

SEC/Enforcement/338/2005/913
August 15, 2006

By Special Messenger

ARC Securities Limited (DSE stock-broker)
(DSE Member No. 100)
Room # 513, DSE Annex Building (4th Floor), 9/E Motijheel C/A, Dhaka-1000

Attention: The Managing Director

Sub: Non compliance with securities related laws: In connection with purchase of Mercantile Bank Limited's shares for Mr. Amanullah: Warning

This refers to the Commission's show cause cum hearing notice No. SEC/Enforcement/338/2005/32 dated 08/01/2006 issued for contravening relevant provisions of the ঐনশ্রী আইন ১৯৯৯ (Securities and Exchange Act, 1999), read with the relevant provisions of the Securities and Exchange Rules, 1987 and the Margin Rules, 1999, based on which the hearing was conducted on 20/02/2006.

The Commission instituted an enquiry pursuant to the Order vide No. SEC/SRMID/2003-28/1102/103 dated 13/04/2004 wherefrom it appeared that Mr. Amanullah, Director of the Mercantile Bank Limited, opened customer account with the ARC Securities Limited on 18/03/2004. ARC Securities Limited accepted his buy orders of 23/03/2004 to 01/04/2004 for 85,000 shares of Mercantile Bank Limited at market price without receiving the requisite money. There was no margin agreement in this respect. It was found from the customers' order status report that the said buy orders were placed in the trading system during 23/03/2004 to 31/03/2004 and 53,750 shares were bought by the stock-broker. Mr. Amanullah deposited the money (Tk.1,24,69,488) and took delivery of the 53,750 shares purchased during 23/03/2004 to 06/04/2004.

By doing so, ARC Securities Ltd. has contravened relevant provisions of the ঐনশ্রী আইন ১৯৯৯ (Securities and Exchange Act, 1999), read with the relevant provisions of the Securities and Exchange Rules, 1987 and the Margin Rules, 1999, by not taking money from the said customer along with the buy orders.

A show cause cum hearing notice No. SEC/Enforcement/338/2005/32 dated January 8, 2006 was issued to ARC Securities Ltd. to explain the alleged contraventions and also to provide an opportunity of being heard prior to taking any measure as per securities related laws. In reply, ARC Securities Limited vide letter dated 20/02/2006 mentioned, among others, that Mr. Amanullah placed order for purchase of 85,000 shares of Mercantile Bank Limited on 23/03/2004 in accordance with the declaration made on March 16, 2004. The stock-broker also mentioned that Mr. Amanullah purchased 53,750 shares of the bank in phases and paid for the same.

The Commission, considering the submissions made by the stock-broker, has decided to dispose off the proceedings against the stock-broker for the stated contravention by placing on record the Commission's dissatisfaction on the defaults made by the stock-broker, with a warning to ensure strict compliance of all securities related laws in future.

Please note that this disposal does not absolve the stock-broker from its lawful responsibilities/obligations to the persons, if any, affected as a result of stock-brokers' above said defaults.

For and on behalf of
the Securities and Exchange Commission

(Mansur Alam)
Executive Director

CC:
Chief Executive Officer, Dhaka Stock Exchange
Executive Director (R&D), SEC
Executive Director (Registration), SEC
Director (MIS), SEC
Chairman's Office, SEC