SEC/Enforcement/411/2006/ June , 2011

Order

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

Whereas, the Securities and Exchange Commission issued Stock Broker Registration Certificate to Island 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 cÖwZwbwa) 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 on unusual price movement in shares of Chittagong Vegetable Oil Industries Limited a show cause-cum-hearing notice No. SEC/Enforcement/411/2006/810 dated November 29, 2010 was issued to Island Securities Limited to appear at the hearing on the December 20, 2010. In the show cause-cum-hearing notice among others following were mentioned;-

"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, record shows that the following clients of Island Securities Ltd bought shares of CTGVEG without having sufficient balance in their accounts.

Island Securities Ltd.

Client code	Client Name	Date	Buy Quantity	Ledger Balance at the end of day
10010	Dr. Md. Giash Uddin	03.01.2010	620	-78957.23
18006	Md. Ariful Haque Jewel	07.01.2010	10	-1363113.16
18006	Md. Ariful Haque Jewel	12.01.2010	140	-1380543.15
18006	Md Ariful Haque Jewel	14.01.2010	20	-1412491.71

Contravention: Island Securities Ltd. 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 Chittagong vegetable oil industries ltd which is a Z category company."

Hearing was conducted as per schedule. Mr. Md.Nurun Nabi (Manager) attended the hearing on behalf of Island Securities Limited. They submitted a reply letter No.ISL/DSE/2010/262 dated December 15, 2010. In the letter they confessed the allegation and begged apology. Among others they stated that

"1. Dr. Md. Giash Uddin ID 18018 :-On 03/01/2010, Mr. Giash Uddin had Dr balance of Tk. 4148.13. He is a small trader. same day he purchased 620 shares of Chittagong Vegetable Oil Industries Ltd. @ Tk. 120 total amount Tk 74,809.20. He paid us cash Tk. 50,000 on 7th June, 2010. Balance Taka was adjusted on 17th June. Since than this client has no significant Dr. balance. Client Ledger and Portfolio are enclosed. Marked (A & B). Technically it was a violation of Margin Rules. We are sorry for unintentional Lapse.

2. Mr. Ariful Hoque Jewel, ID 18006 :-Mr. Ariful Hoque Jewel is also small investor. His purchases of Chittagong Vegetable Oil Industries Ltd were as under:

Date	Quantity	Rate	Trade Value
07/01/2010	10	135	1,357
12/01/2010	140	164	23,086.26
14/01/2010	20	180	3,619.80

As per Margin Rules above three Purchases were made while his accounts had debit balances. As per Margin Rules, we have violated Law and your allegation is proved. Considering size of each transaction, it may be concluded that no bad intention was there behind. Simply it was oversight. We are extremely sorry for the mistakes. We have advised our concerned A/R to be more careful in future.

We have stated above facts, not to justify Margin Rules Violation.

We frankly admit our failure & seek, commission forgiveness."

Whereas, the above mentioned written statement proves that the mentioned allegation against Island Securities Limited is correct. 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 issued under the Securities and Exchange Ordinance, 1969 (XVII of 1969) . 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 Island Securities Limited for the stated violations.

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.1 (Tk.One) Lac upon Island 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:
Island Securities Limited
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