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/969/2011/179 **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 Directive No. SEC/CMRRCD/2001-43/42 dated June 15, 2010 in connection with unusual trading in shares of "BDAUTOCA".

Dear Sir,

Commission's penalty order No. SEC/Enforcement/969/2011/178 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.)

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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 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 investigation report of Dhaka Stock Exchange Limited regarding unusual trading in shares of 'LEGACYFOOT' and "BDAUTOCA"., a show cause-cum-hearing notice No. SEC/Enforcement/969/2011/51 dated February 13, 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 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, during the reported period PE ratio of BDAUTOCA was above 40.Therefore as per Commission's Directive No. SEC/CMRRCD/ 2001-43/42 dated June 15, 2010 shares of BDAUTOCA can not be treated as 'marginable securities'.

Whereas, an investigation has been conducted by DSE regarding unusual trading in shares of 'LEGACYFOOT' and "BDAUTOCA".

Whereas, investigation team among others reported the following; -

"After checking the relevant documents collected form **Sinha Securities Ltd**. it was found that In respect of the following client codes, they have bought 'BDAUTOCA' share without having sufficient balance as shown below whereas as per our calculation the PE ratio of BDAUTOCA is over 40 as on the following dates-

Client code	Client Name	Buy Date	Buy Qty	Buy Rate	Amount used to buy BDAUTOCA	Ledger Balance at the end of the day
29584	Babul Mia & Mr. Jalil	28.03.11	100	482.88	48288.00	-7270.79
00002	Dr. M. A. Halim	13.03.11	65	348.23	22635.10	-7360227.83
25051	Dr. Md. Aminur Rahman Mazumder	02.03.11	70	286.14	20029.64	-675097.21

Contravention: Sinha Securities Ltd. has violated SEC's Directive No. SEC/CMRRCD/2001-43/42 dated June 15, 2010 by providing margin loan to it's client to purchase shares of BDAUTOCA."

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Whereas, hearing has been conducted. Mr. Md Mahbubul Alam (Manager Accounts) and Mr. Satayabrata Narayan have attended the hearing on behalf of the broker. They submitted an explanation letter no. Nil dated February 23, 2012 to the Commission. In the letter they confessed the allegation, begged apology and promised to not to occur such violation in future. In the letter among others they stated the following;
"Immediately on receipt of the notice we took up the matter with the respective branch-in-charge and related clients. In response all concerned have apologized for this sort of unusual trading stating that the transactions were made inadvertently and without any malafied- intention."

Whereas, from the investigation 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 (by providing margin loan to it's client to purchase shares of BDAUTOCA) against Sinha Securities Limited is correct.

Whereas,they have explained that the violation has been committed inadvertently. But since the violation has been found on several dates and in several codes, so 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. Therefore, the said non compliance attracts 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 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 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

<u>Distribution:</u>
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