বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন
Bangladesh Securities and Exchange Commission

Jiban Bima Tower, 10 Dilkusha C/A, Dhaka-1000, Bangladesh
Phone (PABX): 0088-02 9568101-2, 0088-02 9561525,Fax: 0088-02 9563721, 717660

SEC/Enforcement/964/2011/205 **March 12 , 2013**

Sinha Securities Limited
DSE's Membership No. 67
Rahman Mansion (3rd floor)
161, Motijheel C/A
Dhaka-1000.
Attention: Managing Director/CEO

Subject: Penalty Order: Non-compliance of আচরনবিধি ১, ২(২) of দ্বিতীয় তফসিল of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (স্টক ডিলার, স্টক ব্রোকার ও অনুমোদিত প্রতিনিধি) বিধিমালা, ২০০০, Directive No. SEC/CMRRCD/2001-43/42 dated June 15, 2010 and regulation 4 of the Dhaka Stock Exchange (Short Sale) Regulation, 2006 in connection with unusual trading in shares of Quasem Drycells Limited

Dear Sir,

Commission's penalty order No. SEC/Enforcement/964/2011/204 dated March 12, 2013 is enclosed herewith for your kind information and necessary action.

For Bangladesh Securities and Exchange Commission

Mustari Jahan
Deputy Director (Enforcement Dept.)

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 (Surveillance), BSEC
P.O to Executive Director (MIS), BSEC
Chairman's office, BSEC

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Order

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

Whereas, the Securities and Exchange Commission issued Stock Broker Registration Certificate to Sinha Securities Limited under avi 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 investigation report of Dhaka Stock Exchange Limited regarding unusual trading in shares of Quasem Drycells Limited during August 01, 2010 to November 30, 2010, a show cause-cum-hearing notice No. SEC/Enforcement/964/2011/ 125 dated March 29, 2012 was issued to Sinha Securities Limited to appear at the hearing. In the show cause-cum-hearing notice among others following were mentioned;-

"Whereas as per আচরনবিধি ১, ২(২) of দ্বিতীয় তফসিল of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (ষ্টক ডিলার, ষ্টক ব্রোকার ও অনুমোদিত প্রতিনিধি) বিধিমালা, ২০০০;

"প্রত্যেক স্টক ডিলার, স্টক ব্রোকার ও অনুমোদিত প্রতিনিধিকে তাহার ব্যবসা ও এতদসংক্রান্ত কার্যাদি পরিচালনার ক্ষেত্রে সুনাম, দক্ষতা, বিশ্বস্ততা ও সততা বজায় রাখিতে হইবে"

"তিনি মক্কেলের প্রদত্ত সুনির্দিষ্ট তথ্য ভিত্তিক ফরমায়েস অনুসারে সিকিউরিটি ক্রয়-বিক্রয় এবং উহার কারবার করিবেন এবং মক্কেলের ফরমায়েস মোতাবেক ক্রয় বিক্রয় করিতে পারিলেন কি না তাহা যথাসময়ে লিখিতভাবে তাহাকে অবহিত করিবেন এবং কোন সিকিউরিটি বিক্রয় করিয়া থাকিলে বিক্রয় লব্ধ অর্থ মক্কেলকে যথাসময়ে পরিশোধ করিবেন এবং ক্রয় করিয়া থাকিলে ক্রয়কৃত সিকিউরিটি এবং সংশ্লিষ্ট চুক্তিপত্র উহা সম্পাদনের পর যথাসময়ে মক্কেলকে সরবরাহ করিবেন।"

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 regulation 4 of the Dhaka Stock Exchange (Short Sale) Regulation, 2006, short sale of listed securities is prohibited.

Whereas, an investigation has been conducted by DSE regarding unusual trading in shares of Quasem Drycells Limited during August 01, 2010 to November 30, 2010.

Whereas, the investigation team among others reported the following;

"This is mentionable here that as per our calculation the PE ratio of QSMDRYCELL is over 40 as on the following date. In respect of the following clients, **Sinha Securities Ltd. (Member No-067)** allowed to buy shares of QSMDRYCELL without having sufficient balance as shown below-

SEC/Enforcement/964/2011/205 **March 12 , 2013**

Client code	**Client Name**	**Date**	**Buy Quantity**	**Buy Rate**	**Amount used to buy QSMDRYCELL**	**Ledger Balance at the end of day**
045399	Mr. Md. Khaled Bin Alam	21.09.10	1000	89.76	89,757.60	-1,017,55158
045399	Mr. Md. Khaled Bin Alam	10.10.10	3000	95.98	287,947.20	-2,069,574.63
000192	Md. Abdul Mannan	13.10.10	5000	105.16	525,816.00	-7,886,043.04
000192	Md. Abdul Mannan	14.10.10	1000	103.52	103,515.00	-7,773,201.53
000192	Md. Abdul Mannan	24.10.10	920	111.10	102,208.50	-7,549,644.52
000192	Md. Abdul Mannan	25.10.10	1450	113.63	164,769.75	-7,265,608.57
000192	Md. Abdul Mannan	01.11.10	1610	110.31	177,593.55	-8,529,733.17
000192	Md. Abdul Mannan	03.11.10	6510	113.74	740,472.94	-6,936,843.18

Contravention: Sinha Securities Ltd. (Member No-067) has violated SEC's Directive No. SEC/CMRRCD/2001-43/42 dated June 15, 2010 by providing margin loan to it's clients to buy shares of Quasem Drycells Limited which PE was more than 40**.**

"After checking the relevant documents collected from **Sinha Securities Ltd. (Member No-067)**, it was found that **Sinha Securities Ltd. (Member No-067)** did short sale in respect of client code# 0192, as shown below:

Client code	Name	Instrument	Balance	Buy quantity	Buy Date	Matured Date	Sale date	Sell quantity	Remarks
0192	Md. Abdul mannan	QSMDRY CELL	900	50	24.11.10	29.11.10	24.11.10	1000	100 short sale

Contravention: By short selling Sinha Securities Ltd. (Member No-067) has violated 4(1) of Dhaka Stock Exchange (Short-Sale) Regulations, 2006.

"As per DSE surveillance offline data report and the instrument ledger of QSMDRYCELL collected from **Sinha Securities Ltd. (Member No-067)**, some mismatch were found between the actual buy quantity and the buy quantity shown by the ledger for the period of 01.08.2010 to 30.11.2010 as shown by the following table:

Client code	**Actual buy Quantity**	**Buy quantity shown by the ledger**	**No. of Mismatched share**
192	42,810	40,810	2000
45399	35,000	36,000	(1000)

Contravention: The above reported data shows that Sinha Securities Ltd. (Member No-067) has violated আচরনবিধি ১, ২(২) of দ্বিতীয় তফসিল of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (স্টক ডিলার, স্টক ব্রোকার ও অনুমোদিত প্রতিনিধি) বিধিমালা, ২০০০.

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Whereas, hearing has been conducted. Mr. Md.Mahbubul Alam (Manager A/C **) and Mr.** Md.Muhammad Ershad Ullah (Authorised Representative) have attended the hearing on behalf of the broker. They submitted an explanation letter no. SSL/SEC/003/04-12 dated April 17, 2012 to the Commission. In the letter among others they stated that their authorised representative has inadvertently committed the mistake. They have begged apology.

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Whereas, from the investigation report and the written confession of the broker, it is proved that the allegation of violating আচরনবিধি ১, ২(২) of দ্বিতীয় তফসিল of সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (ষ্টক ডিলার, ষ্টক ব্রোকার ও অনুমোদিত প্রতিনিধি) বিধিমালা, ২০০০, Directive No. SEC/CMRRCD/2001-43/42 dated June 15, 2010 and regulation 4 of the Dhaka Stock Exchange (Short Sale) Regulation, 2006 in connection with unusual trading in shares of Quasem Drycells Limited against Sinha **Securities Ltd**. is correct. Because, since share mismatch have been found in two codes,margin loan provided on several dates so, the violation can not be committed unintentionally. It is definitely intentional. Their explanation is not acceptable to the Commission.

Whereas, the aforesaid activities are tantamount to non-compliance of securities law, appeared to be deliberate and clear contravention of the above mentioned Directive,Regulation and wewa . Therefore the said non compliance attracts penal provision of section 22 of the Securities and Exchange Ordinance, 1969 and aviv 18 of wmwKDwiwUR I G·‡PÄ Kwgkb AvBb, 1993;

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 Sinha Securities 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.1.00 (Tk.One) Lac upon Sinha Securities Limited d 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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