SEC/Enforcement/914/2011/ **August , 2011**

Order

Whereas, as per section 2(g) of the Securities and Exchange Ordinance, 1969 (ORDINANCE No. XVII of 1969) Bangladesh Industrial Finance Company Limited is an issuer (herein after referred to as an "issuer");

Whereas, on the basis of the enquiry report of Securities and Exchange Commission a show cause-cum-hearing notice No. SEC/Enforcement/914/2011/176 dated March 22, 2011 was issued to Mrs. Momtaz Begum and Mr. Abdul Wadud Malik to appear at the hearing on the April 07,2011. In the show cause-cum-hearing notice among others following were mentioned;-

"Whereas, as per wewa 2(O) Gi (A) (Av) and wewa 2(P) of wmwKDwiwUR I G·‡PÄ Kwgkb (mweav‡fvMx e¨emv wbwl×KiY) wewagvjv 1995 2(O) Òmweav‡fvMxÓ A_ Ggb †Kvb e¨w³ whwb-

(A) ‡Kvb †Kv¤úvbxi cwiPvjK, cavb †kqvi‡nvìvi, g¨v‡bwRs G‡R›U, e¨vsKvi, wbix¶K, Dc‡`óv, KgKZv ev KgPvix|

(Av) Ggb GKRb e¨w³ †h, Dc-`dv (A) †Z DwjwLZ †Kvb e¨w³i mwnZ Zvnvi m¤ú‡Ki Kvi‡Y A\_ev †Kv¤úvbxi mwnZ †h †Kvb m¤ú‡Ki Kvi‡Y ev Zvnvi Ae¯v‡bi Kvi‡Y gj¨ ms‡e`bkxj Z_¨ Rwb‡Z cv‡ib ev D³ Z_¨ Rwbevi m‡hvM Zvnvi Av‡Q ewjqv we‡ePbv Kiv hvq|

2(P) Òmweav‡fvMx e¨emvÓ A_ gj¨ ms‡e`bkxj Z‡_¨i wfwË‡Z †Kvb mweav‡fvMx KZK †Kvb wmwKDwiwU µq ev weµq ev Ab¨weafv‡e n¯vši|"

Whereas, as per wewa 4 (1) of wmwKDwiwUR I G·‡PÄ Kwgkb (mweav‡fvMx e¨emv wbwl×KiY) wewagvjv 1995

" ‡Kvb e¨w³ wb‡R ev Ab¨ Kvnv‡iv gva¨‡g mweav‡fvMx e¨emv Kwi‡eb bv ev D³ i/c e¨emvi e¨vcv‡i †Kvb e¨w³MZ civgk c`vb ev mnvqZv Kwi‡eb bv|"

Whereas, an enquiry was conducted by Securities and Exchange Commission on Bangladesh Industrial Finance Company Limited. The enquiry Committee reported the following:

"Mrs. Momtaz Begum and Mr. Abdul Wadud Malik are parents of Mr. Mahmood Malik, Managing Director of Bangladesh Industrial Finance Company Limited. Thus, Mrs. Momtaz Begum and Mr. Abdul Wadud Malik are considered as an insider as well as persons having significant relation with Bangladesh Industrial Finance Company Limited and its directors. From the collected documents it stated that Mrs. Momtaz Begum (client code D0008) bought 25,000 shares and sold 25,000 shares during 6th January 2010 to 18th April 2010 and Mrs. Momtaz Begum & Mr. Abdul Wadud Malik (client code D0968) bought 1,000 shares and sold 1,000 shares during 1st April 2010 to 15th April 2010 of Bangladesh Industrial Finance Company Limited through International Leasing Securities Limited.

It appeared from the relevant price sensitive information and DSE online news that on 21st April 2010, The Board of Directors has recommended stock dividend @ 22.50% for the year 2009."

"the said information was considered as price sensitive information. Thus any insider should not trade share of Bangladesh Industrial Finance Company Limited before publishing the captioned price sensitive information by using the advantage of knowing early aforesaid price sensitive information. But Mrs. Momtaz Begum and Mr. Abdul Wadud Malik bought 26,000 shares before publishing the aforesaid price sensitive information on 21st April, 2010 of Bangladesh Industrial Finance Company Limited by using the advantage of knowing early aforesaid price sensitive information.

Contravention: Through the aforesaid activities it is evident that Mrs. Momtaz Begum and Mr. Abdul Wadud Malik, insider and parents of Mr. Mahmood Malik, Managing Director of Bangladesh Industrial Finance Company Limited violated wewa 4(1) of wmwKDwiwUR I G·‡PÄ Kwgkb (mweav‡fvMx e¨emv wbwl×KiY) wewagvjv, 1995.”"

Whereas, hearing was conducted as per schedule. On behalf of Mrs. Momtaz Begum and Mr. Abdul Wadud Malik, Mr. Quazi Asifuddin Ahmed has attended the hearing and submitted a reply letter dated April 07, 2011. In the letter among others the following were mentioned:

“As mentioned in your letter 26,000 shares of Bangladesh Industrial Finance Company Limited (BIFC) were traded in our accounts (Client code D0008 and client code D0968) between January 6th 2010 and April 18th 2010 before the announcement of BIFC’s recommended stock dividend @ 22.50% for the year 2009. Kindly note that these deals were done as part of normal day to day account activities, without having any ill motive and had nothing to do with the fact that our son Mr. Mahmood Malik is the Managing Director of Bangladesh Industrial Finance Company Limited. Please note that we live independently in Baridhara and are not dependent on any one. We also maintain separate tax file.

We outline the following facts for your consideration which will reveal that the trading of BIFC’s shares were purely speculative without prior knowledge of any insider information.

- BIFC’s shares were traded with small profit margin during January 6th 2010 and April 18th.
- Post dividend BIFC’s share went up significantly in May 2010. We would have waited for this increase in price if the shares were purchased based on insider information.
- Total amount of transactions in BIFC’s share is small compared to the total volume of these accounts. Please note that total buy and sale in client code D0008 during the fiscal year June 2009 to May 2010 was **BDT 4,039,034,850.50 (Four hundred three crore ninety lac thirty four thousand and eighty five)** and total buy and sale in client code D0968 during the fiscal year June 2009 to May 2010 was **BDT 542,144,055.78 (Fifty four crore twenty one lac forty four thousand and fifty five).**

We hope that the above points will support our position that the sale and purchase of BIFC’s shares were just part of the normal account activities and was not based on insider information. We sincerely regret our unintentional trade of BIFC’s share and we assure you that similar violation will not be repeated in the future.”

Whereas, in the letter they confessed that they traded 26,000 no.of shares of Bangladesh Industrial Finance Company Limited (BIFCL) from January 6th 2010 and April 18th 2010 before the announcement of BIFCL’s recommended stock dividend @ 22.50% for the year 2009. The mentioned allegation of violating wewa 4 ,Dc -wewa (1) of wmwKDwiwUR I G·‡PÄ Kwgkb (mweav‡fvMx e¨emv wbwl×KiY) wewagvjv 1995 (by purchasing huge quantity of shares of BIFCL before publishing the price sensitive information by using the advantage of early knowing of the stated price sensitive information) against Mrs. Momtaz Begum and Mr. Abdul Wadud Malik is proved as correct. Their written explanations are not acceptable to the Commission.

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Whereas, the aforesaid activities are tantamount to non-compliance of securities law, deliberate and clear contravention of the above mentioned wewa 4 ,Dc -wewa (1) of wmwKDwiwUR I G·‡PÄ Kwgkb (mweav‡fvMx e¨emv wbwl×KiY) wewagvjv 1995. The said violation attracts penal provision of avia 18 of wmwKDwiwUR I G·‡PÄ Kwgkb AvBb, 1993.

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 Mrs. Momtaz Begum and Mr. Abdul Wadud Malik for the stated violation.

Now, therefore, Securities and Exchange Commission, in exercise of the power conferred by avia 18 of wmwKDwiwUR I G·‡PÄ Kwgkb AvBb, 1993 hereby imposes penalty for Tk.10.00 (Tk.Ten) Lac only upon Mrs. Momtaz Begum and Mr. Abdul Wadud Malik jointly which is to be deposited to the Commission in the form of Bank Draft/Payorder favouring 'Securities and Exchange Commission' within 30 days from the date of issuance of this order.

By order of the Securities and Exchange Commission

Professor Dr. M. Khairul Hossain
Chairman

Distribution:
Ms.Momtaz Begum and Mr.Abdul Wadood Malik
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