

**SEC/Enforcement/332/2005/326**  
**March 29, 2006**

**By Special Messenger**

Karnaphuli Insurance Company Limited  
Head Office: Biman Bhaban (3<sup>rd</sup> Floor), 100, Motijheel C/A, Dhaka-1000

Directors

Karnaphuli Insurance Company Limited  
Head Office: Biman Bhaban (3<sup>rd</sup> Floor), 100, Motijheel C/A, Dhaka-1000

Managing Director

Karnaphuli Insurance Company Limited  
Head Office: Biman Bhaban (3<sup>rd</sup> Floor), 100, Motijheel C/A, Dhaka-1000

Company Secretary

Karnaphuli Insurance Company Limited  
Head Office: Biman Bhaban (3<sup>rd</sup> Floor), 100, Motijheel C/A, Dhaka-1000

**Sub: Non compliance of securities law-Warning**

This refers to the Commission's show cause notice No. SEC/Enforcement/332/2005/328 dated July 5, 2005 concerning non-compliance with the clause (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/paid up 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 A. Wahab & Co., Chartered Accountants, as its statutory auditor for the year 2004, i.e. for a further period exceeding consecutive three years, without SEC's prior clearance.

Therefore, the issuer has violated/contravened the provisions of clause (b) of the Commission's Order No. SEC/CFD-71/2001/Admin/02/05 dated January 03, 2002, gazetted on January 30, 2002, by appointing M/s A.Wahab & Co., Chartered Accountants, as statutory auditor of the company for the year 2004.

Issuer's aforesaid activities tantamount to non-compliance of the securities laws which appeared deliberate and clear contravention of the provisions of the Order mentioned above attracting penal provisions of section 22 of the Securities and Exchange Ordinance, 1969.

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A show cause notice reference No. SEC/Enforcement/332/2005/328 dated July 5, 2005 was issued to the issuer for non-compliance with the terms of the Order No. SEC/CFD-71/2001/Admin/02/05 dated January 03, 2002, gazetted on January 30, 2002, issued under section 2CC of the Securities and Exchange Ordinance, 1969, by appointing M/s A.Wahab & Co., Chartered Accountants, as statutory auditor of the company for the year 2004 without SEC's prior clearance.

In response the issuer vide letter of July 9, 2005 mentioned, among others, that due to oversight and inadvertently a mistake has been committed in the appointment of A.Wahab & Co., Chartered Accountants, as statutory auditor of the company for the year 2004 without obtaining necessary approval from the Securities and Exchange Commission. The issuer tendered unconditional apology for the violation took place in this regard. The issuer also informed that the shareholders of the company approved the appointment of M/s J.R Chowdhury & Co., Chartered Accountants, as statutory auditor for the year 2005.

A notice of hearing No. SEC/Enforcement/332/2005 dated July 14, 2005 was issued to the issuer. The Managing Director has expressed deep regret and tendered unconditional apology for the appointment of A.Wahab & Co., Chartered Accountants, as statutory auditor of the company for the year 2004 without obtaining necessary clearance from the Securities and Exchange Commission which he explained happened due to oversight. He, however, has assured about careful compliance of the securities laws although.

The Commission, after considering the all above, has decided to dispose of the proceedings against you and other concerned 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