

SEC/Enforcement/323/2005/327
March 29, 2006

By Special Messenger

Bangladesh General Insurance Company Limited
42, Dilkusha C/A, Dhaka-1000

Directors
Bangladesh General Insurance Company Limited, 42, Dilkusha C/A, Dhaka-1000

The Managing Director
Bangladesh General Insurance Company Limited, 42, Dilkusha C/A, Dhaka-1000

The Company Secretary
Bangladesh General Insurance Company Limited, 42, Dilkusha C/A, Dhaka-1000

Sub: Non compliance of securities law-Warning

This refers to the Commission's show cause notice No. SEC/Enforcement/323/2005/325 dated July 3, 2005 concerning non-compliance of condition (b) of the Commission's Order No. SEC/CFD-71/2001/Admin/02/05 dated January 03, 2002, gazetted on January 30, 2002, which reads as follows:

“The issuer company shall not appoint any firm of chartered accountants as its statutory auditor for a consecutive period exceeding three years:

Provided that this provision shall not apply in the case of auditors who will have audited consecutively for three years upon completion of their current assignment:

Provided further that the issuer may continue with the existing statutory auditor subject to the clearance of the Commission if it recommends at least 10% dividend on the face value/paidup capital or 7.5% on the net worth, whichever is higher, for the year immediately preceding the year for which the statutory auditor is appointed.”

The issuer appointed M/s Mahfel Huq & Co., Chartered Accountants, as statutory auditor of Bangladesh General Insurance Company limited for the financial year 2003, 2004 and 2005, i.e. for further period of consecutive three years, without SEC's prior clearance.

Above appointment tantamount to violation of above condition of the aforesaid order issued under section 2CC of the Securities and Exchange Ordinance, 1969.

A show cause notice reference No. SEC/Enforcement/323/2005/325 dated July 3, 2005 was issued to Bangladesh General Insurance Company Limited for explaining the said non-compliance.

In response to the show cause, the issuer vide letter dated July 10, 2005 explained, among others, that since SEC approved the appointment of M/s Mahfel Huq & Co., Chartered Accountants, for the year 2002, it was mistakenly believed that the issuer was allowed to continue with that auditor for a consecutive period of three

years up to 2004, i.e. for the years 2002, 2003 & 2004 subject to fulfillment of condition (b) of the Commission's Order No. SEC/CFD-71/2001/Admin/02/05 dated January 03, 2002. The issuer also mentioned that it fulfilled the requirement of condition (b) of the Commission's Order No. SEC/CFD-71/2001/Admin/02/05 dated January 03, 2002 for continued appointment of statutory auditor of public limited company and, as such, the issuer appointed M/s Mahfel Huq & Co., Chartered Accountants, each time with the approval of Annual General Meeting. The issuer further mentioned that it declared dividend @ 20% per share during the years 2002, 2003 and 2004 which exceeds 7.5% of the net worth of the company for the concerned years, which is a requirement for appointment of the same auditor for more than consecutive three years.

Subsequently, a notice of hearing No. SEC/Enforcement/323/2005/345 dated July 14, 2005 was issued to the issuer. The officials appeared at the hearing submitted that due to oversight whilst appointing the statutory auditors for the year 2005, the issuer did not obtain clearance which it should have obtained.

The officials beg to be excused for the wrong understanding, despite the issuer fulfilled the criteria required by law although.

With the above submission, the officials sought clearance for the reappointment of M/s Mahfel Huq & Co. Chartered Accountants, for the years 2003, 2004 and 2005.

The Commission, after considering the all above, has decided to condone the non-compliance of the issuer and to dispose of the proceedings against it and others concerned with warning for the stated violation.

Please note that this disposal does not absolve the issuer or any of its directors or officers concerned from their lawful responsibilities/obligations to the persons, if any, affected as a result of the issuer's above said defaults, including change in its record date concerned.

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.
Executive Director (R & D), SEC
Executive Director (CFD), SEC
Director (MIS), SEC
Chairman's Office, SEC