SEC/Enforcement/2094/2014/339
July 20, 2014 **By Special Messenger**

Managing Director/CEO
Lanka Bangla Investments Limited
Eunoos Trade Centre, Level # 21,
52-53, Dilkusha C/A, Dhaka-1000

Subject: Penalty Order: Non compliance of Securities Law by submitting fake land documents <u>relating to IPO</u>

Dear Sir,

Commission's penalty order No. SEC/Enforcement/2094/2014/338 July 20, 2014 is enclosed herewith for your kind information and necessary action.

For Bangladesh Securities and Exchange Commission

Mustari Jahan
Deputy Director (Enforcement)

<u>Distribution:</u>
Chief Executive Officer, Dhaka Stock Exchange Limited
Chief Executive Officer, Chittagong Stock Exchange Limited

<u>Copy for information:</u>
P.O to Commissioner (Enforcement), BSEC
P.O to Executive Director (CI), BSEC
P.O to Executive Director (MIS), BSEC
Chairman's office, BSEC

Order

Whereas, as per section 2 (cc) of the Securities and Exchange Ordinance, 1969 (ORDINANCE No. XVII of 1969) "Commission" means Bangladesh Securities and Exchange Commission constituted under Securities and Exchange Commission Act 1993;

Whereas, as per wewa 2(T) of the wmwKDwiwUR I G·‡PÄ Kwgkb (gv‡P›U e¨vsKvi I †cvU©‡dvwjI g¨v‡bRvi) wewagvjv, 1996, Lanka Bangla Investments Limited is an ‟issue manager Ó(here in after referred to as "issue manager”).

Whereas, as per section 2(g) of the Securities and Exchange Ordinance, 1969 (XVII of 1969), Aman Cotton Fibrous Limited is an “issuer” (here in after referred to as "issuer”);

Whereas, on the basis of the observation report of the Commission regarding land documents submitted by Aman Cotton Fibrous Limited for IPO purpose, a show cause-cum-hearing notice No. SEC/Enforcement/2094/2014/240 dated: May 22, 2014 was issued to Lanka Bangla Investments Limited (issue manager) to appear at the hearing accusing for violating Rule-19 of Securities and Exchange Commission (Public Issue) Rules, 2006 and Section 18 of the Securities and Exchange Ordinance, 1969. Hearing has been conducted with the accused. In the show cause-cum-hearing notice following have been mentioned among others;-

Quote

Whereas, LankaBangla Investments Limited is the issue manager of the company;

Whereas, as per Rule-19 of Securities and Exchange Commission (Public Issue) Rules, 2006, “If any issuer or its representative violates any of the provisions of these Rules or furnishes false, incorrect, misleading information or suppresses any information, the Securities and Exchange Commission may take appropriate action under the Securities and Exchange Ordinance, 1969.”

Whereas, as per section 18 of the Securities and Exchange Ordinance, 1969, “No person shall, in any document, paper, accounts, information or explanation which he is, by or under this Ordinance, required to furnish, or in any application made under this Ordinance, make any statement or give any information which he knows or has reasonable cause to believe to be false or incorrect in any material particular”;

Whereas, the Commission asked vide commission’s letter no. SEC/CI/IPO-202/2012/53 dated January 23, 2013 the company to submit valid rent receipt and mutation of land shown in the land schedule but the company submitted those documents doing duplication and alteration, the details of which are as follows:

(a) **Rent receipt**

Receipt No.	date	Location of the ladn	Dag No.	Khatian No.	Area of land
R 088946	16-05-13	Mouza-Shripur, Thana-Shripur, Dist-Gazipur	1843/7740,7746,7742 &7743	466/937	70.75 decimals
R 088946	16-05-13	Mouza-Shripur, Thana-Shripur, Dist-Gazipur	1843/7757	477/329	5.52 decimals

Remarks: The issuer company has prepared 2nd document duplicating 1st one altering Dag No. , Khatian No. and area of land.

(b) **Mutation/ DCR**

Book No.	Page No.	date	Location of the ladn	Khatian No.	Dag No.	Area of land
23537	12	23-05-12	Bairagichala, thana- Shripur, Dist-Gazipur Mouza- Kewa	573/626	1971/12660	64 decimals
23537	12	23-05-12	Bairagichala, thana- Shripur, Dist-Gazipur Mouza- Kewa	806/71	1962/12584	24 decimals

Remarks: The issuer company has prepared 2nd document duplicating 1st one altering Dag No. , Khatian No. and area of land.

(c) **Khatian page No.**

J L No.	date	Khatian No.	Dag No.	DCR No. & date	Jot No.	Area of land
7	19-04-14	573/626	1971/12660	235537 dt-23-05-12	485	64 decimals
7	19-10-12	06/71	1962/12584	-----------	520	24 decimals

Remarks: The issuer company has prepared 2nd document duplicating 1st one altering date, khatian no., Dag No. , DCR No., Jot No. and area of land;

Whereas, it is stated in the due diligence certificates of issue managers
Quote

'WE CONFIRM THAT

b) All the legal requirements connected with the said issue have been duly complied with' **Unquote**;

Whereas, the aforesaid activities are tantamount to non-compliance of securities law that appears deliberate and clear contravention of Rule-19 of Securities and Exchange Commission (Public Issue) Rules, 2006 and section 18 of the

Securities and Exchange Ordinance, 1969, and attracting penal provision of section 22 of the Securities and Exchange Ordinance, 1969;

Unquote

Whereas, Mr. Hasan Zabed Chowdhury (CEO-cc,, Lanka Bangla Investments Limited) and Mr. Adnan Mahmud Chowdhury (Manager, Lanka Bangla Investments Limited) have attended the hearing. They have submitted an explanation letter to the Commission, wherein the following have been stated among others;

Quote

In the above backdrop, we want to confirm that there has been no intention for misrepresentation, false or overstated information in this regard.

- In reply to BSEC deficiency letter no. SEC/CI/IPO-202/2012/53 dated January 23' 2014; Aman Cotton Fibrous Limited (ACFL) has submitted the updated land related documents. We had examined all the title deeds of the project land and found them in order. It is however, implied that all the supporting documents thereto i.e. the rent receipts, mutation, DCR etc. will also be in order as the same evolves from the title deed which have been found in order already. Moreover, the documents have been certified to be in order by the Managing Director of the Issuer Company. Based on that understanding the supporting documents were tagged along with the title deed and submitted accordingly. But later, being aware in further verification of maintenance papers, even as the title deeds are in order, we through further checking and reviewing have found that some Rent Receipts, Mutation Porcha and DCR related documents were not in order which was provided to ACFL by a third party. In this situation, being an Issue Manager, we in our good intention have immediately recommended ACFL to notify BSEC regarding the fabrication caused by the third party provided maintenance papers. Subsequently, ACFL has resubmitted updated documents and requested the Honorable Commission not to consider the previously submitted land document i.e. some DCR, Mutation and Land Rent Receipts those it found not in order and the application has been submitted to BSEC on April 28, 2014 for kind consideration. **(Attached as annexure)**

- In this circumstance as a Manager to the Issue, LankaBangla Investments Limited has suggested ACFL necessary course of action to resolve the subject mentioned issue. We had examined all the land title deeds and found them in order. But, as we are engaged in different track of concentration (Finance), we have limited of proficiency regarding need for and verification of maintenance paper of land i.e. Rent Receipts, Mutation, Porcha. However, in this particular area we have to trust the Issuer Company in Utmost Good Faith as the documents are attested by the Managing Director. We would like to assure you that **Lanka Bangla Investment Limited has not any intention to permit to materialize any misrepresentation which does not comply with the rules and**

- **regulations which ultimately will affect its organizational reputation and jeopardize ultimate business of the concern.**

In this circumstance, we cordially seek apology from the Commission for the above mentioned inconvenient situation and kindly request to consider in a sympathetic manner and we assure you that we will be more careful in future as this has been learning for us

Unquote

Whereas, as per Rule-19 of Securities and Exchange Commission (Public Issue) Rules, 2006, “If any issuer or its representative violates any of the provisions of these Rules or furnishes false, incorrect, misleading information or suppresses any information, the Securities and Exchange Commission may take appropriate action under the Securities and Exchange Ordinance, 1969.”

Whereas, as per section 18 of the Securities and Exchange Ordinance, 1969, “No person shall, in any document, paper, accounts, information or explanation which he is, by or under this Ordinance, required to furnish, or in any application made under this Ordinance, make any statement or give any information which he knows or has reasonable cause to believe to be false or incorrect in any material particular”;

Whereas, the issuer's IPO for 2,50,00,000 ordinary shares for Tk.75,00,00,000/- is under process.

Whereas, from the observation report of the Commission and the written confession of the issuer it is found that **the issuer** has submitted fabricated Mutation, DCR and Rent Receipt to the Commission. They have prepared fake documents by fabricating Dag **No. , Khatian No., area of land, date, DCR No., Jot No. of land in other submitted documents.** The issuer has confessed that they have submitted the fake land documents to the Commission.

Whereas, Lanka Bangla Investments Limited (issue manager) has explained among others that as they are engaged in different track of concentration (Finance), they have limited of proficiency regarding need for and verification of maintenance paper of land i.e. Rent Receipts, Mutation, Porcha. However, in this particular area they have to trust the Issuer Company in Utmost Good Faith as the documents are attested by the Managing Director.

Whereas, from the above explanation it is proved that Lanka Bangla Investments Limited (issue manager) has not verified the authenticity of the documents by searching in the Land Office. They have depended on issuer company on good faith. Issuer Company may try to submit fake documents, but these must be checked and verified by the issue manager. But in this connection the issue manager has not applied due diligence although they have declared in the due diligence certificates submitted to the Commission, like the following;

Quote

'WE CONFIRM THAT

b) All the legal requirements connected with the said issue have been duly complied with' **Unquote**;

Whereas, from the observation report of the Commission and the written confession of the Lanka Bangla Investments Limited (issue manager) it is **proved** that the allegation of Rule-19 of Securities and Exchange Commission (Public Issue) Rules, 2006 and Section 18 of the Securities and Exchange Ordinance, 1969 against Lanka Bangla Investments Limited (issue manager) is **correct**. The explanation of Lanka Bangla Investments Limited (issue manager) in this regard is not acceptable to the Commission.

Whereas, the issue manager's aforesaid activities are tantamount to non-compliance of securities law that appears deliberate and clear contravention of Rule-19 of Securities and Exchange Commission (Public Issue) Rules, 2006 and Section 18 of the Securities and Exchange Ordinance, 1969 attracting 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 its development the Commission deems it appropriate and necessary to impose penalty upon Lanka Bangla Investments Limited (issue manager).

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.05.00 (Tk.Five) Lac upon Lanka Bangla Investments Limited (issue manager) 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

Distribution

Managing Director/CEO
Lanka Bangla Investments Limited
Eunoos Trade Centre, Level # 21,
52-53, Dilkusha C/A, Dhaka-1000