdadul Haque Vorosha (BO ID 1202090000167042) was holding 10100 shares, as on record date i.e., 11.08.10 and he was entitled for 5050 right shares. He complained stating that he did not receive the share offer documents and for this he could not accept the right offer by depositing the money."

"Findings: As per the Memo of Continental Courier Service Limited it is found that someone received the documents on August 28, 2010. But the enquiry officers found that the address on the Memo of courier service provided by Islamic Finance & Investment Limited is incomplete (without Flat number & name of area). So, with the incomplete address it is quietly impossible to reach the documents to actual shareholders, which is unacceptable & disappointing."

"Mr. Chowdhury Monzur Morshed (BO ID NO. 1204000000039624) was holding 1000 shares, as on record date i.e., 11.08.10 and he was entitled for 500 right shares. He complained stating that he did not receive the share offer documents and for this he could not accept the right offer by depositing the money."

"**Findings:** As per the Memo of Concord Courier Service Limited it is found that the shareholder did not receive the document due to unavailability of Mr. Chowdhury Monzur Morshed. But the enquiry officers found that the address on the Memo of courier service provided by Islamic Finance & Investment Limited is incomplete (without name of area). So, with the incomplete address it is quietly impossible to reach the documents to actual shareholders, which is unacceptable."

"Mr. Mojibur Rahman (BO ID NO. 1201810021079204) and Ms. Israth Jahan (BO ID NO. 1201810021082317) were holding 50 shares each, as on record date i.e., 11.08.10 and they were entitled for 25 right shares. They complained stating that they did not receive the share offer documents within the stipulated time.**"**

"**Findings:** As per the Memo of Concord Courier Service Limited it is found that two persons received the documents on August 26, 2010 and August 25, 2010. But the enquiry officers found that the address on the Memo of courier service provided by Islamic Finance &

Investment Limited was incomplete (without name of area) and the signature of recipients were not same as that of Mr. Mojibur Rahman and Ms. Israth Jahan."

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"Mr. A. T. M Mir Hossain Mollah (BO ID NO. 1201940009398721) was holding 500 shares, as on record date i.e., 11.08.10 and he was entitled for 250 right shares. He complained stating that he did not receive the share offer documents and for this he could not accept the right offer by depositing the money.**"**

"Findings: As per the Memo of Continental Courier Service Limited it is found that some one received the documents on August 24, 2010. But the enquiry officers found that the address on the Memo of courier service provided by Islamic Finance & Investment Limited is incomplete (without name of institute, floor number and name of the building). So, with the incomplete address it is quietly impossible to reach the documents to actual shareholders, which is unacceptable."

Whereas, **the enquiry committee stated that "Islamic Finance & Investment Limited has directly violated the Condition No. 4 of the consent letter of Right Shares imposed under Section 2CC of the Securities and Exchange Ordinance, 1969.""**

Whereas, hearing was conducted as per schedule. Mr. Md.Rabiul Islam (Managing Director),Mr.M.Azizul Huq (Independent Director), Mr.Rezauddin Ahmed (Company Secretary) attended the hearing and submitted a reply letter No. IFIL/HO/11/457 dated March 29, 2011.In the letter **among others they stated the following;**

"On our application made on April 27, 2010 SEC accorded its approval for issuance of 19, 92, 191 nos. of Rights Shares at an issue price of Tk.150.00 per shares (including a premium of Tk.50.00 each) on July 20, 2010. On receipt of the approval, we announced details of the Rights offer i.e. record date (August 11,2010), subscription period (15/09/2010 to 05/10/2010), Bankers to the issue etc. and published the prospectus of Rights offer in two widely circulated national dailies; The Daily Ittefaq and The Financial Express on 23/07/2010. We sent Right Offer Documents (ROD) to the shareholders through courier services on 21.08.2010 and published the information of sending RODs in The Financial Express and The Daily Ittefaq on 23.08.2010 with a request to collect their documents from our office or from our website if those did not reach them within the stipulated time. The courier companies informed us that they could not deliver a good number of RODs to the shareholders due to change in address/ residence/working place etc. and returned those documents to our share department. On receipt of those documents, we immediately published an **Emergency Notice** inviting the attention of the Shareholders and requested them to collect their documents from our share department before 05/10/2010. The notice was published in the last page of The Daily Ittefaq on 23/09/2010 in colour. After publication of the notice shareholders responded largely and many of them collected their RODs from our share department and subscribed within the stipulated time. As a result we received subscription for 19, 39,368 numbers of Shares (97.35%) out of 19, 92,191 within the stipulated subscription period i.e. within 05/10/2010.

We humbly mention that 17 out of 27 shareholders with incomplete addresses mentioned in SEC's referred letter no.182 dated March 23,2011 (Sl. no. 2,3,5,7,8,9,10,11, 13,14,15, 16, 19, 20,21,22 and 23) also deposited their subscription amount by 05.10.2010. This was possible due to our prompt action and wide publicity to ensure highest subscription of rights shares within 05/10/2010. Inspite of all our sincerity, prompt action, publicity and good intentions, about 2.65% of rights shares remained unsubscribed.

When the subscription period was over, some of the shareholders lodged complains to the SEC and also to IFIL for not receiving the RODs in time. On receipt of the complaints, SEC postponeded allotment of the unsubscribed shares to the underwrites until further order vide letter no. SEC/CI/RI/-43/2010/385 dated 20/10/2010 and also formed an enquiry committee to investigate into the allegations. It may be mentioned here that we engaged an experienced IT Company to perform all rights share related jobs i.e. data processing and data printing, form coding, data entry, checking, editing and list printing etc.

As per SEC's directive we refrained from allotment of unsubscribed shares to the underwriters and sought SEC's clearance to allot those shares whose subscriptions were found valid. SEC accorded its consent to credit the rights share except unsubscribed portion. On January 16, 2011 the SEC forwarded 15 complaints received by them to IFIL and directed to settle the complaints under advice to the commission within 31st January, 2011. As directed, we settled all the complaints 28 in numbers, 15 with SEC and 13 with IFIL by allotting 19,185 numbers of shares from unsubscribed portion and sent compliance report to SEC. On allotment of 19,185 numbers of shares to 28 complainants percentage of rights share subscription stood at 98.32%. Remaining 33,638 numbers of unsubscribed rights shares (1.68%) were allotted to the underwriters on the consent of SEC (reference no. SEC/CI/RI-43/2010/180 dated March 20, 2011).

In view of the above incidents and explanations we believe you would kindly agree that we had all the good intentions and made our best efforts to make the RODs reach to all the shareholders and informed them about subscribing their rights shares in time. Percentage of subscription was 97.35% within stipulated time. With your kind co-operation and instruction rate rose to 98.32% of the rights issue.

We had all the good intentions to make the right issue successful in a transparent way. We are committed to perform our duties sincerely, honestly and transparently. We had no intention that may seem to be deliberate to deprive of any shareholder from getting their shares.

Considering our sincerity, honesty and transparent efforts we earnestly request you to kindly relive us from the allegations. We heartily regret for the inconveniences caused to the shareholders, commit to be more careful in future, request you to consider the matter sympathetically and exonerate us from the allegation of non-compliance of SEC instructions."

Whereas, from the written statement of Islamic Finance and Investment Limited, it is proved that they failed to distribute the Right Offer Documents (ROD) to all of the shareholders within the stipulated time. Therefore, the stated allegation of violating **condition No.4 of SEC's approval letter No.SEC/CI/RI-43/2010/223 dated July 20, 2010 (for issuance of Right Shares) by not delivering ROD to the share holders within the stipulated time is proved as correct.**

Whereas, the aforesaid non compliance committed by the issuer mutilated the interest of the company's shareholders as well as hindered development of the capital market.

Whereas, the aforesaid activities are tantamount to non-compliance of securities law, deliberate and clear contravention of the above mentioned condition imposed under Section-2CC of the Securities and Exchange Ordinance, 1969. The said non compliance attracts penal provision of section 22 of the Securities and Exchange Ordinance, 1969.

Whereas, to protect the discipline of the capital market along with it's development the Commission deems it appropriate and necessary to impose penalty upon the issuer company for the aforesaid noncompliance.

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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.10 (Tk.Ten) Lac upon Islamic Finance and Investment 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:
Islamic Finance and Investment Limited, Chand Mansion, 66 Dilkusha C/A, Dhaka-1000.