SEC/Enforcement/402/2005/455 April 26, 2006

Mercantile Bank Limited, 61, Dilkusha C/A, Dhaka

Directors

Mercantile Bank Limited, 61, Dilkusha C/A, Dhaka

Managing Director

Mercantile Bank Limited, 61, Dilkusha C/A, Dhaka

Company Secretary

Mercantile Bank Limited, 61, Dilkusha C/A, Dhaka

Subject: Non-compliance of securities laws – WARNING

This refers to wew 6 | 7 of wmwKDwinUR | G. ‡PÄ Kugkb (D‡j L‡hvM" msL"K †kqvi AR®, AwaM®Y | KZZi M®Y) wewagvj v, 2002 (as ammended) which reads as under:

- Ó6| ÷KG·ṭPṭÄi gwa¨g eʿwZṭiṭK Dṭj ŁṭhwM ˈmsL¨K tkqwi ARð|- †Kvb †Kv¤úvbxṭZ Dṭj ŁṭhwM ev Z`vṭc¶v Kg msL¨K †fvUwaKvi m¤ŋi Z †Kvb †kqvi aviK, ev whwb †Kvb †kqvi aviY Kṭib bv Ggb eʿw³, ÷K G·ṭPÄ eʿwZṭi‡K Avṭj vPbvi gvaʿṭg D³ †Kv¤úvbxi `k kZvsk ch®-ev Dnvi AwaK †kqvi ARð KwiṭZ Pwnṭj, A_ev `k kZvsk ev Dnvi AwaK †fvUwaKvi m¤ŋi Z †Kvb †kqvi aviK ÷K G·ṭPÄ eʿwZṭi‡K Avṭj vPbvi gvaʿṭg D³ †Kv¤úvbxi AviI †kqvi AwaMðnY KwiṭZ Pwnṭj Zvnv‡K, wewagvj v Øiiv wba@ni Z c×wZṭZ, MYweÁwßi gvaʿṭg D³ †Kv¤úvbxi bʿbZg msL¨K †kqvi µṭqi GKwU cð ve Abʿvbʿ †kqvi aviKṭ`i wbKU wʿṭZ nBṭe|
- 7 | ÷ K G· ‡PÄ nB‡Z D‡jjهhwWi msLik †kqvi μq|- †Kvb †Kv¤úvbx‡Z D‡jهhwWi ev Z`v‡c¶v Kg msLik †fvUwaKvi m¤nj Z †Kvb †kqvi aviK ev whwb †Kvb †kqvi aviK ktib bv Ggb eïw³, ÷ K G· ‡PÄ nB‡Z D³ †Kv¤úvbxi `k kZvsk ch®-ev Dnvi AwaK †kqvi μq Kwi‡Z Pwn†j, A_ev `k kZvsk ev Dnvi AwaK †fvUwaKvi m¤nj Z ‡Kvb †kqvi aviK ÷ K G· ‡PÄ nB‡Z D³ †Kv¤úvbxi AviI †kqvi μq Kwi‡Z Pwn†j Zvnv‡K, óK GK‡P‡Äi gvaï‡g †kqvi AwaMnå‡Yi †¶‡Î wewagvj v Øviv wbanni Z c×wZ‡Z GKwU MYweÁwß cikvk Kwi‡Z nB‡e| Ó

It is appeared from the letter No. HO/TD(439)/2005 dated July 28, 2005 of Mercantile Bank Limited that it had acquired 1,50,000 shares of the Industrial Development Leasing Company of Bangladesh Limited (IDLC) through the Stock Exchange at market price.

It is also appeared that the percentage of shares acquired by Mercantile Bank Limited was just 10% of the issued capital of the issuer (i.e. IDLC), but Mercantile Bank Limited has failed to comply with the above provisions of the WENGQV V, attracting appropriate penal provisions of the said WENGQV V.

A show cause-cum-hearing notice No.SEC/Enforcement/402/2005/3 dated January 2, 2006 was issued to the said bank for explaining the above non-compliance.

The bank officials appeared at the hearing submitted a letter No. BS/338/2006 dated January 7, 2006 mentioning, among others, as under:

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"1. The Bank purchased 150,000 (one hundred fifty thousand) shares of IDLC of Bangladesh Limited

through the Stock Exchange on July 27, 2005 divested by the International Finance Corporation (IFC), an

affiliate of the World Bank, a sponsor of the company.

2. In the process, upon execution of the deal, the information was immediately disseminated to the Securities

and Exchange Commission (SEC), Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE).

3. In this connection, due to the miscomprehension and omission on the part of the Bank regarding the

interpretation of relevant rules of SEC (Acquisition of Substantial Shares, Merger and Takeover) Rules, 2002,

this transaction, involving just 10 (Ten) per cent of the issued capital of the company, could not be processed in

terms of the rules of the SEC that we understand would be considered by your kindself very leniently.

In this context, we however would ensure compliance of rules and procedures of the SEC in purchase of shares

in future."

The Commission, considering the admission of default, and assurance for future compliance with the securities

laws, has decided to dispose of the proceedings against Mercantile Bank Ltd. by placing on record the

Commission's dissatisfaction on the defaults/contraventions 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 defaults.

For Securities and Exchange Commission

Mansur Alam

Executive Director

Copy for information:

Chief Executive Officer, Dhaka Stock Exchange Ltd.

Chief Executive Officer, Chittagong Stock Exchange Ltd.

P.O.to Executive Director (R&D), SEC

P.O.to Executive Director (SRMID), SEC

Director (MIS), SEC

Chairman's Office, SEC