

SEC/Enforcement/246/2004/1140
October 19, 2006

By Courier Service

Managing Director
Island Securities Limited
(CSE Member No. 005)
Faruk Chamber, 6th Floor
1403, Sk Mujib Road
Chittagong

Sub: Non-compliance with securities related laws in respect of trading share of Lafarge Surma Cement Limited: Warning

As per the Commission's instruction, Chittagong Stock Exchanges Limited's official visited your firm (stock-dealer) during the period from April 21, 2004 to May 18, 2004 (stock-dealer) to verify whether there were any irregularities/unusual/abnormal activities in respect of trading of Lafarge Surma Cement Limited and reported certain observations from which it revealed, among others, that you have contravened rule 3 of the Margin Rules, 1999.

Your aforementioned activities tantamount to contravention of rule 12 of the Securities and Exchange Commission Act, 2000.

A show cause notice No. SEC/Enforcement/246/2004/445 dated November 4, 2004, followed by Notice No. SEC/Enforcement/246/2004/444 dated January 22, 2006, was issued to the stock dealer for explaining the contraventions and non-compliances of the above provisions and also for providing an opportunity of being heard to you by the Commission in these respects. The hearing was held on February 7, 2006.

During the hearing you, among others, mentioned that your management was under the impression that Margin Rules would be applicable for sanctioning of loan against pledge of shares and not applicable to occupational small debit balances of retail investor. You regretted for your misunderstanding and assured for future compliance.

The Commission, considering the submissions, has decided to dispose of the proceedings against the said stock dealer by placing on record the Commission's dissatisfaction on the defaults/contraventions made by the dealer, with a warning to ensure compliance of all securities related laws in future.

Please note that this disposal does not absolve the stock dealer from its lawful responsibilities/obligations to any person, if affected as a result of above said defaults.

For the Securities and Exchange Commission

(Mansur Alam)
Executive Director

CC:
Chief Executive Officer, Chittagong Stock Exchange Ltd.
Executive Director (R&D), SEC
Executive Director (Registration), SEC
Director (MIS), SEC
PO to Member (Enforcement), SEC
Chairman's Officer, SEC