SEC/Enforcement/922/2011/ **September , 2011**

Order

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

Whereas, the Securities and Exchange Commission issued Stock Broker Registration Certificate to Stock and Bond 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 enquiry report of Securities and Exchange Commission, a show cause-cum-hearing notice No. SEC/Enforcement/922/2011/224 dated April 19, 2011 was issued to Stock and Bond Limited to appear at the hearing. In the show cause-cum-hearing notice among others following were mentioned;-

"Whereas, as per Order No. SEC/SRMID/94-231/1638 dated January 30, 2008 and further Order no. SEC/SRMID/94-231/1640 dated January 31, 2008, money adjustment facility will be applicable in respect of A, B, N and G category securities. Therefore, money adjustment facility will not be applicable in respect of Z category securities.

Whereas, an enquiry was conducted by Securities and Exchange Commission on unusual trading in shares of ICB Islami Bank Limited.

Whereas, enquiry committee among others reported the following:

"Among others Mr. Salim Bhuiyan (client code # 16060), a client of Stock and Bond Limited bought 24,780 numbers of shares of ICB Islamic Bank Limited from 23rd May 6th June 2010. From the table below as drawn from the client's ledger statement, it is appeared that the client bought 6,990 shares on 01-06-10 and 3,790 shares on 02-06-10 of the said bank by using netting/money adjustment facility.

Date	Buy/Sell	Debit	Credit	Balance	Sale proceeds matured on	Adjusted balance
23-05-10	Buy ICBIBANK	1,04,13,149.20				-32,489.32
30-05-10	Received Cheque		10,00,000	9,67,510.68		9,67,510.68
31-05-10	Sale KPCL		2,10,28,240.45	9,67,510.68	03-06-10	2,19,95,751.13
01-06-10	Buy ICBIBANK	1,02,86,589.56		-93,19,078.88		1,17,09,161.57
01-06-10	Other buy/sale Nettting	67,02,981.67	57,35,916.90	-93,19,078.88		1,26,76,226.34
02-06-10	Buy ICBIBANK	54,04,503.02		-1,47,23,581.19		72,71,723.32

Contraventions: Stock and Bond Limited violated Commission's Order No. SEC/SRMID/94-231/1638 dated January 30, 2008 and further Order no. SEC/SRMID/94-231/1640 dated January 31, 2008 by allowing netting/money adjustment facility to it's client to buy shares of ICB Islamic Bank Limited which is a Z category company."

Whereas, hearing was conducted on June 23, 2011. Mr.Md.Nurul Absar (General Manager) attended the hearing on behalf of Stock and Bond Limited and submitted a reply letter No. SBL/SEC/185/11 dated May 04, 2011 received on June 23, 2011.In the letter among others they stated the following:

" we have to draw your kind attention that one of our best clients Mr. Salim Bhuiyan (Client code No. 16060) usually maintains stake trade through us by his own money. While he was maintaining a credit balance more than Tk. 7.00 crore in his account on 20.05.2010 (Thursday) he bought 3,00,000 KPCL shares @ Tk. 201/- each at a cost of Tk. 60.30 lacs. Further on the opening date i.e. Sunday on 23.05.2010 he deposited a cheque of Tk. 50,000/- in the account which creates a credit balance of Tk. 1,03,80,659.88 after adjustment of KPCL shares payment. On the same date i.e. 23.05.2010 the said client bought 9,000 ICBI Bank shares @ Tk. 1,157/02 each that created the minus balance of Tk. 32,489.32. On the date of 30th May, 2010 (Sunday) the client deposited a cheque of Tk. 10,00,000/- that raised the credit balance at Tk. 9,67,510.08 adjusting the minus/debit balance. The client again sold 1,04,400 KPCL shares @ Tk. 201.42 on 31st May, 2010 (Monday). As a result the credit balance in the account showed Tk. 2,19,95,751.13 (copy of Client's Account statement from 15.05.2010 to 15.06.2010 enclosed).

On 1st June, 2010 the client ordered to buy 6,990 ICBI Bank shares to the trader @ Tk. 1,471.62 each and on 2nd June, 2010 again 3790 ICBI Bank shares @ Tk. 1,425.99 each alongwith buying and selling the shares of other companies.

The Trader inadvertently honored the instruction of the valued client who usually maintains the credit balance in his account and bought the ordered "Z category" shares finding the prevailing huge credit balance in the account that committed the blunder where the question of matured fund was lying behind the existing balance that puzzled him to be aware.

We are really sorry and ashamed of the blunder which is straight violation of SEC rules and orders committed through the unusual trade of Z category share. We always try up to the best to control ourselves abiding by the SEC, DSE rules, regulations, orders and instructions sincerely. We are really ashamed of the occurrence which is committed very unwilfully in case of the trade and solicit your sympathy to make ourselves more alert and earnestly requesting you kindly to remit us from the charge."

Whereas, their aforesaid written statement proves that the mentioned allegation of violating Commission's Order No. SEC/SRMID/94-231/1638 dated January 30, 2008, further Order no. SEC/SRMID/94-231/1640 dated January 31, 2008 (by allowing netting/money adjustment facility to it's client in purchasing shares of ICB Islamic Bank Limited which is a Z category company) against Stock and Bond Limited is correct .Their written 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 stated Order. 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 Stock and Bond Limited for the stated violations.

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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.5 (Tk. Five) Lac upon Stock and Bond 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:

Stock and Bond Limited
Swantex Bhaban (3rd floor)
9/1, Motijheel C/A
Dhaka-1000.