

SEC/Enforcement/341/2005/226  
March 8, 2006

By Special Messenger

Mutual Trust Bank Limited, 68 Dilkusha C/A, Dhaka-1000

Directors  
Mutual Trust Bank Limited, 68 Dilkusha C/A, Dhaka-1000

Managing Director  
Mutual Trust Bank Limited, 68 Dilkusha C/A, Dhaka-1000

Company Secretary  
Mutual Trust Bank Limited, 68 Dilkusha C/A, Dhaka-1000

**Subject: Non-compliance with the provisions of securities laws -CAUTION**

As per section 2(g) of the Securities and Exchange Ordinance, 1969 (ORDINANCE No. XVII of 1969) Mutual Trust Bank Limited is an issuer (herein after referred to as 'issuer').

A show cause notice No. SEC/Enforcement/341/2005/645 dated December 7, 2005 was issued upon yourselves by the Commission in respect of which you submitted your reply letter No.MTB/HO/BD/88/2005 dated December 26, 2005, and a hearing was conducted on December 27, 2005.

Through an enquiry, conducted under the Order No. SEC/SRMID/2003-12/1086/102 dated March 13, 2004, it appeared that:

- (i) Mr. Anjan Chowdhury is a Director as well a member of the Audit Committee of Mutual Trust Bank Limited and his family relatives, namely Mr. Tapan Chowdhury and Mr. Samuel S. Chowdhury, are two sponsors/shareholders of Mutual Trust Bank Limited;
- (ii) The above persons attempted to involve themselves in insider trading who made separate declarations on March 18, 2004 and March 31, 2004 for buying shares of Mutual Trust Bank Limited ahead of the recommendation of 20% stock dividend in 2004 by Board of the bank on April 4, 2004.

It also appeared that the issuer, by not finalizing the matter of stock dividend in the 41<sup>st</sup> Board Meeting held on February 25, 2004 in which the concerned audited accounts of 2003 was placed, in fact, facilitated the said insider persons in attempted insider trading.

It further appeared that Mutual Trust Bank Ltd. (the 'issuer') has contravened the Commission's Notification No. SEC/CMRRCD/2001-14/24/Admin/03-03 dated 26/11/2001, Gazetted on 10/12/2001, by not recommending/deciding the price sensitive 20% stock dividend in the same 41<sup>st</sup> board meeting in which its audited accounts for 2003 was placed and discussed based on which the dividend was announced in its subsequent board meeting (i.e. 42<sup>nd</sup> Meeting) held after one month.

The issuer vide letter No. MTB/HO/BD/88/2005 dated December 26, 2005 furnished its written explanation, which includes, among others, as follows:

Page-2

“ The actual fact is that when the agenda 14 was taken up, the managing director simply informed the Board that Balance Sheet and Profit and Loss Account as at December 31, 2003 had been prepared on the basis of appropriation approved by the board in its 40<sup>th</sup> meeting held on 21-01-2004 and that the same had been audited. While the Managing Director was trying to initiate the discussion on agenda No. 14 the Board unanimously opined that the Balance Sheet and Profit & Loss Account including the various disclosures therein be examined in details by the Directors and as such the agenda was deferred until the next board meeting.

Thereafter, in the 42<sup>nd</sup> meeting the Directors considered the Balance Sheet and the Profit and Loss Account and after a threadbare discussion adopted the same. Upon adoption of the financial statements the Board recommended a 20% stock dividend, fixed date for AGM and Book closure in accordance with law.

The Board in its Article of Association has the power to defer consideration and adoption of an agenda. Therefore, it was a collective decision of the Board to defer consideration & adoption of the financial statements in the 41<sup>st</sup> Board of Directors meeting and in so doing no law was violated.

In view of the aforesaid cause shown, we would expect the Commission will find the cause shown as satisfactory and exonerate us.”

The issuer through further letter No. MTB/HO/BD/88/2005 dated December 27, 2005 mentioned, among others, the following:

“ The consideration and adoption of the financial statements of the bank in its 41<sup>st</sup> Board meeting (in which Balance Sheet and Profit & Loss Account placed) was deferred until the next Board meeting as we could not interpret SEC's Notification No. SEC/CMRRCD/2001-14/24/Admin/03-03 dated November 26, 2001. In doing so, we had no intention to facilitate insider trading.

In view of the above, we would request the Commission to exonerate us from the charges of non-compliance /contravention.”

The Commission, after considering the submissions made by you, has decided to dispose of the proceedings against you by placing on record the Commission's dissatisfaction with the stated defaults committed by you, with a caution to ensure full compliance of the securities related laws in future.

Please note that this does not absolve you from your lawful responsibilities/obligations to any person, if affected by your aforesaid defaults.

For the Securities and Exchange Commission

(A.K.M Ziaul Hasan Khan)

Director

CC:

Chief Executive Officer, Dhaka Stock Exchange Limited  
Chief Executive Officer, Chittagong Stock Exchange Limited  
Executive Director (R&D), SEC  
Executive Director (SRMID), SEC  
Executive Director (CFD), SEC  
Director (MIS), SEC  
Chairman's Office, SEC