SEC/Enforcement/534/2006/100 February 01, 2007

South Asia Securities Ltd. Stock Broker CSE Membership # 04, Necent Tower (2nd Floor), 806/A, Agrabad C/A, Chittagong

Attention: Chief Executive Officer

<u>Sub: Non-compliance of securities laws in connection with trading of Eagle Star Textile Mills Ltd.</u> share: Warning.

The Commission, at the request of South Asia Securities Ltd., has issued to South Asia Securities Ltd. the stock-broker registration certificate No. **beÜb-3.2/wGnB-121004/98-003 ZwiL 21/10/2001 Bs** under section 10(1) of the Securities and Exchange Commission Act, 1993, read with was 5(5) of the wnkDwider I G. TPÄ Kuykb (óK-lefkii I Abjywi Z cäthus) wagyi y 2000, to conduct securities trading related activities under certain terms & conditions stipulated in the said certificate.

As per sub-rule 1 of rule 4 of the Securities and Exchange Rules, 1987, a telephonic order of buy or sell given by a customer, having an established account with a member, may also be accepted if the order is properly recorded and signed by the member or his authorized representative, and the written order of confirmation in this respect is obtained by the member within twenty four hours of receiving the telephonic order; and also that such telephonic order shall be effective from the time and date of recording the telephonic order in accordance with this sub-rule.

Pursuant to the Commission's Order No. SEC/SRMID/94-213/759 dated September 20, 2006, an inspection team was constituted to visit and to inspect its activities and to examine relevant books, papers & documents of South Asia Securities Ltd. It appeared from the findings of the inspection report, among others, that the stock-broker executed the transactions through telephonic order of the customers, but did not keep written purchase orders. The stock broker's aforementioned activities tantamount to contravention of the aforesaid rule appeared to be deliberate attracting provisions of section 22 of the Securities and Exchange Ordinance, 1969, as amended.

A show cause cum hearing notice No. SEC/Enforcement/534/2006/1196 dated December 6, 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 24, 2007.

Mr. Newton Kanti Dey, authorized representative of the stock-broker, appeared for the hearing. In course of hearing, the stock-broker submitted written explanations vide letter dated January 21, 2007 stating, among others, that they always tried to their best to follow the rules and regulation issued by SEC and accordingly, they subsequently maintained buy and sale order in writing. They also mentioned that the orders came over telephone and the volume of the order got more and repeated, and therefore, they could not record all the orders in writing. In that case there might be lapse which was not intentional. They assured that they would try their best to follow all the rules and regulations of SEC in future. They also requested the Commission to exonerate them from the charge for not recording the buy order in question.

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

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

For the Securities and Exchange Commission

Mansur Alam Executive Director

CC:

CEO, Chittagong Stock Exchange Executive Director (R&D), SEC Executive Director (Registration), SEC Director (MIS), SEC Chairman's Office, SEC