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/947/2011/54 **Registered with AD**
January 27, 2013

Mr.Md.Mahabubur Rahman
Client of Lanka Bangla Securities Limited
DSE Annex Building (1st floor)
9/E, Motijheel C/A
Dhaka-1000

Subject: Penalty Order: Non-compliance of Section 17 (e) (v) of Securities and Exchange Ordinance, 1969 in connection with unusual trading in shares of Legacy Footwear Limited

Dear Sir,

Commission's penalty order No. SEC/Enforcement/947/2011/53 dated January 27, 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
Chief Executive Officer, Lanka Bangla Securities Limited (with a request to send the copy of the order to Mr.Md.Mahbubur Rahman, a client of Lanka Bangla Securities Limited, Client code –D 7180)
Copy for information:
P.O to Commissioner (Enforcement), SEC
P.O to Executive Director (Surveillance), SEC
P.O to Executive Director (MIS), SEC
Chairman's office, SEC

Order

Whereas, on the basis of the investigation report of Dhaka Stock Exchange Limited on unusual trading in shares of Legacy Footwear Limited, a show cause-cum-hearing notice No. SEC/Enforcement/947/2011/ 401 dated August 08, 2012 was issued to Mr.Md.Mahabubur Rahman to appear at the hearing. In the show cause-cum-hearing notice among others following were mentioned;-

"Whereas, as per section 17(e)(v) of the Securities and Exchange Ordinance, 1969 (XVII of 1969),"No person shall, for the purpose of inducing, dissuading, effecting, preventing or in any manner influencing or turning to his advantage, the sale or purchase of any security, directly or indirectly,-

do any act or practice or engage in a course of business, or omit to do any act which operates or would operate as a fraud, deceit or manipulation upon any person, in particular-

directly or indirectly effect a series of transactions in any security creating the appearance of active trading therein or of raising of price for the purpose of inducing its purchase by others or depressing its price for the purpose of inducing its sale by others;"

Whereas, an investigation has been conducted by DSE on unusual trading in shares of Legacy Footwear Limited. Investigation Team reported as per enclosure I

Contravention: From the investigation report it appears that you have violated Section 17 (e) (v) of Securities and Exchange Ordinance, 1969."

Whereas, hearing was conducted. Mr.Md.Mahabubur Rahman attended the hearing. He submitted a written explanation No.NIL dated September 17, 2012. In the letter among others he has stated the following;

"As per report submitted by Dhaka Stock Exchange, during one year I have transacted 14,48,000 shares on buy side and 13,83,500 shares on sale side. Considering daily transaction based on total yearly volume I believe this transaction volume is not fair enough to influence or manipulates the market in any manner.

On the other hand I have booked capital gain per share of Tk.1.89, which is 3.94% annual return on the investment. Here it may be mentioned that Legacy Footwear declare 10% and 12% dividend during the year 2010 and 2011.As a result my transaction did not influence of rising of price of the shares for the purpose of inducing its purchase by others.

From my above explanation it shows that my activities are not tantamount to non-compliance of securities law that appears deliberate and clear contravention of the section 17 (e) (v) of the Securities and Exchange Ordinance, 1969 (XVII of 1969) attracting penal provision of section 22 of the Securities and Exchange Ordinance, 1969 .Nevertheless I would request your honor to take merciful view if anything wrong doing on my part and also assure you that I shall be sincere to abide by the rules regulation of Stock Exchange in future."

Whereas, the transaction reported by the investigation officers is attached herewith.

Whereas, in the reported transaction the commission has observed that Mr.Md.Mahabubur Rahman has transacted through the following five accounts;

S.L. No	Name of Member Company/ Merchant Bank	Name of Client	Client code
1	IFIC Bank Ltd.	Md.Mahabubur Rahman	2207
2	Lanka Bangla Securities Ltd.	Md.Mahabubur Rahman	D7180
3	Lanka Bangla Securities Ltd.	Md.Mahabubur Rahman	D0582
4	Salta Capital Ltd.	Md.Mahabubur Rahman	OM456
5	NBL Securities Ltd.	Md.Mahabubur Rahman	01921

Whereas, Commission has observed that Mr. Md. Mahabubur Rahman bought significant quantity of shares on 31 May, 2010 (80.18%), 5 July 2010 (72.29%),14 July, 2010, 18 July, 2010 (80%), (83.33%), 23 February, 2011 (86.96%) through the aforesaid five accounts. He bought and sold significant quantity of shares of Legacy Footwear (Z) **simultaneously** on the same day through these accounts. On 23 February, 2011, he bought Legacy Footwear (Z) which is 86.96% of total trade volume of the day and sold Legacy Footwear (Z) which is 85.87% of total trade volume of the day.

Whereas, in the reported transaction the commission has observed among others that on June 01,2010 Md.Mahabubur Rahman has transacted the shares of Legacy Footwear Limited as follows;

S.L. No	Name of Member Company/ Merchant Bank	Name of Client	Client code	Buy Quantity with rate	Sale Quantity with rate	% of buy of Mahabubur Rahman in respect of total traded volume of shares in DSE	% of sale of Mahabubur Rahman in respect of total traded volume of shares in DSE
1	IFIC Bank Ltd.	Md.Mahabubur Rahman	2207	17500 shares @ Tk 44.22	2000 shares @ Tk.44.27	47.50%	32.00%
2	Lanka Bangla Securities Ltd.	Md.Mahabubur Rahman	D7180				
3	Lanka Bangla Securities Ltd.	Md.Mahabubur Rahman	D0582	30000 shares @ Tk 43.99			
4	Salta Capital Ltd.	Md.Mahabubur Rahman	OM456		30000 shares @ Tk 44.38		

Whereas, the reported transaction proves that Md.Mahabubur Rahman was involved directly or indirectly in a series of transaction of shares of Legacy Footwear Limited in order to create the appearance of active trading of the said share.

Whereas, from the reported transaction it is proved before the Commission that the allegation of violating 17 (e) (v) of Securities and Exchange Ordinance, 1969 is correct. It is proved that Mr. Md.Mahabubur Rahman was involved directly or indirectly in a series of transaction of shares of

Legacy Footwear Limited in order to create the appearance of active trading of the said share. Since his explanation is not consistent with the transaction so it is not accepted by the Commission.

Whereas, the aforesaid activities are tantamount to non-compliance of securities law that appears deliberate and clear contravention of the section 17 (e) (v) of the Securities and Exchange Ordinance, 1969 (XVII of 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 it's development the Commission deems it appropriate and necessary to impose penalty upon Mr.Md.Mahabubur Rahman for the stated violation.

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.15.00 (Tk.Fifteen) Lac upon Mr.Md.Mahabubur Rahman 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:
Mr.Md.Mahabubur Rahman
Client of Lanka Bangla Securities Limited
DSE Annex Building (1st floor)
9/E, Motijheel C/A
Dhaka-1000