evsjv‡`k wmwKDwiwUR A¨vÛ G·‡PÄ Kwgkb
Rxeb exgv UvIqvi (14,15,16 I 20 Zjv)
10, w`jKkv ev/G
XvKv-1000

bs-GmBwm/Gb‡dvm‡g›U/1062/2012/308 ZwiLt 20 ‡g 2013

Av‡`k

Reliance Brokerage Services Ltd. [RBSL]
(DSE membership no. 62)
WW Tower, Level-14
68 Motijheel C/A
Dhaka-1000

welq: Av‡`k|

Kwgk‡bi 20 ‡g 2013 Zwi‡Li Av‡`k bs-GmBwm/Gb‡dvm‡g›U/1062/2012/307 Gi mZ¨wqZ Abwjwc Avcbvi AeMwZ I c‡qvRbxq e¨e¯’v Mn‡bi Rb¨ GZ`ms‡M msh³ Kiv n‡jv|

evsjv‡`k wmwKDwiwUR A¨vÛ G·‡PÄ Kwgk‡bi c‡¶

gxi †gvkvii d †nv‡mb †PŠaix
cwiPvjK (Gb‡dvm‡g›U)

weZibt

cavb wbevnx KgKZv, XvKv óK G·‡PÄ wjwg‡UW

AeMwZi Rb¨ Abwjwc:

1| wbevnx cwiPvjK, AvBb, weGmBwm
2| wbevnx cwiPvjK, GgAvBGm, weGmBwm
3| wbevnx cwiPvjK, GmAviAvB, weGmBwm
4| †Pqvig¨vb g‡nv`‡qi `ßi, weGmBwm

evsjv‡`k wmwKDwiwUR A¨vÛ G·‡PÄ Kwgkb
Rxeb exgv UvIqvi (14,15,16 I 20 Zjv)
10, w`jKkv ev/G
XvKv-1000

bs-GmBwm/Gb‡dvm©‡g›U/1062/2012/307 ZvwiLt 20 ‡g 2013

<u>Av‡`k</u>

‡h‡nZ, Kwgkb, Reliance Brokerage Services Limited (wWGmB m`m¨ bs-62) †K Zvi Av‡e`bµ‡g, wbawiZ kZvax‡b wmwKDwiwUR µq weµq KgK©Ê cwiPvjbv Kivi Rb¨ wmwKDwiwUR I G·‡PÄ Kwgkb (AZ:ci ÒKwgkbÓ e‡j DwjøwLZ) wmwKDwiwUR I G·‡PÄ Kwgkb AvBb, 1993 (1993 m‡bi 15 bs AvBb) Gi 10(1) G c`Ë ¶gZve‡j wmwKDwiwUR I G·‡PÄ Kwgkb (÷K-wWjvi, ÷K-‡evKvi I Ab‡gvw`Z cÖwZwbwa) wewagvjv, 2000 Gi wewa 5(5) mn cwVZ ÷K‡evKvi/wWjvi †iwR‡óªkb mvwU©wd‡KU c`vb K‡i‡Q;

‡h‡nZ, an inspection on Reliance Brokerage Services Ltd. was conducted by the Commission vide Commission's Order No. SEC/SRI/INS/DSE-MEM/2010/561 dated 14th November 2012. From the inspection report it appears, among others, that:

"**A.** Average Net Capital of RBSL for last three months (June, July & August 2012) are Tk. 19,63,01,832.00 i.e., (Tk. 19,61,48,786.41 + Tk. 19,79,18,919.12 + Tk. 19,48,37,790.52)/3. As per Rule 5(1) of Margin Rules, 1999 no member shall be permitted deficit arising from transactions by a single client to exceed 25% of their average net capital i.e., Tk 4,90,75,458.00. In this regard, RBSL permitted debit balance (deficit) excess of highest limit of Tk. 4,90,75,458.00. During the inspection, it was found from the summary ledger/portfolio statement of the following clients as on September 30, 2012 from their transactions as follows:

Client Code	**Name of the client**	**Debit balance (BDT)**
D55	Mr. A. B. Siddique	6,48,17,818.33
D352	Mr. Md. Arifur Rahman	7,61,55,755.87
D13	Mr. Golam Kibria	5,66,89,146.31
D799	Mr. Mir Md. Amzad Hossain	12,61,19,597.53
D1501	Mr. Salman F. Rahman	13,32,69,451.16
D763	Mr. Asif Iqbal	5,05,09,948.74
D422	Mr. Mahmood Malik	6,03,32,899.23
D315	Mr. Mozammel Hossain & Ms. Afroza Akter	16,86,42,770.47

Contravention: Through the aforesaid activities Reliance Brokerage Services Ltd violated Rules 5 of Margin Rules, 1999.

B. As per the Commission's Directive No. SEC/CMRRCD/2001-43/53 dated July 25, 2010 no member (stock broker) shall be extended Margin Loan facilities to their approved individual clients or their spouse or any of their dependent persons in single or joint name more than Tk. 10 (ten) crore. The Stock brokers who have provided such credit facilities exceeding Tk. 10 (ten) crore in favor of the above mentioned clients or stock-dealer concerned shall be gradually adjusted by September 30,m 2010, latest. During the inspection, it was found from the summary ledger/portfolio statement of the following clients as on September 30, 2012 from their transactions as follows:

Client Code	Name of the client	Debit balance (BDT)
D799	Mr. Mir Md. Amzad Hossain	12,61,19,597.53
D1501	Mr. Salman F. Rahman	13,32,69,451.16
D315	Mr. Mozammel Hossain & Ms. Afroza Akter	16,86,42,770.47

Contravention: Through the aforesaid activities Reliance Brokerage Services Ltd violated the Commission's Directive No. SEC/CMRRCD/2001-43/53 dated July 25, 2010.

C. Reliance Brokerage Services Ltd. (DSE Member No.062) has given margin loan to its clients exceeding all norms and violating many rules, regulations of the securities market. They have extended loan to clients upto 18.39 times of net deposit and 9.66 times of remaining deposit which may be seen for the account No.D98 below. They have extended huge excess loan to many other clients which may be seen below:

A/C Number	Account Name	Position as on	Portfolio Value(Tk)	Loan Balance (Tk)	Equity (Tk)	Net Deposit	Realized Gain/ (Loss)	Remaining Deposit (7 + 8)	Loan to Net Deposit **(Times)** (5 / 7)
1	2	3	4	5	6	7	8	9	10
D-85	Partha Pratim Das & Apu Das	31-Dec-11	9,679,170	-18,010,298	-8,331,128	4,396,000	-6,953,066	-2,557,066	4.10
D-98	Mohammad Abdur Rakib Talukder	31-Dec-11	13,773,880	-14,634,831	-860,951	796,000	719,412	1,515,412	18.39
D-99	Rupak Kumar Saha	30-Sep-11	7,432,000	-8,761,114	-1,329,114	2,301,000	-1,974,641	326,359	3.81
D114	Mizanur Khan	30-May-11	46,594,428	-52,650,571	-6,056,143	9,233,000	-12,499,981	-3,266,981	5.70
D167	Dabashis Saha	30-Sep-11	26,332,587	-22,896,963	3,435,624	5,351,000	-119,680	5,231,320	4.28
D194	Biprojit Gune	25-May-11	28,911,732	-30,782,029	-1,870,297	8,301,000	-3,829,429	4,471,571	3.71
D246	Syful Islam & Eshita	30-Sep-11	5,999,287	-7,615,010	-1,615,723	550,000	-1,522,408	-972,408	13.85
D268	Pijush Paul	9-Oct-11	6,755,600	-8,004,830	-1,249,230	1,001,000	-1,541,305	-540,305	8.00
D288	Subrata Kumar Paul	30-Sep-11	6,239,832	-7,554,661	-1,314,829	1,001,000	-1,600,092	-599,092	7.55
D354	Akramul Hoque	31-Mar-12	20,829,385	-32,916,436	-12,087,051	6,460,000	-5,800,908	659,092	5.10
D491	Akramul Haque & Placid Gomes	30-Sep-11	10,313,852	-13,228,673	-2,914,821	2,200,000	-4,415,746	-2,215,746	6.01
D763	Asif Iqbal	27-Apr-11	48,155,825	-44,063,470	4,092,355	8,755,000	1,452,699	10,207,699	5.03
D819	Esmet Zarin Akter	31-Mar-11	40,148,000	-36,551,454	3,596,546	4,000,000	2,073,222	6,073,222	9.14
D833	Anima Paul	30-Sep-11	5,232,000	-6,726,974	-1,494,974	1,100,000	-1,860,490	-760,490	6.12
D870	Nayan Enterprise	30-Sep-11	8,642,580	-9,491,744	-849,164	2,301,000	-1,631,434	669,566	4.13
K9	Pratul Kumar Saha	30-Jun-11	5,631,350	-6,873,861	-1,242,511	1,001,000	-839,873	161,127	6.87
K11	Mohammed Nur Uddin Chy	21-Mar-11	26,641,140	-22,998,423	3,642,717	6,000,000	-1,361,391	4,638,609	3.83

C2303	Bipul Ghosh & Biplab Kanti Ghos	30-Sep-11	6,451,250	-7,006,864	-555,614	1,000,000	-15,392	984,608	7.01
C2449	Shabbir Hossain	31-Dec-11	4,128,380	-6,711,477	-2,583,097	393,630	-887,979	-494,349	17.05

[Calculation Process:

Equity = Portfolio Value – Loan Balance
Extendable Maximum Loan Balance = Margin/Deposit x 2
Note:
Loan Balance = Debit Liability/Current Balance (Matured Fund Balance + Receivable Sale – Accrued fees & Charges).
Net Deposit = Total Deposit – Total Withdrawal.]
As per the Commission's Directive No. SEC/CMRRCD/2009-193/92 dated January 10, 2011 the members of the stock exchanges may now extend credit facilities to their approved clients upto 2 (two) times of clients' margin/clients' deposit (i.e. credit facilities shale be on 1:2 basis) under the Margin Rules, 1999, until further order. But, RBSL has extended its credit facilities to their approved more than 2 (two) times of clients' margin/clients' deposit.

Contravention: Through the aforesaid activities Reliance Brokerage Services Ltd. violated the Commission's Directive No. SEC/CMRRCD/2009-193/92 dated January 10, 2011 and No.SEC/CMRRCD/2001-43/79 dated December 19, 2011 and thereby voilated Section 20A of the Securities and Exchange Ordinance, 1969 (XVII of 1969)."

‡h‡nZ, Kwgkb Dc‡iwjwLZ AvBb cwicvj‡b e¨_Zvi `i"b Reliance Brokerage Services Limited Gi eive‡i GKwU show-cause-cum-hearing notice mÎ bs- **SEC/Enforcement/1062/2012/121** ZwiL 3 ‡de"qvix 2013 †ciY K‡i Ges 13 ‡de"qvix 2013 Zwi‡L kbvbxi w`b avh¨ K‡i Ges avh¨KZ Zwi‡L Reliance Brokerage Services Limited Gi BbPvR ei"b cmv` cvj Ges ‡nW Ae Acv‡ikb dvnwg`v nK Dcw¯Z n‡q 12 ‡de"qvix 2013 ZwiL Gi wPwVi gva¨‡g †Kv¤úvbxi wjwLZ e³e¨ `wLj K‡ib| hv‡Z Ab¨v‡b¨i g‡a¨, wb‡bœv³ welq¸wji D‡jL Av‡Q:-

"We express our sincere apology for violating the above rules and directives however we would like to mention that there was no ill intention behind the above said acts. We accept the fact that we have extended some of our clients with credit facilities of more than Ten (10) crores and above 25% of our average net capital. Please be informed that RBSL started its operation on September 29, 2010 when Bangladesh Capital Market was booming rapidly. The situation compelled us to provide loan facilities at a higher ratio to some of the big clients to be market competitive. We intended to reduce the loan balance in time being but failed to do so due to the historic market crash experienced by Bangladesh Capital Market.

Please also be informed that due to the recent capital market crash, a lot of investors of Reliance Brokerage Services Limited (RBSL), like the investors of other brokerage houses and merchant banks, have suffered a huge equity loss. To give the clients an opportunity to average their portfolios, as a means of saving their investment, RBSL had to provide extra loan facilities to them. But the clients suffered further loss due to market fall and failed to rotate their capital which increased the loan amounts in the clients' portfolios by accumulating the charges and interests. As a result lots clients even lost their entire equity and piled up a substantial amount of liability with RBSL.

Please consider the fact that during the whole period of market debacle, RBSL was always supportive to the investors without caring the bottom line of the company and never sold any share from the BO accounts having negative equity against the will of the investors which results in a pile up of huge liabilities in those accounts. But unfortunately this generous attempt has put RBSL in a very difficult situation as with in this process a huge amount of fund got stuck up. To overcome this situation RBSL gave the clients having huge equity loss an opportunity to trade with an adjustment. So it's the bad market condition which compelled us to provide extra loan facilities to our clients by violating BSEC rules and directives.

However we do not defend ourselves for the violation of commissions' rules and directives and apologize again for being noncompliant. We request you to consider the above said matters as free from any ill intention and not to take any punitive actions against us. We also glad to inform you that we are already working to establish a stringent internal control and compliance process and hereby give assurance that in future we will try our best to be fully compliant in every aspect."

‡h‡nZ, Reliance Brokerage Services Limited Gi wjwLZ e³e¨ †_‡K m¯úó cZxqgvb nq †h, Reliance Brokerage Services Limited ïbvbxi †bwU‡ki Awf‡hvMmgn ¯xKvi K‡i‡Qb hv B"QvKZ Ges Rules 5 of Margin Rules, 1999, Directive No. SEC/CMRRCD/2001-43/53 dated July 25, 2010, Directive No. SEC/CMRRCD/2009-193/92 dated January 10, 2011 and No.SEC/CMRRCD/2001-43/79 dated December 19, 2011 Gi m¯úó jsNb weavq section 22 of the Securities and Exchange Ordinance, 1969 Abhvqx kw¯‡hvM¨ Aciva, hv †Kvbfv‡eB ¶gv‡hvM¨ b‡n;

‡h‡nZ, Kwgk‡bi we‡ePbvq, wmwKDwiwUR AvBb cwicvj‡b DwjwLZ e¨_Zvi Rb¨, Z_v cwRevRv‡ii Dbq‡bi cvkvcwk evRv‡ii ksLjv I ¯"QZv i¶vi ¯v‡_ Reliance Brokerage Services Limited †K Rwigvbv Kiv c‡qvRb I mgxPxb;

AZGe, †m‡nZ, Kwgkb, DwjwLZ hveZxq welq we‡ePbvceK, Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969) Gi section 22 [hv The Securities and Exchange (Amendment) Act, 2000 Øviv ms‡kwaZ] G c`Ë ¶gZve‡j Reliance Brokerage Services Limited Gi Dci 2 (`B) j¶ UvKv Rwigvbv avh¨ Kij hv AÎ Av‡`‡ki ZwiL n‡Z 15 (c‡bi) w`‡bi g‡a¨ 'evsjv‡`k wmwKDwiwUR A¨vÛ G·‡PÄ Kwgkbô Gi AbK‡j Bm¨KZ e¨vsK WvdU/†c-AWv‡ii gva¨‡g Kwgk‡b Rgv Ki‡Z n‡e|

evsjv‡`k wmwKDwiwUR A¨vÛ G·‡PÄ Kwgk‡bi Av‡`kµ‡g,

Aa¨vcK W: Gg Lvqi"j †nv‡mb
‡Pqvig¨vb

weZibt
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(DSE membership no. 62)
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