বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন
Bangladesh Securities and Exchange Commission

Jiban Bima Tower, 10 Dilkusha C/A, Dhaka-1000, Bangladesh
Phone (PABX): 0088-02 9568101-2, 0088-02 9561525,Fax: 0088-02 9563721, 717660

SEC/Enforcement/969/2011/181 **March 12, 2013**

M. Securities Limited
Room No.423
DSE Annex Building
9/E, Motijheel C/A
Dhaka-1000.
Attention: Managing Director/CEO

Subject Penalty Order: Non-compliance of SEC/CMRRCD/2001-43/42 dated June 15, 2010 in connection with unusual trading in shares of and "BDAUTOCA".

Dear Sir,

Commission's penalty order No. SEC/Enforcement/969/2011/180 dated March 13, 2013 is enclosed herewith for your kind information and necessary action.

For Bangladesh Securities and Exchange Commission

Mustari Jahan
Deputy Director (Enforcement Dept.)

Distribution:
Chief Executive Officer, Dhaka Stock Exchange Limited
Chief Executive Officer, Chittagong Stock Exchange Limited

Copy for information:
P.O to Commissioner (Enforcement), BSEC
P.O to Executive Director (Surveillance), BSEC
P.O to Executive Director (MIS), BSEC
Chairman's office, BSEC

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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 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 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 regarding unusual trading in shares of 'LEGACYFOOT' and "BDAUTOCA", a show cause-cum-hearing notice No. SEC/Enforcement/969/2011/52 dated February 13, 2012 was issued to M. Securities Limited to appear at the hearing. In the show cause-cum-hearing notice among others following were mentioned;-

"Whereas, as per Commission's Directive No. SEC/CMRRCD/ 2001-43/42 dated June 15, 2010 equity securities with price-earning ratio of above 40 (forty) shall not be entertained as 'marginable securities' under clause (d) of sub-rule (12) of rule 3 of the Margin Rules, 1999 and the stock broker shall not provide loan facilities to their clients to purchase the said securities.

Whereas, during the reported period PE ratio of BDAUTOCA was above 40.Therefore as per Commission's Directive No. SEC/CMRRCD/ 2001-43/42 dated June 15, 2010 shares of BDAUTOCA can not be treated as 'marginable securities'.

Whereas, an investigation has been conducted by DSE regarding unusual trading in shares of 'LEGACYFOOT' and "BDAUTOCA".

Whereas, investigation team among others reported the following; -

"After checking the relevant documents collected form M Securities Ltd., it was found that In respect of the following client codes, they have bought 'BDAUTOCA' share without having sufficient balance as shown below, whereas as per our calculation the PE ratio of BDAUTOCA is over 40 as on the following dates-

Client code	Client Name	Date	Buy Quantity	Rate	Amount used to buy 'BDAUTOCA'	Ledger Balance at the end of day
350	Md. Ibrahim Manik	30.03.11	200	541.48	1,08,297.50	-262,118.41
350	Md. Ibrahim Manik	31.03.11	100	543.00	54,300.00	-26,261.24

Contravention: Through the aforesaid activities M Securities Ltd. has violated SEC's Directive No. SEC/CMRRCD/2001-43/42 dated June 15, 2010."

Whereas, hearing has been conducted. Mr. Md. Kausar Ali Mondal (Manager) has attended the hearing on behalf of the broker. They submitted an explanation letter no. Nil dated March 12, 2012 to the Commission. They have confessed the allegation. In the letter among others they stated the following;

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“D‡jwLZ †KvW Gi MvnK Avgv‡`i nvD‡R `xNw`b a‡i wbqwgZ Buy/Sell K‡ib| Dwb Avgv‡`i GKRb wbqwgZ eo MvnK| hvi cwi‡cw¶‡Z Dwb hLb UvKv w`‡e e‡j Buy Ki‡Z e‡jb, †m Ae¯vq mKj mgq wb‡la Kiv hvq bv| D³ MvnK 30 Ges 31 †k gvP, 2011 ZwiL GB `w`‡bi Buy/Sell Gi cwi‡cw¶‡Z 31 †k gvP Zwi‡L 5 j¶ UvKvi †PK †`q|Gfj m¤úb AwbӢQvKZ Ges †Kvb Amr D‡Ï‡k¨ Kiv nq bvB| †kqv‡ii cwigvb †`‡L weIqwU we‡ePbv Kivi Rb¨ Ab‡iva Kiv nBj| weIqwU mnvb fwZi mwnZ we‡ePbvi gva¨‡g e¨e¯v Mnb Kwiqv ewaZ Kwi‡eb|.”

Whereas, from the investigation report and the written explanation of the broker it is proved that the allegation of violating Directive No. SEC/CMRRCD/2001-43/42 dated June 15, 2010 (by providing margin loan to it’s clients to purchase shares of BDAUTOCA) against M. Securities Limited is correct. Their explanation is not acceptable to the Commission.

Whereas, the aforesaid activities are tantamount to non-compliance of securities law, appeared to be deliberate and clear contravention of the above mentioned Directive. Therefore, the said non compliance attracts 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 M. Securities Limited for the stated violations.

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.1.00 (Tk.One) Lac upon M. Securities Limited 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

<u>Distribution:</u>
M. Securities Limited
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