SEC/Enforcement/338/2005/914 By Special Messenger
August 15, 2006

Mr. Jamsed Reza Khan
Director
Mercantile Bank Limited
61, Dilkusha C/A,
Dhaka-1000

Sub: Non compliance with securities related laws: In connection with declaration for purchase of Mercantile Bank Limited's shares: Warning

This refers to the Commission's show cause cum hearing notice SEC/Enforcement/338/2005/33 dated 08/01/2006 issued for contravention of relevant provisions of wmwKDwiwUR I G·‡PÄ Kwgkb (mweav‡fvMx e¨emv wbwl×KiY) cwevbgvjv, 1995 and section 18 of the Securities and Exchange Ordinance, 1969, based on which the hearing was conducted on 30/03/2006.

The Commission instituted an enquiry vide Order No. SEC/SRMID/2003-28/1102/103 dated 13/04/2004 wherefrom it is appeared that Mr. Jamsed Reza Khan made irrevocable declaration on 09/03/2004 intending to buy 25,450 shares of the Mercantile Bank Ltd.at market rate through one stock-broker of DSE. Mr. Khan's declaration contained that he placed buy order at market rate and deposited money with his stock-broker. It is revealed from the enquiry that Mr. Khan opened customer account and placed buy orders with his broker on 10/03/2004 and deposited money on 08/05/2004 with the broker. But buy order was not executed and Mr. Khan had withdrawn the money on 15/05/2004 from the broker. It also revealed that on 10/04/2004 Mr. Khan made another declaration for buy of the same quantity of shares of the said bank, but no buy order was found/placed, and there was no execution of buy for those shares. Mr. Khan in fact, opened customer account with his stock-broker subsequently to his declaration.

It appeared from the above that Mr. Jamsed Reza Khan was involved in attempted insider trading and made certain false/incorrect regulatory declarations in respect of his buying shares of the bank and accordingly has contravened relevant provisions of:-

(a) wmwKDwiwUR I G·‡PÄ Kwgkb (mweav‡fvMx e¨emv wbwl×KiY) cwevbgvjv, 1995 for their involvement/attempted involvement in insider trading; and

(b) section 18 of the Securities and Exchange Ordinance, 1969 by providing false/incorrect information in their declarations for buy of shares (in respect of opening customer accounts, placing buy orders, depositing money with stock-brokers, withdrawal of money from stock-broker, etc.).

A show cause cum hearing notice SEC/Enforcement/338/2005/33 dated 08/01/2006 was issued to Mr. Jamsed Reza Khan for explain the alleged contraventions and as well as to give him an opportunity of being heard prior to taking any measure as per securities related laws.

In reply, Mr. Khan vide letter dated March 23, 2006 submitted at the time of hearing through his attorney Mr. Omar Khan of Hasan & Associates, mentioned, among others, that he had an impression that the placement of fund was not mandatory and stockbroker firm did not insist him for the required fund as well. He further mentioned that due to rise in the share price beyond his estimation, he could not purchase the shares despite his sincere desire and clear intention.However, he was eager to purchase the said shares and applied to SEC for extension of time and also submitted a revised declaration along with the

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prayer. The revised declaration accompanied with the prayer had been treated as second declaration. After waiting for a considerable period of time and getting no response from SEC, he applied on May 8, 2004
to SEC seeking some sort of acknowledgement regarding approval of his prayer for extension of time for
purchase of shares. The decision on payment of dividend was made on the 50th meeting on 30/03/2004 whereas he gave the declaration on 08/03/.2004. His decision to purchase the shares was made only because of the fact that the shares were made available during that period in the secondary market. Mentioning above, among others, Mr. Khan requested the Commission to exempt him from the alleged charge.

The Commission, considering the submissions made by Mr. Khan, has decided to dispose off the proceedings against him for the stated contravention by placing on record the Commission's dissatisfaction on the defaults made by Mr. Khan, with a warning to ensure strict compliance of all securities related laws in future.

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

For and on behalf of
the Securities and Exchange Commission

(Mansur Alam)
Executive Director

CC:
Managing Director, Mercantile Bank Limited, 61, Dilkusha C/A, Dhaka-1000
Executive Director (R&D), SEC
Director (MIS), SEC
Chairman's Office, SEC