SEC/Enforcement/338/2005/912 <u>By Registered A/D</u>
August 15, 2006

SCL Securities Limited (DSE stock-dealer)
(DSE Member No. 121)
160, Motijheel C/A, Modhumita Building (1st Floor), Dhaka-1000

Attention: The Managing Director

Sub: Non compliance with securities related laws: In connection with purchase of Mercantile Bank Limited's shares for Mr. Amanullah: Disposal.

This refers to the show cause cum hearing notice No. SEC/Enforcement/338/2005/37 dated 08/01/2005 issued for contravening relevant provisions of the wmwKDwiwUR I G·‡PÄ Kwgkb (÷K-wWjvi, ÷K-†evKvi I Ab‡gw`Z cwZwbwa) wewagvjv, 2000, read with the relevant provisions of the Securities and Exchange Rules, 1987 and the Margin Rules, 1999, based on which the hearing was conducted on 31/01/2006.

The Commission instituted an enquiry pursuant to the Order No. SEC/SRMID/2003-28/1102/103 dated 13/04/2004 wherefrom it appeared that Mr. Amanullah, Director of Mercantile Bank Limited, opened customer account with the SCL Securities Limited on 30/11/2003. SCL Securities Limited accepted his buy orders during 21/03/2004 to 11/04/2004 for buying of 67,800 shares of the said bank without receiving the requisite money. There was no margin agreement in this respect. It is appeared that 61,250 shares were bought by SCL Securities Limited during the said period. Mr. Amanullah paid money (Tk. 1,48,18,311) to the dealer on different date(s) during the said period.

By doing so, SCL Securities Ltd. has contravened relevant provisions of the wmwKDwiwUR I G·‡PÄ Kwgkb (÷K-wWjvi, ÷K-†evKvi I Ab‡gw`Z cwZwbwa) wewagvjv, 2000, read with the relevant provisions of the Securities and Exchange Rules, 1987 and the Margin Rules, 1999, by not taking money from the said customer along with the buy orders.

A show cause cum hearing notice No. SEC/Enforcement/338/2005/37 dated 08/01/2006 was issued to SCL Securities Ltd. to explain the alleged contraventions and also to provide an opportunity of being heard prior to taking any measure as per securities related laws.

In reply, SCL Securities Limited vide letter dated January 31, 2006 mentioned, among others, that it bought shares of Mercantile Bank Limited for Mr. Amanullah against specific buy orders during the period from 21/03/2004 to 13/04/2004. Each and every trade confirmation was also received by Mr Amanullah or his authorised person after signing the duplicate copy. It also received cheques from Mr. Amanullah covering the purchase amounts to be involved with each buy order and it credited the proceeds to the customer's account. Stating above, SCL Securities Limited requested the Commission to take a considerate view, if there is any unintentional deviation from the existing regulations. The dealer also assured fullest compliance to the regulatory frameworks of Securities and Exchange Commission in future.

The Commission, considering the submissions made by the stock-dealer, has decided to dispose off the proceedings against the stock-dealer for the stated contravention by placing on record the Commission's dissatisfaction on the defaults made by stock-dealer, with an advice to ensure strict compliance of all securities related laws in future.

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

For and on behalf of
the Securities and Exchange Commission

(Mansur Alam)
Executive Director

CC:

Chief Executive Officer, Dhaka Stock Exchange
Executive Director (R&D), SEC
Executive Director (Registration), SEC
Director (MIS), SEC
Chairman’s Office, SEC