

No. SEC/Enforcement/468/2006/242
February 19, 2007

Hefazatur Rahman & Co. Limited (CSE Stock-broker)
M. Rahman Chamber
277, Khatungong
Chittagong

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

The Commission, at the request of Hefazatur Rahman & Co. Limited, issued to it the stock-broker registration certificate No. 32/GMB-46/99-81 (26/10/1999 Bs) Zwi L 29/05/2001 Bs under section 10(1) of the Securities and Exchange Commission Act, 1993, read with rule 5 (5) of the Securities and Exchange Commission (Stock-dealer, Stock-broker & Authorized Representative) Regulations, 1994, [(corresponding regulation 5(4) of the repealed Securities and Exchange Commission (Stock-dealer, Stock-broker & Authorized Representative) Regulations, 1994)] to conduct securities trading related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/2003-0210/121 dated February 27, 2006, an inspection was undertaken by SEC into the books of accounts, records and documents of Hefazatur Rahman & Co. Limited. The report contains, among others, that Hefazatur Rahman & Co. Ltd. does not maintain written buy and sale orders of its customers and the Customers' Consolidated Account, violating rules 4 and 8A of the Securities and Exchange Rules, 1987. Engr. Md. Iqbal, CEO and authorized representative of Hefazatur Rahman & Co. Ltd. maintains a customer account with another Chittagong Stock Exchange(CSE) member, namely Royal Capital Limited in violation of regulation 78(18) of General Rules & Regulations of CSE. The broker lends shares to Island Securities Ltd. which tantamount to transaction of securities outside the stock exchange in violation of regulation 42 of the Listing Regulations of CSE. It further appeared that the broker did not maintain proper account opening form as per rule 8(i)(ccc) of the Securities and Exchange Rules, 1987.

The said contraventions appeared deliberate attracting provisions of rule 12 of the Securities and Exchange Commission (Stock-dealer, Stock-broker & Authorized Representative) Regulations, 1994.

A show cause cum hearing notice No. SEC/Enforcement/468/2006/1153 dated November 2, 2006 was issued to the stock-broker 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 Hefazatur Rahman & Co. Limited (CSE stock-broker) appeared for the hearing, submitted written explanations vide letter dated December 13, 2006 stating, among others, that they were now maintaining written buy/sale order book and customers' consolidated account from May 1, 2006. Engr. Md. Iqbal Khan opened an account with Royal Capital Ltd. on January 5, 2006 and closed it on March 13, 2006 as he came to know the regulations of CSE. They never lent share to Island Securities Ltd. or any other member firm. They maintained the Form (1A) as per securities law. Any inaccuracy or irregularity that was pointed out by the Commission or the Exchange in their procedural activities has since been rectified or regularized. Hefazatur Rahman & Co. Ltd. further submitted a letter dated January 28, 2007 in connection with the settlement of trading of Rupali bank Ltd. shares (7940 shares) with Island Securities Limited. In the letter, Mr. Engr. Md. Iqbal Khan stated, among others, that he returned the said shares to Island Securities Limited as mutual settlement in the interest of capital market. Island Securities Limited also agreed with the settlement which was stated in the said letter by Managing Director of Island Securities Limited.

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The Commission, considering the all above, has decided to dispose off the proceedings against the stock-broker 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