SEC/Enforcement/972/2011/9 **Registered with AD**
January22 , 2013 Fax: 031-727871

Salta Capital Limited
CSE's Membership No.1210 22
Manjur Building (2nd floor)
67, Agrabad C/A
Chittagong-4100.

Attention: Managing Director/CEO

Subject: Penalty Order: Non-compliance of the SEC's Directive No. SEC/CMRRCD/2001-43/42 dated June 15, 2010 and SEC/CMRRCD/2009-193/63 dated September 06, 2010 in connection with trading in shares of <u>Quasem Drycells Limited.</u>

Dear Sir,

Commission's penalty order No. SEC/Enforcement/972/2011/8 dated January 22 , 2013 is enclosed herewith for your kind information and necessary action.

For Bangladesh 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 Commissioner (Enforcement), SEC
P.O to Executive Director (Surveillance), SEC
P.O to Executive Director (MIS), SEC
Chairman's office, SEC

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, Bangladesh 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‡gw`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 investigation report of Chittagong Stock Exchange Limited on unusual trading in shares of Quasem Dry cells Limited, a show cause-cum-hearing notice No. SEC/Enforcement/972/2011/ 27 dated January 10, 2012 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 the 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 brokers shall not provide loan facilities to their clients to purchase the said securities.

Whereas, as per SEC's Directive No. SEC/CMRRCD/2009-193/63 dated September 06, 2010; non marginable securities shall not be allowed to buy against pre-matured sell proceeds of any marginable securities.

Whereas, an investigation has been conducted by CSE regarding unusual trading in shares of Quasem Dry cells Limited. According to the report due to having of Price Earning Ratio more than 40 (during the reported period), shares of Quasem Dry Cells Limited has been treated as non marginable.

Whereas, the Investigation Team among others reported the following:

Brokers Name			5.SALTA CAPITAL LTD.(121022)						
SL No	Client Code	Client Type	Buy Date	Buy Qty	Buy Rate	Buy Amount	Opening Ledger Balance of the day	Cash/Cheque Received	Closing Ledger Balance of the day
2	11192	Margin	14.10.10	5,000	105.26	526,300	(178,875)	-	(98,151)

Contravention: Salta Capital Limited has violated SEC's Directive No. SEC/CMRRCD/2001-43/42 dated June 15, 2010 by providing margin loan or Commissions Directive no SEC/CMRRCD/2009-193/63 dated 6th September, 2010 by allowing netting or adjustment facility to their clients in respect of buying shares of Quasem Drycell (Non-marginable Securities).

Whereas,hearing was conducted. Mr. Md.Rezaul Karim (CEO) attended the hearing on behalf of Salta Capital Limited. They submitted an explanation letter No. NIL dated February 23, 2012. In the letter among others they stated the following:

……" After middle of 2010 till end of 2010, Capital Market in Bangladesh was in its peak and we were getting new rules and regulations issued by our regulatory Authority and Stock Exchanges in order to tame the ever bullish market. We had to handle awful lot of clients beginning from small investors to very big ones within very short period of time. Clients were such that they even did not bother to wait for few seconds let alone few minutes to place the order.

Basically PE Ratio (Price-Earning Ratio) was a new concept of us during that period of time. Moreover there were no web sites where we could get all information related to PE Ratio together. Newspaper like Sharebiz and DSE website started providing PE Ration but unfortunately sometime they were not accurate and up-to-date as we required. Our intension was never to break the law deliberately rather it was hard to cope with all trade related regulations within such a short span of time, i.e., within trade time.

Having describing above, we would like to request you to consider our stance and let us have a chance. It is worth to mention here that we are following PE Ratio rule for margin clients strictly from end of 2010. Hope you would understand our situation."

Whereas, from the enquiry report and the written explanation of the broker it is proved that the allegation of violating SEC's Directive No. SEC/CMRRCD/2001-43/42 dated June 15, 2010 and Directive no SEC/CMRRCD/2009-193/63 dated 6th September, 2010 against Salta Capital Limited is correct. 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 above mentioned Directives issued under the Securities and Exchange Ordinance, 1969 (XVII of 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, 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.2.00 (Tk.Two) Lac upon Salta Capital Limited 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

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