SEC/Enforcement/867/2011/ August , 2011

Order

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

Whereas, the Securities and Exchange Commission issued Stock Broker Registration Certificate to Mirror Financial Management 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, a show cause-cum-hearing notice No. SEC/Enforcement/867/2011/97 dated February 17, 2011 was issued to Mirror Financial Management Limited to appear at the hearing on the March 10, 2011. In the show cause-cum-hearing notice among others following were mentioned;-

"Whereas, as per Clause 2(a) of the Commission's Directive No. SEC/CMRRCD/ 2001-43/169 dated October 01, 2009, the Stock Broker shall not provide loan facilities to purchase any newly listed security in between 1st to 30th trading day after listing of the said security.

Whereas, trading in shares of Ocean Containers Limited has been started from March 04, 2010.Therefore as per the above mentioned Directive the Stock Broker should not provide loan facilities to purchase shares of Ocean Containers Limited in between 1st to 30th trading day after listing of the said security.

Whereas, record shows that Mirror Financial Management Limited (Stock Broker) allowed Margin Loan to it's client Mr. Arifur Rahman (Client Code No-03) and Md. Ashifur Rahman (Client Code No-133) to buy shares of Ocean Containers Limited on March 04,2010.

Contravention: Mirror Financial Management Limited violated Clause 2(a) of the Commission'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 Ocean Containers Limited in between 1st to 30th trading day after listing of the said security."

Whereas, hearing was conducted as per schedule. Mr. Md.Rezaul Alam (C.E.O) attended the hearing on behalf of Mirror Financial Management Limited and submitted a reply letter No. no.NIL dated March 08, 2011. In the letter among others they stated the following;

> "1.Mr. Arifur Rahman-Client Code 03 is one of the founding clients of our company. He has a very good contribution towards the development of the company since inception. He is a Margin client of our company who enjoys credit facilities within the prescribed limit of the Regulatory Authority (Specially The SEC). Now, on the 4th of March, 2010 Mr. Arifur Rahman sold 60600 shares of GP @ tk.354.85 on an average totaling tk.2, 14,28,357.33 after charging brokerage commission, he purchased 78,000 shares OCL @ tk.251.39 on an average totaling tk.1,96,77430.81 including brokerage commission(Client Ledger is submitted for your kind perusal). GP was trading at SPOT

Market those days. A SPOT market sale proceeds are encashed on the next day (i.e, T+1) whereas, members issue cheques as the case may be, on T+1 against purchases which in turn clears on T+2. Spot Market sale proceeds are guaranteed to be on Consolidated Customers Account on T+1 as DSE is sure to credit the amount. Therefore, in our openion we have not extended any credit whatsoever to purchase OCL in this case.

2. Mr. Ashifur Rahman-client code 133 had a positive balance of Tk.12,03,191.86 on 03.03.2010. He purchased 4700 shares of OCL @ Tk.260.20 totaling Tk.12,27,220.29 on 04.03.2010. This client paid Tk. 25,000 on 09.03.2011 to cover the shortfall (Necessary documents submitted for your scrutiny please). Only two days later of the transaction date this customer turned up and paid the outstanding amount because he was outside Dhaka at that period."

Whereas, the above mentioned written statement proves that the mentioned allegation against Mirror Financial Management 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 Directive. The said violation 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 Mirror Financial Management Limited for the stated violation.

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.5.00 (Tk.Five) Lac upon Mirror Financial Management 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

<u>Distribution:</u>

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