SEC/Enforcement/925/2011/   September   , 2011

Order

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

Whereas, the Securities and Exchange Commission issued Stock Broker Registration Certificate to M. Securities Limited under avi 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 investigation report of Dhaka Stock Exchange Limited, a show cause-cum-hearing notice No. SEC/Enforcement/925/2011/220 dated April 19, 2011 was issued to M. Securities Limited to appear at the hearing on the May 04, 2011. In the show cause-cum-hearing notice among others following were mentioned;-

"Whereas, as per Order No. SEC/SRMID/94-231/1638 dated January 30, 2008 and further Order no. SEC/SRMID/94-231/1640 dated January 31, 2008, money adjustment facility will be applicable in respect of A, B, N and G category securities. Therefore, money adjustment facility will not be applicable in respect of Z category securities.

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, as per Rule 8(1) of Securities and Exchange Rules, 1987, "Every member shall prepare and maintain, as required by sub-section (1) of section 6, the following books of account and other documents in a manner that will disclose a true, accurate and up to date position of his business, namely :-

(a) journal (or other comparable record), cash books and any other books of original entry forming the basis of entries into any ledger, the books of record of all orders for purchase or sale of securities, all purchases and sales of securities, all receipts and deliveries of securities and all other debts and credits;"

Whereas, as per wmwKDwiwUR I G·‡PÄ Kwgkb (÷K wWjvi, óK ‡evKvi I Ab‡gw`Z cwZwbwa) wewagvjv, 2000 Gi wØZxq Zdwm‡j ÷K wWjvi, ÷K ‡evKvi I Ab‡gw`Z cwZwbwa‡`i AvPiY wewa 1, "c‡Z¨K ÷K wWjvi, ÷K ‡evKvi I Ab‡gw`Z cwZwbwa‡K Zvnvi e¨emv I GZ`msµvšÍ Kvh©µ‡g cwiPvjbvi †¶‡Î mbvg, `¶Zv, wek¯ÍZv I mZZv eRvq ivwL‡Z nB‡e|"

Whereas, as per wmwKDwiwUR I G·‡PÄ Kwgkb (÷K wWjvi, óK ‡evKvi I Ab‡gw`Z cwZwbwa) wewagvjv, 2000 Gi wØZxq Zdwm‡j ÷K wWjvi, ÷K ‡evKvi I Ab‡gw`Z cwZwbwa‡`i AvPiY wewa 2(2), "wZwb g‡°‡ji c`Ë mwbw`ó Z_¨ wfwËK digv‡qm Abmv‡i wmwKDwiwU µq-weµq Ges Dnvi Kvievi Kwi‡eb Ges g‡°‡ji digv‡qm ‡gvZv‡eK µq weµq Kwi‡Z cwi‡jb wK bv Zvnv h_vmg‡q wjwLZfv‡e Zvnv‡K AewnZ Kwi‡eb Ges ‡Kvb wmwKDwiwU weµq Kwiqv _wK‡j weµq jä A_ g‡°j‡K h_vmg‡q cwi‡kva Kwi‡eb Ges µq Kwiqv _wK‡j µqKZ wmwKDwiwU Ges mswkó Pw³cÎ Dnv m¤úv`‡bi ci h_vmg‡q g‡°j‡K mieivn Kwi‡eb|"

SEC/Enforcement/925/2011/ September , 2011

Whereas, as per óK-wWjvi/óK-‡evKvi/Ab‡gw`Z cwZwbwa Gi wbeÜb mb‡`i kZvejx bs 7 " ÷K-wWjvi ev ÷K-†evKvi †h ÷K G·‡P‡Äi m`m¨ Dnvi mwnZ mswkó AvBb, wewa, weavb Ges Ab¨vb¨ c‡hvR¨ kZ gwbqv Pwj‡eb|"

Whereas, investigation team reported that "After checking the relevant documents collected from M Securities Ltd. (DSE Member #44) in this regard it was found that few of their clients had used credit facilities while buying SAFKOSPINN shares as shown below:

Client code	Client Name	Date	Buy Quantity	Buy Rate	Ledger Balance at the end of day
18590	Mohammed Alauddin	31.10.10	500	412.75	-207,114.03
18877	Md. Taj Uddin	24.10.10	850	335.00	-289,653.75
337	Wali Ullah	08.08.10	1350	130.04	-42,648.31
337	Wali Ullah	31.08.10	650	168.69	-152,846.56
337	Wali Ullah	25.10.10	500	379.7	-27,176.44
337	Wali Ullah	26.10.10	3000	384.93	-614,914.02
337	Wali Ullah	27.10.10	600	430.75	-41,535.27
337	Wali Ullah	31.10.10	400	428.69	-213,867.64
337	Wali Ullah	08.11.10	600	497.60	-106,149.70
6711	Wali Ullah	28.10.10	100	485.00	-121,158.84

Contravention: M. Securities Limited 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 Safko Spinning Mills Limited which is a Z category company.

Whereas, investigation team reported that "Few other clients of M Securities Ltd. (DSE Member # 44) bought SAFKOSPINN shares by using money adjustment facilities as shown below:

Client Code	Buy Date	Instrument	Buy Quantity	Buy Rate	Ledger Balance of previous day	Cash/ Cheque received	Amount used to buy SAFKOSPINN	Ledger Balance at the end of the day
6711	01.11.10	SAFKO SPINN	700		-121,158.84	-	321,875.00	540,434.56
5131	15.11.10	SAFKO SPINN	1000		404,014.86	-	603,600.00	562,502.11

Contravention: M. Securities Limited has violated Commission's Order No. SEC/SRMID/94-231/1638 dated January 30, 2008 and further Order no. SEC/SRMID/94-231/1640 dated January 31, 2008 by allowing netting/money adjustment facility to it's client in purchasing shares of Safko Spinning Mills Limited which is a Z category company.

Whereas, investigation team further reported that "As per DSE surveillance offline data report, trade status report from TESA and report on Instrument: SAFKOSPINN, and client sale order, there was some mismatch

in the actual buy quantity and buy quantity shown by the ledger of M Securities Ltd. (DSE Member # 44) for the period of 01.08.2010 to 22.11.2010 as shown by the following table:

Client Name	Client Code	Buy Date	Actual buy Quantity	Buy quantity shown by the ledger	Quantity as per Buy order book
Mr. Wali Ullah	6711	08.08.10	1350	0	1000
Mr. Md. Wali-Ullah	337	08.08.10	0	1350	1700
Mr. Md. Wali-Ullah	337	31.08.10	0	650	650
Mr. Md. Wali-Ullah	337	21.10.10	1200	1000	1000
Mr. Mosharaf Hossain	675	31.08.10	650	0	650
Mr. Hasrat Mohd. Sharfaraj Islam	1364	3.11.10	200	0	200

Contravention: From the report it appeared that M. Securities Limited has violated Rule 8(1) (a) of the Securities and Exchange Rules, 1987, wmwKDwiwUR I G·‡PÄ Kwgkb (÷K wWjvi, óK ‡evKvi I Ab‡gw`Z cwZwbwa) wewagvjv, 2000 Gi wØZxq Zdwm‡j ewYZ ÷K wWjvi, ÷K ‡evKvi I Ab‡gw`Z cwZwbwa‡`i AvPiY wewa 1,2(2), óK-wWjvi/óK-‡evKvi/Ab‡gw`Z cwZwbwa Gi wbeÜb mb‡`i kZvejx bs7 ."

Hearing was rescheduled and conducted on June 20, 2011. Mr. Md. Kausar Ali Mondal (Authorised Representative) attended the hearing on behalf of M. Securities Limited and submitted a reply letter no. NIL dated June 20, 2011.In the letter they confessed the allegation, and stated that they have committed the violation wrongly. Among others they stated that "c‡Î D‡jwLZ †KvW mgn Avgv‡`i ebvbx kvLv †_‡K Buy/Sell K‡i _v‡K| ebvbx kvLvq MvnK KZK RgvKZ bM` ev †PK Gi wiwmU Avgv‡`i gwZwSj¯ cavb Kvhvj‡q weKv‡j Avmvq Zv ciw`‡bi Zwi‡L Backoffice Awd‡m Gw›U nq| hvi cwi‡cw¶‡Z Buy Kivi mgq Backoffice Minus †`Lvq (18590, 18877,) | GQvovI c‡Î D‡jwLZ wKQ †Kv‡Wi Mvn‡Ki GKB bv‡g `BwU †KvW _vKvq GKwU‡Z Matured Balance _vKv Ae¯vq f‡j Ab¨wU‡Z µq Kiv nq (337, 6711)|

GQvov D³ MvnK Avgv‡`i civZb Ges wbqwgZ nIqvq UvKv †`qvi cwZk"wZ‡Z evB Kivi ci †Kvb Kvi‡b UvKv w`‡Z `B GKw`b †`ix K‡i| G‡¶‡Î ZLb Avgv‡`i wKQ Kivi _v‡K bv|

c‡Îi D‡jwLZ immature UvKvq †kqvi µq wbZvšB fj µ‡g ‡eLv‡j msMwVZ nq|

c‡Î D‡jwLZ †KvW ¸wji Tesa Report Ges Backoffice Gi mv‡_ Mowgj nIqvi Kvib wb‡g Avcbvi m`q AeMwZi Rb¨ †`qv nBjt

08-08-10 Zwi‡L 6711 †Kv‡W 1350wU SAFKOSPINN Buy Kiv nq wKš cieZx‡Z Mvn‡Ki wjwLZ Ab‡iv‡a H cwigvb †kqvi Zvi bv‡gi Ab¨ †KvW A_vr 337 †Kv‡W

SEC/Enforcement/925/2011/   September   , 2011

¯vbv¯i Kiv nq| GLv‡b D‡jL †h 6711 †Kv‡W Hw`b Matured UvKv wQj| GKB e¨w³i †KvW `BwU nIqvq Gfj msMwVZ nq|

31-08-10 Zwi‡L †KvW 337 ‡mw`bB bM` UvKv †`qvi cwZk"wZ w`‡q 650 wU SAFKOSPINN Buy Kivi Rb¨ e‡j wKš f‡j Zv 675 †Kv‡W Buy n‡q hvq| hvi Kvi‡b H

†kqvi 337 †Kv‡W ¯vbvš i Kiv nq| cieZx‡Z H MvnK UvKv w`‡Z e¨v\_ n‡j Zvi Av‡Mi µq Kiv †kqvi wewµ K‡i †`qv nq|

21-10-10 Zwi‡L 337 †Kv‡W 1000wU SAFKOSPINN Gi Buy order wQj Ges 2970 †Kv‡W 200wU SAFKOSPINN Buy order wQj| wKš f‡j Zv m¤úbB 337 †Kv‡W Buy Kiv nq hvi cwi‡cw¶‡Z 200 †kqvi 2970 †Kv‡W ¯vbvšwiZ Kiv nq| GLv‡b D‡jL †h `wU †Kv‡WB H Zwi‡L Matured UvKv wQj|

03-11-10 Zwi‡L 18428 †Kv‡W 200 SAFKOSPINN Gi Buy order wQj Ges Zv f‡j 1364 †Kv‡W Buy Kiv nq hvi cwi‡cw¶‡Z 200 †kqvi 18428 †Kv‡W ¯vbvšwiZ Kiv nq| GLv‡b D‡jL †h G †Kv‡W H Zwi‡L Matured UvKv wQj|

msMwVZ fj¸wji Rb¨ Avgiv AZ¨š `wLZ| fwel¨‡Z hv‡Z Gai‡bi fj bv nq †m wel‡q Avgiv mZK \_vK‡ev| BwZg‡a¨ H A\_vivBRW Ges MvnKw`M‡K mZK K‡i wjwLZ wPwV †`qv n‡q‡Q|

BwZg‡a¨ Avgv‡`i nvD‡R 'Z' Group Gi mKj †kqv‡ii µqwe µq mxwgZ Kiv n‡q‡Q|

wel qwU mnvbfwZi mwnZ we‡ePbvi gva¨‡g e¨e¯v Mnb Kwiqv ewaZ Kwi‡eb|"

Whereas, the above mentioned written statement proves that the mentioned allegation of violating 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 to it's client in purchasing shares of Safko Spinning Mills Limited which is a Z category company), Commission's Order No. SEC/SRMID/94-231/1638 dated January 30, 2008, further Order no. SEC/SRMID/94-231/1640 dated January 31, 2008 (by allowing netting/money adjustment facility to it's client in purchasing shares of Safko Spinning Mills Limited which is a Z category company) and wmwKDwiwUR I G·‡PÄ Kwgkb (÷K wWjvi, óK ‡evKvi I Ab‡gw`Z cwZwbwa) wewagvjv, 2000 Gi wØZxq ZdwmÑj ewYZ ÷K wWjvi, ÷K ‡evKvi I Ab‡gw`Z cwZwbwa‡`i AvPiY wewa 2(2) against M. Securities Limited is **correct** and 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, Order, Directive and wewa. The said violations attract penal provision of section 22 of the Securities and Exchange Ordinance, 1969.

SEC/Enforcement/925/2011/ September , 2011

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 M. 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.5 (Tk.Five) Lac upon M. 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:
M. Securities Limited
Room No.423
DSE Annex Building
9/E,Motijheel C/A
Dhaka-1000.