SEC/Enforcement/877/2011/ **December , 2011**

Fax:880-2-031-727871

Salta Capital Limited
CSE's Membership No. 22
Manjur Building (2nd floor)
67, Agrabad C/A
Chittagong-4100.

Attention: Managing Director/CEO

Subject: Penal Order: Non-compliance of Commission's Directive No. SEC/CMRRCD/ 2001-43/42 dated June 15, 2010, Directive No. SEC/CMRRCD/ 2009-193/63 dated September 06, 2010 and Regulation 4(1) of Chittagong Stock Exchange (Short-Sale) Regulations, 2005 <u>in connection with unusual trading in shares of Eastern Housing Limited.</u>

Dear Sir,

Commission's penal order No. SEC/Enforcement/877/2011/ 854 dated December 28, 2011 is enclosed herewith for your kind information and necessary action.

For Securities and Exchange Commission

Mustari Jahan
Deputy Director (Enforcement Dept.)
<u>Distribution:</u>
Chief Executive Officer, Dhaka Stock Exchange Limited
Chief Executive Officer, Chittagong Stock Exchange Limited

<u>Copy for information:</u>
P.O to Member (Enforcement), SEC
P.O to Executive Director (Surveillance), SEC
P.O to Executive Director (MIS), SEC
Chairman's office, SEC

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Order

Whereas, as per section 2(i) of the Securities and Exchange Ordinance, 1969 (XVII of 1969), Salta Capital Limited is a member of Chittagong Stock Exchange Limited;

Whereas, the Securities and Exchange Commission issued Stock Broker Registration Certificate to Salta Capital 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 enquiry report of Securities and Exchange Commission, a show cause-cum-hearing notice No. SEC/Enforcement/877/2011/103 dated February 20, 2011 was issued to Salta Capital Limited to appear at the hearing. In the show cause-cum-hearing notice among others following were mentioned; -

"Whereas, as per Commission's Directive No. SEC/CMRRCD/ 2001-43/42 dated June 15, 2010 equity securities with price-earning ratio of above 40 (forty) shall not be entertained as 'marginable securities' under clause (d) of sub-rule (12) of rule 3 of the Margin Rules, 1999 and the stock broker shall not provide loan facilities to their clients to purchase the said securities.

Whereas, as per Commission's Directive No. SEC/CMRRCD/ 2009-193/63 dated September 06, 2010, netting or adjustment facility in any manner can not be applicable in respect of buy or sell of non-marginable securities and such securities shall not be allowed to buy against prematured sell proceeds of any marginable securities.

Whereas, as per Regulation 4(1) of Chittagong Stock Exchange (Short-sale) Regulations, 2005, short selling is prohibited.

Whereas, during the reported period PE ratio of EHL was above 40.Therefore as per Commission's Directive No. SEC/CMRRCD/ 2001-43/42 dated June 15, 2010 shares of EHL can not be treated as 'marginable securities'.

Enquiry Committee found that the following clients (Salta Capital Limited) bought shares of Eastern Housing Limited in their accounts without adequate matured fund and sold shares of Eastern Housing Limited or other securities to adjust money against share buy of Eastern Housing Limited. That means the clients have enjoyed margin loan facilities/money adjustment facilities in respect of non-marginable security. Date wise trading pattern and ledger balance of the few clients' are stated below:

Jahangir Kabir (client code # 1039)

Date	Buy	Rate	Purchase cost (fig.in Tk.)	Sale	Rate	Stock Ledger balance	Money ledger balance (fig.in Tk.)
13-10-10						2180	1,52,414.99
20-10-10	2180	1741.95	**38,06,958.66**	2180	1788.79	2180	2,35,282.41

Abu Sadat Md. Sayem (client code # 14)

Date	Buy	Rate	Sale	Rate	Required Fund	Matured fund	Balance at the end of day (fig.in Tk.)
06/09/10	2380	1719.57	2380	1723.36	**41,02,831.50**	17,19,430.56	23,38,139.36

Md. S. Iqbal (client code # 1)

Date	Buy	Rate	Sale	Rate	Required Fund	Matured fund	Balance at the end of day (fig.in Tk.)
05-09-10	10000	1794.79			**1,79,83,865.94**	-1,67,05,365.76	- 1,87,60,690.10

Mafruha Begum Chy (client code # 140)

Date	Buy	Rate	Sale	Rate	Required Fund	Matured fund	Balance at the end of day (fig.in Tk.)
05-09-10	2000	1736.77	12240	1717.26	**34,80,487.08**	-1,63,972.65	1,85,54,338.70

Enquiry Committee found that during the referred period the said clients did not deposit any fund to their accounts.

It also appeared from client instrument ledger statement of Salta Capital Limited that the said stock-broker was involved in short sale of shares of Eastern Housing Limited in favor of few clients. Trading pattern of the clients' is shown below:

Mrs. Aisha Begum (client code # 1036)

Date	Buy	Matured date	Sale	Balance	Short sale
Opening				-	
31-08-10	1420	05-09-10	-	1420	-
02-09-10	3500	08-09-10	4920	-	4920
21-09-10	100	26-09-10	-	440	-
22-09-10	-	-	440	-	100

Mrs. Sultana Nurzahan (client code # 3067)

Date	Buy	Matured date	Sale	Balance	Shares short sale
16-08-10	10000	19-08-10	-	10000	-
17-08-10	2480	22-08-10	2480	10000	2480

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Mrs. Mahmuda Yasmin (client code # 1038)

Date	Buy	Matured date	Sale	Balance	Shares short sale
Opening				-	
05-09-10	480	09-09-10	480	-	480

Mr. Abu Sadat Md. Sayem (client code # 14)

Date	Buy	Matured date	Sale	Balance	Short sale
04-08-10	10020	09-08-10	1480	11420	-
05-08-10	240	10-08-10	-	11660	-
08-08-10	180	11-08-10	-	11840	-
09-08-10	20	12-08-10	11860	-	440
17-08-10	500	22-08-10	500	11300	-
19-08-10	-	-	11300	-	500

Mr. Jahangir Kabir (client code # 1039)

Date	Buy	Matured date	Sale	Balance	Short sale
19-09-10	900	22-09-10	-	980	-
20-09-10	-	-	980	-	900
27-09-10	1000	30-09-10	-	1000	-
28-09-10	1000	03-10-10	1000	1000	1000

Contraventions: Salta Capital Limited violated Commission's Directive No. SEC/CMRRCD/2001-43/42 dated June 15, 2010 , Directive No. SEC/CMRRCD/2009-193/63 dated September 06, 2010 and Regulation 4(1) of Chittagong Stock Exchange (Short-Sale) Regulations, 2005 by providing margin loan ,allowing netting or adjustment facility by allowing short selling to it's clients in respect of buying shares of EHL (non-marginable securities)."

Whereas, hearing was conducted on the March 9, 2011. Mr. Rezaul Karim (CEO) and Mr.Md.Mahbubur Rahman (AGM) attended the hearing on behalf of Salta Capital Limited and submitted a reply letter No. NIL dated February 28, 2011 to the Commission .In the letter among others they stated that ;-

"we have already provided two separate letters dated November 10, 2010 to EHL enquiry committee detailing our position for providing margin facilities against non-marginable security, reason for our mistake and asked apology for not repeating those mistakes again the coming days.

Regarding commission's directive no. SEC/CMRRCD/ 2009-193/63 dated September 06, 2010, please note, most of the netting facilities availed well before getting said directive. For the one that took place on 13 and 20th of October, 2010, was a mistake not deliberate. For those we are really ashamed of.

Considering above and our apology letter dated November 10, 2010, we would again like to reiterate that we are now well prepared and determined than ever before in order to follow all compliance related matters and every single directive of your organization as provided and revised from time to time strictly."

Whereas, from the enquiry report and the written statement of Salta Capital Limited, it is proved that **:** Salta Capital Limited violated Commission's Directive No. SEC/CMRRCD/2001-43/42 dated June 15, 2010 , Directive No. SEC/CMRRCD/2009-193/63 dated September 06, 2010 and Regulation 4(1) of Chittagong Stock Exchange (Short-Sale) Regulations, 2005 by providing margin loan ,allowing netting or adjustment facility and by allowing short selling to it's clients in respect of buying shares of EHL (non-marginable securities). 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 aforesaid Directives and Regulation issued under Securities and Exchange Ordinance, 1969. The said violations attract 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 Salta Capital Limited for the stated violations.

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.2 (Tk. Two) Lac upon Salta Capital 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

Distribution:

Salta Capital Limited
CSE's Membership No. 22
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67, Agrabad C/A
Chittagong-4100.