**SEC/Enforcement/1176/2013/** **January , 2014**

**SEC/Enforcement/1176/2013/82** **By Special Messenger**
**January 30, 2014**

Prime Finance Capital Management Limited (Merchant Bank)
63 Dilkusha C/A
Dhaka-1000.

**Attn: CEO/Managing Director**

**Subject: Penalty Order: Non compliance of Section 17 (e)(v) of Securities and Exchange Ordinance, 1969 in connection with trading in shares of** CVO **Petrochemical Refinery Ltd.**

Dear Sir,

Commission's penalty order No. SEC/Enforcement/1176/2013/81 dated January 30, 2014 is enclosed herewith for your kind information and necessary action.

For Bangladesh Securities and Exchange Commission

**Mustari Jahan**
**Deputy Director (Enforcement Dept.)**

Copy for 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 (SRI), BSEC
P.O to Executive Director (MIS), BSEC
Chairman's office, BSEC

**SEC/Enforcement/1176/2013/ January , 2014**

## Order

Whereas, on the basis of the investigation report of Dhaka Stock Exchange Limited on trading in shares of **CVO Petrochemical Refinery Limited**, a show cause-cum-hearing notice No. SEC/Enforcement/1176/2013/594 dated October 13, 2013 was issued to Prime Finance Capital Management Limited (Merchant Bank) to appear at the hearing accusing for violating section 17 (e) (iii) (v) of the Securities and Exchange Ordinance, 1969 (XVII of 1969) . Hearing has been conducted with the accused. In the show cause-cum-hearing notice following have been mentioned among others;-

**Quote**

Whereas, Bangladesh Securities and Exchange Commission issued Merchant Banker Registration Certificate to Prime Finance Capital Management Limited under wmwKDwiwUR I G·‡PÄ Kwgkb AvBb, 1993 (1993 m‡bi 15 bs AvBb), read with wewa 7 of wmwKDwiwUR I G·‡PÄ Kwgkb (gv‡P›U e¨vsKvi I †cvU©‡dvwjI g¨v‡bRvi) wewagvjv, 1996 to conduct functions of issue manager/underwriter/portfolio manager under certain terms & conditions stipulated in the said certificate;

Whereas, as per section 17(e) (iii) and (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-

effect any transaction in such security which involves no change in its beneficial ownership;

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 regarding trading in shares of CVO Petrochemical Refinery Ltd. Among others the following is mentioned in the report;

**"Prime Finance Capital Management Ltd., PFI Securities Ltd. (Dealer Account) and PFI Securities Ltd. Employee Provident Fund**

### Observations:

1. Upon examining the relevant documents collected from PFI Securities Ltd. it was found that Prime Finance Capital Management Limited (Client Code 1170) along with one of its subsidiary PFI Securities Ltd.'s dealer account (client code 307) and PFI Securities Ltd. Employee Provident Fund (Client Code-1234) traded 1709900 shares of CVOPRL in these three accounts.

(**Annexure: 3-** Trade details of Prime Finance Capital Management Ltd., PFI Securities Ltd. (Dealer Account) and PFI Securities Ltd. Employee Provident Fund along with instrument ledger and Account opening forms)

2. As per DSE trade data it was found that for 88,500 shares of CVOPRL, Prime Finance Capital Management Limited ( Client Code 1170) along with one of its subsidiary PFI Securities Ltd. dealer account (307) and PFI Securities Ltd. Employee Provident Fund (Client Code-1234) acted as counter party of each other.
(**Annexure: 4-** DSE trade data of CVOPRL on different date for client Code# 1170, client code# 307 and client code# 1234 of PFI Securities Ltd.)

**Contravention:** "It is appeared to us that Prime Finance Capital Management Ltd., ………… have violated Section 17 (e)(iii) and (e)(v) of Securities and Exchange Ordinance, 1969, by performing the following acts:

1. Created an appearance of active trading by directly and indirectly conducting a series of transaction in the shares of CVOPRL and simultaneously buying and selling from different account; and

2. Traded 88500 shares of CVOPRL in such a manner which involves no change in its beneficial ownership."

Whereas, copy of relevant annexures of the report is enclosed herewith. **Unquote**

Whereas, Investigation Team reported the following among others;

**Quote**

**Basic Information of CVO Petrochemical Refinery Ltd.:**

| Particulars | Details |
|---|---|
| Authorized Capital(mn) | 1,500.0 |
| Paid Up Capital (mn) | 180.0 |
| Total no. of Securities | 18,000,000 |
| **No. of Free Float Share** | **78,02,310** |
| % of Free Float Shares in respect of total shares | 43.35% |
| Face Value | 10 |
| Market Lot | 100 |
| Market Category | A |
| Share Percentage (As on June, 2012) | Sponsor/Director: 50.00, Govt.: 0, Institute: 9.47, Foreign: 0, Public: 40.53. |
| Details of Share Holdings | • Sponsor/Director: 50% i.e 9,000,000 no. of shares,<br>• Private corporate bodies/Individuals ( Holding more than 5%)- 11,97,690 no. shares<br>• Lock- in shares – 101,97, 690 no. of shares<br>• No. of Sponsors- 13 |

**Unquote**

**Quote**

**Position of Net Income & EPS:**

| Year / Particulars | 2013 (up to nine month) | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|
| **Net income (mn)** | 16.94 | 47.88 | 54.05 | 21.69 | -24.38 | -4.62 |
| **EPS (in Tk.)** | 0.94 | 3.19 | 4.50 | 2.17 | -24.38 | -4.62 |
| **Dividend** | | 20%B | 25%B | 20%B | n/a | n/a |

**Unquote**

**Quote**
In the Audited Financial Statements for the year ended 30 June 2010 it has been mentioned that "Previously the company manufactured soyabean oil from crude oil imported by them and sold the same in the market. Due to incurring of continuous loss in the nature of business the production of the company closed for a long period. After that, the company has diverted its business by manufacturing Petro-chemical oil from the fuel oil purchased locally."
**Unquote**

Whereas, Investigation Team reported among others;

that the accused has effected series of transaction in shares of **CVO Petrochemical Refinery Limited** with significant volume in order to manipulate the market of the said shares. They have effected the following transaction.

| **Trade Date** | Buy PF MB | Avg Rate | Sell | Avg Rate | Total trade of PF MB | **Trade Volume in Nos.** | % of trade of PF MB |
|---|---|---|---|---|---|---|---|
| 02-04-2013 | | | | | | 6,270 | |
| 03-04-2013 | 1,000 | 99.93 | | | 1,000 | 5,600 | 17.86 |
| 04-04-2013 | 1,000 | 95.74 | | | 1,000 | 5,810 | 17.21 |
| 07-04-2013 | | | | | 0 | 1,800 | |
| 08-04-2013 | 1,400 | 102.38 | | | 1,400 | 6,640 | 21.08 |
| 09-04-2013 | 1,700 | 110.88 | | | 1,700 | 26,000 | 6.54 |
| 10-04-2013 | 1,900 | 120.87 | | | 1,900 | 36,800 | 5.16 |
| 11-04-2013 | 3,100 | 130.02 | | | 3,100 | 52,660 | 5.89 |
| 15-04-2013 | 6,400 | 147.14 | | | 6,400 | 33,726 | 18.98 |
| 16-04-2013 | | | 6,600 | 138.24 | 6,600 | 53,230 | 12.40 |
| 17-04-2013 | 100 | 152.86 | | | 100 | 43,860 | 0.23 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 18-04-2013 | | | 9,900 | 167.1 | 9,900 | 95,180 | 10.40 |
| 21-04-2013 | 20,300 | 177.16 | | | 20,300 | 95,670 | 21.22 |
| 22-04-2013 | | | | | 0 | 47,820 | 0.00 |
| 23-04-2013 | 4,700 | 170.34 | | | 4,700 | 45,330 | 10.37 |
| 24-04-2013 | 8,600 | 174.28 | | | 8,600 | 67,000 | 12.84 |
| 25-04-2013 | 9,400 | 183.35 | | | 9,400 | 158,120 | 5.94 |
| 28-04-2013 | 17,100 | 187 | | | 17,100 | 107,390 | 15.92 |
| 29-04-2013 | 33,400 | 206.77 | | | 33,400 | 159,420 | 20.95 |
| 30-04-2013 | | | 24,000 | 206.95 | 24,000 | 122,320 | 19.62 |
| 02-05-2013 | 22,200 | 217.24 | | | 22,200 | 118,240.00 | 18.78 |
| 05-05-2013 | 19,200 | 240.63 | | | 19,200 | 178,920.00 | 10.73 |
| 06-05-2013 | | | | | 0 | 117,730.00 | 0.00 |
| 07-05-2013 | | | 3,300 | 257.63 | 3,300 | 100,570.00 | 3.28 |
| 08-05-2013 | | | 3,300 | 246.26 | 3,300 | 157,050.00 | 2.10 |
| 09-05-2013 | | | | | 0 | 120,030.00 | 0.00 |
| 12-05-2013 | | | 7,200 | 239.65 | 7,200 | 83,500.00 | 8.62 |
| 13-05-2013 | | | | | 0 | 95,020.00 | 0.00 |
| 14-05-2013 | | | 3,200 | 220.62 | 3,200 | 122,290.00 | 2.62 |
| 15-05-2013 | | | 3,000 | 239.48 | 3,000 | 122,630.00 | 2.45 |
| 16-05-2013 | | | 11,200 | 243.18 | 11,200 | 111,880.00 | 10.01 |
| 19-05-2013 | | | 26,000 | 242.81 | 26,000 | 142,170.00 | 18.29 |
| 20-05-2013 | | | 20,000 | 238.8 | 20,000 | 108,210.00 | 18.48 |
| 21-05-2013 | | | 3,800 | 230.09 | 3,800 | 113,120.00 | 3.36 |
| 22-05-2013 | | | | | 0 | 73,330.00 | 0.00 |
| 26-05-2013 | | | | | 0 | 136,700.00 | 0.00 |
| 27-05-2013 | 10,000 | 254.41 | | | 10,000 | 160,650.00 | 6.22 |
| 28-05-2013 | 30,000 | 273.97 | | | 30,000 | 236,350.00 | 12.69 |
| 29-05-2013 | 13,000 | 283.73 | | | 13,000 | 216,870.00 | 5.99 |
| 30-05-2013 | 7,000 | 285.03 | | | 7,000 | 135,690.00 | 5.16 |
| 02-06-2013 | | | | | 0 | 136,860.00 | 0.00 |
| 03-06-2013 | | | | | 0 | 198,920.00 | 0.00 |
| 04-06-2013 | 10,000 | 326.89 | | | 10,000 | 118,984.00 | 8.40 |
| 05-06-2013 | | | | | 0 | 184,140.00 | 0.00 |
| 06-06-2013 | | | | | 0 | 166,550.00 | 0.00 |
| 09-06-2013 | | | | | 0 | 155,490.00 | 0.00 |
| 10-06-2013 | | | | | 0 | 157,500.00 | 0.00 |
| 11-06-2013 | | | | | 0 | 118,500.00 | 0.00 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 12-06-2013 | | | | | 0 | 167,390.00 | 0.00 |
| 13-06-2013 | | | | | 0 | 120,890.00 | 0.00 |
| 16-06-2013 | | | 52,700 | 324.46 | 52,700 | 213,350.00 | 24.70 |
| 17-06-2013 | 99,200 | 348.98 | | | 99,200 | 208,710.00 | 47.53 |
| 18-06-2013 | 10,000 | 368.61 | | | 10,000 | 141,626.00 | 7.06 |
| 19-06-2013 | | | 10,000 | 370.88 | 10,000 | 208,160.00 | 4.80 |
| 20-06-2013 | | | | | 0 | 106,680.00 | 0.00 |
| 23-06-2013 | | | | | 0 | 124,780.00 | 0.00 |
| 24-06-2013 | | | | | 0 | 66,880.00 | 0.00 |
| 26-06-2013 | | | | | 0 | 71,760.00 | 0.00 |
| 27-06-2013 | 33,600 | 359.43 | | | 33,600 | 131,950.00 | 25.46 |
| 30-06-2013 | 800 | 349.04 | | | 800 | 63,500.00 | 1.26 |
| 02-07-2013 | 10,100 | 360.65 | | | 10,100 | 69,980.00 | 14.43 |
| 03-07-2013 | | | | | 0 | 51,200.00 | 0.00 |
| 04-07-2013 | | | | | 0 | 64,520.00 | 0.00 |
| 07-07-2013 | | | 11,000 | 374.96 | 11,000 | 166,650.00 | 6.60 |
| 08-07-2013 | 12,800 | 420.54 | | | 12,800 | 98,140.00 | 13.04 |
| 09-07-2013 | 11,100 | 422.35 | | | 11,100 | 87,150.00 | 12.74 |
| 10-07-2013 | 7,600 | 414.17 | | | 7,600 | 116,680.00 | 6.51 |
| 11-07-2013 | 22,500 | 445.94 | | | 22,500 | 129,500.00 | 17.37 |
| 14-07-2013 | 10,000 | 441.56 | | | 10,000 | 63,300.00 | 15.80 |
| 15-07-2013 | | | | | 0 | 66,300.00 | 0.00 |
| 16-07-2013 | 21,600 | 505.48 | | | 21,600 | 116,050.00 | 18.61 |
| 17-07-2013 | | | 4,300 | 488.53 | 4,300 | 70,700.00 | 6.08 |
| 18-07-2013 | | | 24,500 | 484.44 | 24,500 | 88,800.00 | 27.59 |
| 21-07-2013 | 21,900 | 465.17 | | | 21,900 | 115,110.00 | 19.03 |
| 22-07-2013 | | | | | 0 | 70,700.00 | 0.00 |
| 23-07-2013 | 10,000 | 396.29 | | | 10,000 | 65,020.00 | 15.38 |
| 24-07-2013 | 10,000 | 365.19 | | | 10,000 | 68,320.00 | 14.64 |
| 25-07-2013 | | | | | 0 | 42,200.00 | 0.00 |
| 28-07-2013 | | | | | 0 | 26,000.00 | 0.00 |
| 29-07-2013 | | | 23,700 | 423.8 | 23,700 | 74,830.00 | 31.67 |
| 30-07-2013 | | | 5,000 | 428.71 | 5,000 | 52,140.00 | 9.59 |
| 31-07-2013 | | | | | 0 | 30,500.00 | 0.00 |
| 01-08-2013 | | | | | 0 | 23,420 | 0.00 |
| 04-08-2013 | | | | | 0 | 19,550 | 0.00 |
| 05-08-2013 | | | | | 0 | 21,900 | 0.00 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 12-08-2013 | 12,100 | 464.49 | | | 12,100 | 71,750 | 16.86 |
| 13-08-2013 | 10,300 | 489.95 | | | 10,300 | 59,600 | 17.28 |
| 14-08-2013 | 7,600 | 500.67 | | | 7,600 | 141,350 | 5.38 |
| 18-08-2013 | | | | | 0 | 77,570 | 0.00 |
| 19-08-2013 | 5,500 | 532.91 | | | 5,500 | 111,596 | 4.93 |
| 20-08-2013 | 13,800 | 542.52 | | | 13,800 | 73,350 | 18.81 |
| 21-08-2013 | 15,600 | 558.49 | | | 15,600 | 79,380 | 19.65 |
| 22-08-2013 | 80,100 | 598.41 | | | 80,100 | 158,450 | 50.55 |
| 25-08-2013 | | | | | 0 | 115,320 | 0.00 |
| 26-08-2013 | | | 11,400 | 586.41 | 11,400 | 101,090 | 11.28 |
| 27-08-2013 | | | 25,900 | 631.56 | 25,900 | 124,890 | 20.74 |
| 29-08-2013 | | | 14,100 | 600.61 | 14,100 | 92,130 | 15.30 |
| 01-09-2013 | | | 5,400 | 590.62 | 5,400 | 53,740 | 10.05 |
| 02-09-2013 | | | 16,900 | 570.61 | 16,900 | 75,660 | 22.34 |
| 03-09-2013 | | | 18,100 | 573.15 | 18,100 | 51,070 | 35.44 |
| 04-09-2013 | | | 2,800 | 610.3 | 2,800 | 54,980 | 5.09 |
| 05-09-2013 | | | 58,200 | 619.05 | 58,200 | 109,010 | 53.39 |
| 08-09-2013 | 37,800 | 667.46 | | | 37,800 | 112,070 | 33.73 |
| 09-09-2013 | | | 26,000 | 699.34 | 26,000 | 120,090 | 21.65 |
| 10-09-2013 | | | 129,200 | 703.04 | 129,200 | 202,120 | 63.92 |
| 11-09-2013 | 8,100 | 746.12 | | | 8,100 | 101,770 | 7.96 |
| 12-09-2013 | 33,700 | 778.31 | | | 33,700 | 103,010 | 32.72 |
| 15-09-2013 | 82,100 | 812.65 | | | 82,100 | 152,916 | 53.69 |
| 16-09-2013 | 41,300 | 818.16 | | | 41,300 | 117,390 | 35.18 |
| 17-09-2013 | | | | | 0 | 54,760 | 0.00 |
| 18-09-2013 | 14,000 | 835.62 | | | 14,000 | 90,600 | 15.45 |
| 19-09-2013 | | | | | 0 | 60,200 | 0.00 |
| 22-09-2013 | 10,000 | 820.38 | | | 10,000 | 55,260 | 18.10 |
| 23-09-2013 | | | 5,900 | 875.85 | 5,900 | 72,180 | 8.17 |
| | 884,700 | | 606,600 | | | | |

Whereas , Prime Finance Capital Management Limited (Merchant Bank) has submitted an explanation letter no. PFCML/Enq-1069(B)/13/404 dated 06 November 2013 to the Commission. In the letter among others they stated the following;

**SEC/Enforcement/1176/2013/ January , 2014**

**<u>Quote</u>**

01. In the Show Cause Notice it has been alleged that Prime Finance Capital Management Limited (Client Code 1170) along with one of its subsidiary PFI Securities Ltd's Dealer Account (307) and PFI Securities Ltd Employee Provident Fund (Client Code 1234) traded 1709900 shares of CVOPRL (CVO Petrochemical Refinery Ltd) in the said three accounts. In this connection it is stated that from the trade details you have annexed as Annexure-3 it is not clear as to how the alleged trading was held. It is further stated that Prime Finance Capital Management Limited does not hold any shares in the capital of PFI Securities Ltd, <u>as such PFI Securities Ltd is in no way a subsidiary of Prime Finance Capital Management Limited.</u> **It is also stated that PFI Securities Ltd Employee Provident Fund is a Provident Fund of the employees of PFI Securities Ltd and the said Provident Fund is administered and managed by the Trustees of the said Provident Fund and as such neither Prime Finance Capital Management Limited nor PFI Securities Ltd have any control over and/or is not responsible for, any investment of the said fund made by the Trustees in any securities or otherwise. Thus, Prime Finance Capital Management Limited (Client Code 1170), PFI Securities Ltd's Dealer Account (307) and PFI Securities Ltd Employee Provident Fund (Client Code 1234) are three separate entities/funds.**

**02.** You have also alleged that as per DSE trade data it was found that for 88,500 shares of CVOPRL, Prime Finance Capital Management Limited (Client Code 1170) along with one of its subsidiary PFI Securities Ltd's Dealer Account (307) and PFI Securities Ltd Employee Provident Fund (Client Code 1234) acted as counter party of each other. In this connection it is reiterated that Prime Finance Capital Management Limited (Client Code 1170), PFI Securities Ltd's Dealer Account (307) and PFI Securities Ltd Employee Provident Fund (Client Code 1234) are <u>separate entities/funds.</u>

03. You have further alleged that Prime Finance Capital Management Limited, PFI Securities Ltd's Dealer Account and PFI Securities Ltd Employee Provident Fund have violated section 17(e)(iii) and e(v) of the Securities and Exchange Ordinance 1969 by performing the following acts:

1) Created an appearance of active trading by directly and indirectly conducting a series of transaction in the shares of CVOPRL and simultaneously buying and selling from different account; and

2) Traded 88500 shares of CVOPRL in such a manner which involves no change in its beneficial ownership.

04. Your first allegation of violation is with regard to section 17(e)(v) of the Securities and Exchange Ordinance 1969, which provides as follows:

> "No person shall, **<u>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</u>**, directly or indirectly, (e) **<u>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</u>**, in particular

(v) 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"

From the trade data sent by you along with your Notice it appears that PFI Securities Ltd purchased for itself in its Dealer Account 5,000 shares of CVOPRL on 11.04.2013, 4,500 shares on 15.04.2013, 5,000 shares on 16.04.2013, 20,000 shares on 25.04.2013, 10,000 shares on 28.04.2013, 20,500 shares on 05.05.2013, 600 shares on 08.05.2013 and 31,000 shares on 10.09.2013. Thus during the said period PFI Securities Ltd purchased in its Dealer Account a total of 96,600 shares. PFI Securities Ltd has not sold any shares of CVOPRL from its Dealer Account on any of the above dates, but sold 8,000 shares on 22.04.2013, 6,500 shares on 23.04.2013 and 50,000 shares on 22.08.2013. Thus during the aforesaid period a total of 64,500 shares were sold from the Dealer Account.

It is pertinent to mention here that on the aforesaid dates of purchase, no shares of CVOPRL were sold from the account of Prime Finance Capital Management Limited (Client Code 1170), except 6,600 shares were sold on 16.04.2013 and 1,29,200 shares were sold on 10.09.2013 and on those two dates PFI Securities Ltd purchased in its Dealer Account 5,000 shares and 31,000 shares respectively. Similarly, on the aforesaid dates of sale, no shares of CVOPRL were purchased in the account of Prime Finance Capital Management Limited (Client Code 1170), except 80,100 shares were purchased on 22.08.2013 and on that date PFI Securities Ltd sold from its Dealer Account 50,000 shares only.

On the other hand, on the aforesaid dates of purchase, no shares of CVOPRL were sold from the account of PFI Securities Ltd Employee Provident Fund (Client Code 1234) and on the aforesaid dates of sale, no shares of CVOPRL were purchased in the account of PFI Securities Ltd Employee Provident Fund (Client Code 1234), except 2,800 shares were purchased on 22.08.2013 and on that date PFI Securities Ltd sold from its Dealer Account 50,000 shares.

**As such, from the aforesaid transactions during the aforesaid period it is clear that there was no simultaneous buying and selling of shares of CVOPRL from different accounts.**

05. Your second allegation of violation is with regard to section 17(e)(iii) of the Securities and Exchange Ordinance 1969, which provides as follows:

> "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, (e) **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
>
> (iii) effect any transaction in such security which involves no change in its beneficial ownership"

In this connection it is reiterated that Prime Finance Capital Management Limited (Client Code 1170), PFI Securities Ltd's Dealer Account (307) and PFI Securities Ltd Employee Provident Fund (Client Code 1234) are separate entities/funds. The said three accounts are not beneficially owned by a single person.

As such, from the aforesaid transactions during the aforesaid period it is clear that there was no transaction in the shares of CVOPRL which involves no change in its beneficial ownership.

06. Please note that section 17 of the Securities and Exchange Ordinance 1969 prohibits fraudulent acts, etc., and the "purpose" as enunciated in section 17 of the Securities and Exchange Ordinance 1969 is a prerequisite for constitution of a fraudulent act within the meaning of that section. In the instant case, Prime Finance Capital Management Limited has not made any transaction in the shares of CVOPRL **for the purpose of inducing, dissuading, effecting, preventing or in any manner influencing or turning to its advantage, the sale or purchase of the shares of CVOPRL** and from the aforesaid transactions during the aforesaid period it cannot be construed that, the aforesaid transactions in the shares of CVOPRL were made by Prime Finance Capital Management Limited for any of the said purposes.

07. Please also note that in order to constitute a prohibited act under sub-section (e) of section 17 of the Securities and Exchange Ordinance 1969 it requires any act or practice or engagement in a course of business, or omission to do any act which operates or would operate as a **fraud, deceit or manipulation upon any person**. In the instant case, Prime Finance Capital Management Limited has not made any transaction or has not omitted to do anything which operates or would operate as a **fraud, deceit or manipulation upon any person** and from the aforesaid transactions during the aforesaid period it cannot be construed that, Prime Finance Capital Management Limited has made any transaction or has omitted to do anything which operates or would operate as a **fraud, deceit or manipulation upon any person**.

08. It is also submitted that there was no deliberate and/or clear contravention of any securities law on our part.

In the circumstances we hope and pray that the above explanation would suffice to satisfy you to come to a conclusion that there was no violation on our part of section 17(e) (iii) and/or 17(e)(v) of the Securities and Exchange Ordinance 1969 and accordingly, we hope and pray that we may be absolved from any further measures under section 22 of the Securities and Exchange Ordinance 1969.**Unquote**

Whereas, considering the accused's explanation, allegation for violating section 17 (e) (iii) of the Securities and Exchange Ordinance, 1969 (XVII of 1969) has been disposed off by the Commission.

Whereas, the Prime Finance Capital Management Limited (Merchant Bank) has explained among others that it had not any bad motive to influence the buy sale of the said shares; it had not made any transaction which operates as a **fraud, deceit or manipulation upon any person**. But Commission is of the opinion that it's above transactions do not support the explanation. It has effected series of transaction in shares of **CVO Petrochemical Refinery Limited** through buying or selling consecutively with significant volume. During the reported period it has bought the said company's share from Tk.99.93 to Tk.820.38 (Face value is Tk.10.00) par share despite knowing of the fact that the EPS of the Company was deteriorating than the previous years, the Price Earning ratio was too high and the Company has not started the production of the new product (Petro-chemical oil from the fuel oil). From the reported transaction it is found that gradually the price and volume of the said shares have been increased. Since number of free float share of CVO Petrochemical Refinery Limited is 78,02,310 the accused's aforesaid huge and consecutive transactions had definite effect on price and volume of the said shares as well as on other investors. It's transaction technique has allured the other investors in buying and selling the said shares through manipulating the market of the said shares .It has applied such unlawful technique in order to turn advantage within short time or long time ultimately. The accused's aforesaid transaction pattern/behaviour attracts section 17(e) (v) of the Securities and Exchange Ordinance, 1969 (XVII of 1969).

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 Prime Finance Capital Management Limited (Merchant Bank).

**SEC/Enforcement/1176/2013/                                        January          , 2014**

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.07.00 (Tk.Seven) Lac upon Prime Finance Capital Management Limited (Merchant Bank) 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

**SEC/Enforcement/1176/2013/** **January , 2014**

<u>Distribution:</u>
Prime Finance Capital Management Limited (Merchant Bank)
63 Dilkusha C/A
Dhaka-1000