



BY REGISTERED POST/BY HAND

Ref: SEC/DG/2024/03/88

04th March 2024

Mr. S.H.M. Rishan
No. 75, Arnold Ratnayake Mawatha,
Colombo 10.

NOTICE TO SHOW CAUSE

RE: MARKET MANIPULATION IN THE SHARES OF BROWN & COMPANY PLC DURING THE PERIOD FROM 15TH MARCH 2011 TO 12TH MAY 2011

The Securities and Exchange Commission of Sri Lanka (SEC) writes pursuant to an investigation conducted into a suspected case of market manipulation in the shares of Brown & Company PLC (BRWN) during the period from 15th March 2011 to 12th May 2011 (hereinafter referred as the 'relevant period').

The said investigation has found the following:

1. during the relevant period, the price of BRWN share increased by Rs. 136.60 (approximately 54%) from Rs. 252.30 to Rs. 388.90;
2. the aforesaid price hike in the relevant period appears to be supported by neither the overall market movements nor price sensitive corporate announcements of BRWN;
3. the said investigation has further found that you are the top buyer of BRWN shares during the relevant period and you had purchased 2,294,100 BRWN shares (around 31% of total buy volume of the market during relevant period) at an average price of Rs. 316.91 per share, amounting to Rs. 727,026,800 through your margin trading accounts as well as the individual account; and
4. you have made a significant contribution for the price increment during the period under consideration from your six CDS accounts.

As such, your manner of trading during the relevant period demonstrates that you have caused to create or have calculated to create a false or misleading appearance of active trading in the BRWN shares in violation of Rule 12 of the SEC Rules published in the Gazette Extraordinary No. 1215/2 of December 18, 2001.

Accordingly, the Members of the Commission at the 496th Commission Meeting held on 02nd January 2024 decided to issue a Notice to Show Cause against your said conduct for possible violation of Rule 12 of the SEC Rules which constitutes an offence under Section 51 (1) (a) of the then SEC Act No 36 of 1987 (as amended).

Rule 12 of the SEC Rules 2001 provides that *"No person shall create, cause to be created or do anything that is calculated to create a false or misleading appearance or impression of active trading, or a false or misleading appearance or impression with respect to the market for or the price of any securities listed in a licensed stock exchange."*

Section 51 (1) (a) of the then SEC Act states that any person who contravenes any provision of the Act or any requirement imposed under the provisions of the said Act or of any regulation or rules made thereunder shall be guilty of an offence under the said Act.

Therefore, you are hereby called upon to show cause to the SEC, within 14 days of the receipt hereof as to why the SEC should not initiate enforcement action against you for acting in contravention of the abovementioned provisions of Law.

Any failure on your part to respond to this letter to the satisfaction of the Commission within the period stipulated above will leave the SEC with no other alternative than to take enforcement action deemed appropriate by the Members of the Commission against you for the above said violations without further notice.



Chinthaka Mendis
DIRECTOR GENERAL
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