SEC/Enforcement/875/2011/ **August , 2011**

Order

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

Whereas, the Securities and Exchange Commission issued Stock Broker Registration Certificate to IIDFC 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‡gw`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/875/2011/107 dated February 24, 2011 was issued to IIDFC Securities 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-238/2008/445 ZvwiLt 05/01/2011 Bs (issued to IIDFC Securities 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‡gw`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‡gw`Z cwZwbwa) wewagvjv, 2000;

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

"c‡Z¨K ÷K wWjvi, ÷K ‡evKvi I Ab‡gw`Z cwZwbwa Zvnvi g‡°‡ji mwnZ Kvq-Kvie‡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‡gw`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 among others reported the following:

GRAMEEN1	Modified	S	83.00	5000	01551	13:05:27:782
GRAMEEN1	Part Exec		83.50	500	01551	13:05:27:795
GRAMEEN1	Part Exec		83.50	500	01551	13:05:27:801
GRAMEEN1	Full Exec		83.50	4000	01551	13:05:27:807
Status of buy order monitor of GRAMEEN1 at 13:05:27.782						
GRAMEEN1	-	B	83.10	10000	UCL1350	13:03:49:840

It appears from the above table that IIDFC made a minor aggressive sale by placing lower sale order than the available higher buy order for the instrument of GRAMEEN 1 only.

Contravention: Through the aforesaid activity IIDFC Securities Limited (DSE Membership No. 238) has violated শর্ত নং- ২ of কমিশন কর্তৃক ইস্যুকৃত স্টক †evKvi wbeÜb mb` bs- wbeÜb-3.1/wWGmB-238/2011/445, ZwiLt 05/01/2011 Bs **and** AvPiY wewa ১, ২ ও ৭ of দ্বিতীয় তফসিল of wmwKDwiwUR I G·‡PÄ Kwgkb (óK wWjvi, óK †evKvi I Ab‡gw`Z cwZwbwa) wewagvjv, 2000|”””

1. Whereas, hearing was conducted as per schedule. Mr. Md.Asaduzzaman Khan (Director and Member representative),Ms.Ashrafu Nnessa (COO),Mr.Md.Nazmul Hasan(Officer) attended the hearing on behalf of IIDFC Securities Limited and submitted a reply letter No. IDFCSL/Compliance/SEC/2011/204 dated March 10, 2011. In the letter among others they stated the following:

Our Explanation:

1. To consider the issue in its true perspective, we would request you to recall the unprecedented market scenario of January 20, 2011 when within 6 minutes of the opening of trade on the day, the market collapsed sharply and the DSE share index nosedived to 476 points amid tremendous sale pressure of the investors. The entire market was highly volatile, the investors got panicked and the brokers became puzzled in tackling the situation.

2. Working under such an unusual situation, one of our traders working in our Chittagong branch was instructed by an investor to sell his 5,000 Grameen-1 shares @ Tk. 88.00. As per his statement submitted to us, he quoted the price accordingly. But, within a minute or so when the prices were falling sharply, the investor asked him to modify the sale order as per going market rate. At that time, according to our trader, the first buyer's quoted price was Tk. 83.10 for 500 shares and the second buyer's quotation was Tk. 83.00 for 1,500 shares. Therefore, he placed the sale order @ Tk. 83.00. In a fraction of second, another buyer quoted Tk. 83.50 which he didn't notice. As such, the sale orders were executed at slightly higher rates than the original sale offer placed by our trader.

3. The above act was undoubtedly a lapse on the part of the trader because as per SEC Rules, he cannot quote a rate which is lower than the buy offer. But, the lapse was absolutely unintentional which occurred because of oversight and working under a very tensed situation. You may notice that through the transaction, neither the trader nor the investor has been benefited in any way. Its total impact on the market was very insignificant. However, on receipt of your notice regarding the mishap, the concerned officer has been show caused and appropriate disciplinary action against him is under process.

4. We do want to reiterate that IIDFC Securities is a reputed and law abiding institution and we do always try to abide by the rules and regulations set by the regulatory authorities. We do never get involved in any activities are contrary to the rules and regulations prescribed by the SEC and other regulatory bodies.

However, since an unintentional mistake has actually been committed, we do sincerely apologize for that and request to your good self to consider the issue sympathetically and pray for exonerating us from the allegation of breaching the rules. We would like to assure you of non-recurrence of such kind of mistake in future. Incidentally, we want to remind you that recently we have already sustained considerable financial losses due to your prohibiting us from trading activities for 16 days and our Chief Operating

Officer also was debarred from performing all kinds of official responsibilities. On these grounds also we deserve your favorable and sympathetic consideration."

Whereas, IIDFC Securities 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 শর্ত নং- ২ of কমিশন কর্তৃক ইস্যুকৃত স্টক †evKvi wbeÜb mb` bs- wbeÜb-3.1/wWGmB-238/2011/445, ZwiLt 05/01/2011 Bs and **আচরণ** wewa ১, ২ ও ৭ of

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দ্বিতীয় তফসিল of wmwKDwiwUR I G·‡PÄ Kwgkb (óK wWjvi, óK †evKvi I Ab‡gw`Z cÖwZwbwa) wewagvjv, 2000 against IIDFC Securities 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 IIDFC Securities Limited for the stated violations.

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.5 (Tk. Five) Lac upon IIDFC Securities 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:

IIDFC Securities Limited
DSE's Membership No. 238
Eunoos Trade Centre (Level-1)
52-53, Dilkusha C/A
Dhaka-1000.