

**No. SEC/Enforcement/468/2006/241**  
**February 19, 2007**

Island Securities Limited (CSE Stock-dealer)  
Faruk Chamber (6<sup>th</sup> Floor),  
1403, Sk. Mujib Road,  
Chittgong

**Sub: Non-compliance of securities laws in connection with share trading of Rupali Bank Limited: Warning.**

The Commission, at the request of Island Securities Limited, issued to it the stock-dealer registration certificate No. weÜb-3.2/wmGmB-05/99-85 (03/11/1999Bs) Zwi L 11/10/2001 Bs under section 10(1) of the Securities and Exchange Commission Act, 1993, read with weia 5 (5) of the wmwKDwi wJR I G. tPÄ Kwgkb (óK-wWj vi, óK-tetKvi I Abtgw Z cüZibwa) weagj v, 2000, [(corresponding regulation 5(4) of the repealed Securities and Exchange Commission (Stock-dealer, Stock-broker & Authorized Representative) Regulations, 1994)] to conduct securities trading related activities under certain terms & conditions stipulated in the said certificate.

Pursuant to the Commission's Order No. SEC/Surveillance/2003-0210/122 dated February 27, 2006, an inspection was undertaken by SEC into the books of accounts, records and documents of Island Securities Limited. The inspection report contains, among others, that Island Securities Ltd. placed order in the trading system on February 5, 2005 to sale 9000 shares of Rupali Bank Limited at a price of Tk. 28.50 per share for costomer No. 80, whereas the existing market price of the said share was about Tk. 440. There was no adequate share in the customer's account for the said sale and that it borrowed 6000 shares of Rupali Bank Limited from others for the settlement purposes.

From the aforesaid, it appeared that Island Securities Limited has contravened the provisions of weia 11 of wmwKDwi wJR I G. tPÄ Kwgkb (óK-wWj vi, óK-tetKvi I Abtgw Z cüZibwa) weagj v, 2000 and regulation 13 of Settlement of Stock Exchange Transaction Regulations, 1998. The said contraventions appeared deliberate attracting provisions of weia 12 of wmwKDwi wJR I G. tPÄ Kwgkb (óK-wWj vi, óK-tetKvi I Abtgw Z cüZibwa) weagj v, 2000 |

A show cause cum hearing notice No. SEC/Enforcement/468/2006/1154 dated November 2, 2006 was issued to the stock-dealer to explain the above contravention and also to provide an opportunity of being heard by the Commission. The hearing was conducted on January 28, 2007.

The official of Island Securities Limited (CSE stock-dealer) appeared for the hearing, submitted written explanations vide letter dated November 6, 2006 stating, among others, that it was a genuine mistake committed by them during pre-opening session, and that during pre-opening session, there was no provision in CSE software system to correct any wrong entry. Sale order of 9000 Rupali Bank Ltd. scrip at Tk. 28.50 carried no sense. The scrip should have been Agni System, not Rupali Bank Ltd. They informed CSE about said wrong entry. CSE advised them to withdraw order as soon as trading session starts, but trade took place before they could do so. They wrote to CSE to cancel that trade. CSE verbally informed the stock dealer that there was no such scope to cancel trade, once executed. As there was no provision to cancel such trade under any existing rules, they had no option but to settle the trade by borrowing. They stated the facts and made all records available to the enquiry team of SEC. They also requested the enquiry team to place before the Commission to make provision allowing stock exchange board to cancel genuine wrong trade because mistake could happen any time. The stock dealer also confirmed that there was no deliberate violation of any rules and also requested the Commission to close the case.

Contd.....Page-2

**No. SEC/Enforcement/468/2006/241**  
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The Commission, considering the all above, has decided to dispose off the proceedings against the stock-dealer by placing on record the Commission's dissatisfaction on the default made by it, with a warning to ensure compliance of all securities related laws in future.

Please note that this disposal does not absolve you from your lawful responsibilities/obligations to any person, if affected, as a result of your above said default/contravention.

For Securities and Exchange Commission

**Mansur Alam**  
**Executive Director**

CC:  
CEO, Chittagong Stock Exchange, Chittagong  
CEO, Central Depository of Bangladesh Limited  
Executive Director (R&D), SEC  
Executive Director (Surveillance), SEC  
Executive Director (Registration), SEC  
Director (MIS), SEC  
Chairman's Office, SEC