

SEC/Enforcement/2141/2014/17
January 20, 2015

By Courier

First Securities Services Limited
Al-Raji Complex, Suite G - 702 & 703 (7th Floor)
166-167, Shaheed Syed Nazrul Islam Sarani
Purana Paltan, Dhaka-1000

Attention: Managing Director/CEO

Subject: Penalty Order: non-compliance of securities related laws in connection with capital raising

Dear Sir,

Commission's penalty order No. SEC/Enforcement/2141/2014/16 dated January 20, 2015 is enclosed herewith for your kind information and necessary action.

For Bangladesh Securities and Exchange Commission

Mustari Jahan
Deputy Director (Enforcement)

Distribution:

Chief Executive Officer, Chittagong Stock Exchange Limited
Chief Executive Officer, Dhaka Stock Exchange Limited

Copy for information:

P.O to Commissioner (Enforcement), BSEC
P.O to Executive Director (CI), BSEC
P.O to Executive Director (MIS), BSEC
Chairman's office, BSEC

Order

Whereas, as per section 2 (cc) of the Securities and Exchange Ordinance, 1969 (ORDINANCE No. XVII of 1969) "Commission" means Bangladesh Securities and Exchange Commission constituted under Bangladesh Securities and Exchange Commission Act 1993;

Whereas, as per বিধি 2(এ) of the সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন (মার্কেট ব্যাংকার ও পোর্টফোলিও ম্যানেজার) বিধিমালা, ১৯৯৬, First Securities Services Limited is an "issue manager "(here in after referred to as "issue manager").

Whereas, on the basis of the observation report of the Capital Issue Department of BSEC regarding non-compliance of securities related laws in connection with capital raising, a show cause-cum-hearing notice No. SEC/Enforcement/2141/2014/653 dated: November 03, 2014 was issued to First Securities Services Limited to appear at the hearing accusing for violating Rule-19 of Securities and Exchange Commission (Public Issue) Rules, 2006 by giving misstatement in the draft prospectus regarding 4,24,00,000 (2,65,00,000+1,59,00,000) shares instead of 2,65,00,000 shares in the statement of ownership of the company's securities as on **31st December 2013** whereas the issuer has obtained commission's consent for issuing 1,59,00,000 bonus shares on **09/01/2014**. Hearing has been conducted with the accused. In the show cause-cum-hearing notice following have been mentioned among others;-

Quote

Whereas, as per Rule-19 of Securities and Exchange Commission (Public Issue) Rules, 2006, "If any issuer or its representative violates any of the provisions of these Rules or furnishes false, incorrect, misleading information or suppresses any information, the Securities and Exchange Commission may take appropriate action under the Securities and Exchange Ordinance, 1969."

Whereas, MP Spinning Mills Limited have proposed for issuing 1,20,00,000 (One Crore Twenty Lac) ordinary shares @Tk.10.00 totaling Tk. 12,00,00,000 (Twelve Crore) .

Whereas, Capital Issue Department, BSEC has reported that-

As on September 30, 2013, paid up capital of MP Spinning Mills Limited was Tk.26,50,00,000. From the ownership of the company's securities in draft prospectus (P:49) it appears the following existing shareholders as on **December 31, 2013:**

SI. NO.	Name of the Shareholders	Status	Number of Shares	% of Total Shareholding
1.	Mr. Ratan Kumar Datta	Director	1,974,625	4.66
2.	Ms. Laxmi Dutta	The Chairman	1,888,970	4.46
3.	Mr. Miki Dutta	Shareholder	128,485	0.30
4.	Ms. Pinky Dutta	Shareholder	128,485	0.30
5.	Jeans Express Ltd.	Managing Director & Director	30,013,576	70.79
6.	Sagarika Accessories Industries Ltd.	Director	8,051,717	18.99
7.	Lax Lingerie Ltd	Shareholder	214,142	0.51
Total			42,400,000	100.00%

Subsequently the company again submitted updated draft prospectus on May 25, 2014 where from it appears that MP Spinning Mills Limited issued 2,00,00,000 ordinary shares paid in cash on April 09, 2014 to other than existing shareholders. But, from the Commission's consent letter No. SEC/CI/CPLC-310/2011/27 dated January 9, 2014 it appears that consent has been given under Securities and Exchange Commission (Issue of Capital) Rules, 2001 for raising the paid up capital of MP Spinning Mills Limited from Tk.26,50,00,000 to Tk.62,40,00,000 by issuing of 1,59,00,000 bonus shares of Tk.10 each totaling Tk.15,90,00,000 and 2,00,00,000 ordinary shares of Tk.10 each totaling Tk.20,00,00,000 **only to the existing shareholders of the company**. Thus, MP Spinning Mills Limited, issuer and First Securities Services Limited, issue manager have given misstatement in the prospectus of 4,24,00,000 shares instead of 2,65,00,000 shares regarding ownership of the company's securities as on 31st December 2013. Because, MP Spinning Mills Limited obtained consent on January 9, 2014 to issue the aforesaid bonus share.

Contravention: First Securities Services Limited (issue manager) has violated

1. Rule-19 of Securities and Exchange Commission (Public Issue) Rules, 2006 by giving misstatement in the draft prospectus regarding 4,24,00,000 (2,65,00,000+1,59,00,000) shares instead of 2,65,00,000 shares in the statement of ownership of the company's securities as on **31st December 2013** whereas the issuer has obtained commission's consent for issuing 1,59,00,000 bonus shares on **09/01/2014**.

Unquote

Whereas, Mr. Reza Humayun Morshed Hayat (CEO, First Securities Services Limited) and Mr. Md.Azadur Rahman (Executive, First Securities Services Limited) have attended the hearing. They have submitted an explanation letter no. NIL dated August 24, 2014 to the Commission. In the letter they have stated the following among others;

Quote

Please refer to your Show Cause cum Notice for Hearing Notice No. SEC/Enforcement/2141/2014/653 dated 03.11.2014. You have sought our explanation as to why appropriate actions should not be taken by the Commission against us as Issue Manager as provided in section 22 of the Bangladesh Securities and Exchange Commission Ordinance, 1969.

First Securities Service Limited (FSSL) carries out its functions most diligently and in compliance with all the securities laws including Bangladesh Securities and Exchange Commission Ordinance, 1969 and Securities and Exchange Commission (Public Issue) Rules, 2006.

Draft Prospectus submitted to BSEC on 24.03.2014

FSSL as issue manager depends on the information provided by Issuer Company in finalizing draft prospectus. Accordingly, FSSL has done so in the case of MP Spinning Mills Limited. The draft prospectus was submitted to Bangladesh Securities and Exchange Commission (BSEC) on 24.03.2014. The said draft prospectus was prepared as per provisions of the Securities and Exchange Commission (Public Issue) Rules, 2006.

MP Spinning Mills Limited received consent from BSEC to raise its paid up capital on 09.01.2014 by issuing 1,59,00,000 bonus shares of Tk. 10 each and further 2,00,00,000 shares of Tk. 10 each to the existing shareholders of the Company. The Company accordingly issued 1,59,00,000 bonus shares to eligible shareholders on 11.01.2014. Thereafter, the Company filed Return of Allotment on 11.01.2014 with the Registrar of Joint Stock Companies and Firms (RJSC) for allotment of 1,59,00,000 shares.

After receiving the Return of Allotment dated 11.01.2014, FSSL updated the “Ownership of Company’s Securities” section of the draft prospectus in page 49 considering the allotment of 1,59,00,000 bonus shares on 11.01.2014.

However, most inadvertently the date mentioned in the said page 49 of the draft prospectus was wrongly mentioned “As on Dated: December 31, 2013” instead of the correct date of March 24, 2014, i.e. the date on which the draft prospectus was submitted to BSEC. The mistake was completely unintentional and FSSL deeply apologizes for such inadvertent mistake. The mistake was not deliberate and FSSL had no intention at any point of time to provide any misstatement in the draft prospectus. Further, it is pertinent to mention here that the intention of FSSL was only to provide true, fair and adequate picture in the draft prospectus and accordingly it also had submitted the said Return of Allotment dated 11.01.2014 to the BSEC along with the draft prospectus on 24.03.2014. The submission of the said Return of Allotment dated 11.01.2014 makes it apparent that the information in “Ownership of Company’s Securities” section of the draft prospectus in page 49 is at least after 11.01.2014. However, as mentioned above, most inadvertently a mistake was made in the date at page 49 of the draft prospectus. Such mistake was not deliberate at all.

Draft prospectus submitted to BSEC on 25.05.2014

Subsequently, the issuer company made further allotment of 2,00,00,000 shares to its existing shareholders on 09.04.2014 and filed Return of Allotment dated 09.04.2014 with the RJSC. Accordingly, FSSL updated the “Ownership of Company’s Securities” section of the draft prospectus in page 49-52

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considering the allotment of 2,00,00,000 shares on 09.04.2014. The said section reflected the correct position of the ownership of Company's securities as on 20.05.2014. The said section at that stage reflected both the allotment of 1,59,00,000 bonus shares and further 2,00,00,000 shares of the issuer company.

The latest update after the allotment on 09.04.2014 was also intimated to BSEC by submission of an updated draft prospectus on 25.05.2014 along with the latest Return of Allotment dated 09.04.2014. The latest Schedule **X dated 23.12.2014** of MP Spinning Mills Ltd was certified by the RJSC on 27.04.14 and FSSL also submitted the same to BSEC with the updated draft prospectus on 25.05.2014.

The action of FSSL as issue manager to continuously up date BSEC about the Company by providing updated draft prospectus along with supporting documents such as certified copies of the Return of Allotment and Schedule X makes it apparent that FSSL had no intention to provide any misstatement to BSEC. In fact, FSSL rectified the inadvertent mistake in the draft prospectus dated 24.03.2014 and therefore BSEC did not even issue any letter under Rule 17 of the Securities and Exchange Commission (Public Issue) Rules, 2006.

As such, from the conduct of FSSL it is apparent that the mistake it had made in page 49 of the draft prospectus dated 24.03.2014 was inadvertent and further it had rectified the said mistake at the earliest opportunity and also at all times it had submitted supporting documents (Return of Allotment, Schedule X) along with the draft prospectus. Even with the draft prospectus dated

24.03.2014 in which the ownership of Company's securities position was inadvertently mentioned to be as on December 31, 2013 instead of March 24, 2014, FSSL had submitted the Return of Allotment dated 11.01.2014 vide which the allotment of the 1,59,00,000 bonus shares were made. Therefore, it is sufficiently clear that the mistake was not deliberate and FSSL at all times had the intention to provide true, fair and accurate information in the draft prospectus. Further, FSSL did not violate any provision of the Bangladesh Securities and Exchange Commission Ordinance, 1969 to attract action under section 22 of the said Ordinance.

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Considering the facts and circumstances, FSSL kindly prays for withdrawal/ cancellation of the show cause cum notice for hearing notice No. SEC/Enforcement/2141/2014/653 dated 03.11.2014.

Unquote

Whereas, the issuer has given misstatement in the draft prospectus regarding 4,24,00,000 (2,65,00,000+1,59,00,000) shares instead of 2,65,00,000 shares in the statement of ownership of the company's securities as on **31st December 2013** but the issuer has obtained commission's consent for issuing 1,59,00,000 bonus shares on **09/01/2014**.

Whereas, the issue manager has declared the following among others in its due diligence certificate ;

Quote

'WE CONFIRM THAT

c) the disclosures made in the draft prospectus are true, fair and adequate to enable the investors to make a well informed decision for investment in the proposed issue.

Unquote

Whereas, the issue manager has given due diligence certificate without checking the aforesaid misstatement in the draft prospectus given by the issuer. Therefore, the issue manger has violated Rule-19 of Securities and Exchange Commission (Public Issue) Rules, 2006 deliberately.

Whereas, among others the issue manger has explained that the date December 31, 2013 instead of March 24, 2014 has been mentioned wrongly in the said statement of ownership of the company's securities. The issue manager's such explanation is not acceptable to the Commission.

Whereas, the issuer manager's aforesaid activities are tantamount to non-compliance of securities law that appears deliberate and clear contravention of Rule-19 of Securities and Exchange Commission (Public Issue) Rules, 2006 attracting penal provision of section 22 of the Securities and Exchange Ordinance, 1969.

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Whereas, to protect the discipline and transparency of the capital market along with its development the Commission deems it appropriate and necessary to impose penalty upon First Securities Services Limited (issue manager).

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.05.00 (Tk.Five) Lac upon First Securities Services Limited (issue manager) 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

Md.A.Salam Sikder
Commissioner

Distribution

Managing Director/CEO
First Securities Services Limited
Al-Raji Complex, Suite G - 702 & 703 (7th Floor)
166-167, Shaheed Syed Nazrul Islam Sarani, Purana Paltan, Dhaka-1000