SEC/Enforcement/961/2011/ **April , 2014**

SEC/Enforcement/961/2011/212 **By Special Messenger**
April 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 Directive No. SEC/CMRRCD/2009-193/93 dated January 10, 2011 in connection with trading in shares of PF1STMF

Dear Sir,

Commission's penalty order No. SEC/Enforcement/961/2011/ dated April , 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

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Order

Whereas, on the basis of the investigation report of Dhaka Stock Exchange Limited on trading in shares of PHOENIX FINANCE 1ST MUTUAL FUND, a show cause-cum-hearing notice No. **SEC/Enforcement/961/2011/391 dated** June 24, 2013 dated October 13, 2013 was issued to Prime Finance Capital Management Limited (Merchant Bank) to appear at the hearing accusing for violating Directive No. SEC/CMRRCD/2009-193/93 dated January 10, 2011 in connection with trading in shares of PF1STMF . 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 Directive No. SEC/CMRRCD/2009-193/93 dated January 10, 2011 merchant bankers as well as portfolio managers were not allowed to disburse margin loan beyond the ratio of 1:2 .

Whereas, an investigation has been conducted by DSE regarding trading in shares of PF1STMF By Prime Finance Capital Management Limited through vision capital management Ltd. Surveillance department of BSEC has reviewed the report and observed the following;

Portfolio Date	Name	Client Code	Portfolio Value (Tk)	Ledger Bal. (Tk)	Margin (Deposit) (Tk)	Margin Ratio	Maximum Limit as per SEC Directive
22.02.2011	New Capital Finance & Commerce (MCS) Ltd.	A0502	30,980,708.00	(24,839,486.27)	6,141,221.73	1 : 4.04	1:2
22.02.2011	Mr. Bulbul Ahmed	A0492	22,698,883.00	(17,291,785.47)	5,407,097.53	1 : 3.20	1:2
22.02.2011	A. R. Consultation	A0490	10,957,365.00	(11,564,135.67)	(606,770.67)	-	1:2
22.02.2011	Empire Securities Holding	A0484	20,851,035.00	(15,978,530.49)	4,872,504.51	1 : 3.28	1:2
22.02.2011	Equity Capital (MCS) Limited	A0459	41,182,095.00	(27,963,707.05)	13,218,387.95	1 : 2.12	1:2

Contravention: Prime Finance Capital Management Limited has violated Directive No. SEC/CMRRCD/2009-193/93 dated January 10, 2011 by allowing margin loan to it's clients beyond the permissible limit.

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Whereas, Dr.M.Mosharraf Hossain (CEO, Prime Finance Capital Management Limited), Mohammad Shohidul Islam (CFO, Prime Finance Capital Management Limited) have attended the hearing. They have submitted a letter to the Commission, wherein the following has been stated among others;

"We regret to inform you that the Investors of aforementioned codes overbought on 22 February 2011 and on that basis we requested them to deposit fresh money or sale those overbought securities immediately (our letter enclosed for your ready reference) otherwise we have no option but to sell overbought shares.

Subsequently, the Investors replied us that they will adjust the excess buy as soon as price increases and also requested us not to force-sale securities from their codes (letter enclosed for your ready reference).

Subsequently, the market was deteriorating further, as a result, they could not sale their securities for adjusting overbuy. It may kindly be noted that we did not force-sale the shares of any investors for adjusting our margin loan.

As you know, Prime Finance Capital Management Limited is very keen to comply with all the rules and regulations of Bangladesh Securities and Exchange Commission. This event was unintentional mistake from our part. We feel very sorry for that and we assure you that this will not happen in future."

Whereas, They have confessed the allegation. From the report and written explanation allegation against the merchant bank for violating Directive No. SEC/CMRRCD/2009-193/93 dated January 10, 2011 by allowing margin loan to it's clients beyond the permissible limit is proved as correct. Since the violation has been committed in several codes, so it is definitely deliberate.

Whereas, the aforesaid activities are tantamount to non-compliance of securities law that appears deliberate and clear contravention of Directive No. SEC/CMRRCD/2009-193/93 dated January 10, 2011 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).

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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.02.00 (Tk.Two) 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