

SEC/Enforcement/341/2005/228  
March 8, 2006

By Special Messenger

Mr. Tapan Chowdhury  
Sponsor  
Mutual Trust Bank Limited  
68 Dilkusha C/A, Dhaka-1000

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

This refers to the Commission's show cause notice No. SEC/Enforcement/341/2005/643 dated December 7, 2005 and your reply letter dated December 22, 2005 and hearing conducted on December 22, 2005.

Mutual Trust Bank Limited is an issuer and you are a sponsor/shareholder of the said issuer. You opened customer's account with Square Securities Management Limited (Stock dealer/broker of DSE and CSE), without mentioning date of opening the said account.

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

- (i) Pursuant to the Commission's Notification No. SEC/SRMID/2000-953/313/Admin-06 dated March 25, 2001, you on March 31, 2004 declared your intention to buy 6,000 shares of Mutual Trust Bank Limited, wherein it was also mentioned that the requisite fund had been placed with your said broker, but the fund was actually placed by you with the broker on April 07, 2004; and
- (ii) Your broker executed the order by purchasing 3000 shares on April 6, 2004 and 3000 shares on April 10, 2004.

Prior to the decision of the issuer's board regarding recommendation of 20% stock dividend on 4<sup>th</sup> April, 2004, the audited accounts concerned for 2003 was placed in the 41<sup>st</sup> board meeting held on February 25, 2004, which was subsequently referred for placing in the 42<sup>nd</sup> board of directors meeting of the bank held on 4<sup>th</sup> April, 2004, and that Mr. Anjan Chowdhury was present in the said 41<sup>st</sup> board of directors meeting.

Having family relation closely associated with said Mr. Anjan Chowdhury, a director as well as a member of the audit committee of the issuer, you are an insider and, as such, you were aware of the actual financial statements/results of the issuer, which remained undisclosed until the decision taken in the 42<sup>nd</sup> board meeting.

It is revealed from the circumstantial evidences that, knowing the above undisclosed information through Mr. Anjan Chowdhury, you attempted to involve yourself in insider trading by giving declaration for buying the bank's shares ahead of the recommendation of 20% stock dividend made in the 42<sup>nd</sup> meeting of the board of directors held on April 4, 2004 (book closure date being April 19-May 4, 2004) and also that Mr. Anjan Chowdhury and you placed buy orders for same quantity of shares on same date with the same stock broker.

You are also associated with other two listed companies namely, Square Pharmaceuticals Limited and Square Textile Mills Limited, and that your broker Square Securities Management Limited is a sister concern of the said listed companies.

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In your explanation letter dated December 22, 2005, you have mentioned, among others, that you had signed the buy order on March, 31, 2004, but you desired it to be executed after April 4, 2004, which is contrary to your declaration made on March 31, 2004, and also that you have concealed the said fact to the Commission and the stock exchange.

From the above, it appeared that you, as sponsor of Mutual Trust Bank Ltd. attempted to involve in insider trading and has contravened relevant provisions of section 18 of the Securities and Exchange Ordinance, 1969 by providing false/incorrect or misleading information in your declaration for buy of shares of Mutual Trust Bank Limited in respect of depositing money with the stock-broker in addition to concealment of the stated fact of expressing your desire to the broker for delay in executing the buy order which is beyond the scope of the Declaration.

However, 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 defaults made by you, with a caution to ensure compliance of all securities related laws in future.

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

For the Securities and Exchange Commission

(A.K.M Ziaul Hasan Khan)

Director

Copy for information:

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

Chief Executive Officer, Dhaka Stock Exchange Limited

Chief Executive Officer, Chittagong Stock Exchange Limited

Executive Director (R&D), SEC

Executive Director (SRMID), SEC

Director (MIS), SEC

Chairman's Office, SEC