

Notice

04th December 2020

Directors of MTD Walkers PLC compounded Rs 36.3 Mn by the SEC

The Securities and Exchange Commission of Sri Lanka (SEC) recently took steps to compound the offences contained in two Notices of Action issued on the then directors of MTD Walkers PLC upon their payment of a sum of Rupees Thirty Six Million Three Hundred Thousand. The said sums of money were credited to the Compensation Fund of the SEC established under Section 38 of the SEC Act.

SEC had issued two Notices of Action. The first was in April 2019 issued on the Directors of MTD Walkers PLC who served on the Board of the said company during the period May 2016 to May 2018 for their failure to make an immediate disclosure of rating downgrades in the ratings granted to the listed debentures of MTD Walkers PLC on four different occasions. This conduct amounted to a breach of the Listing Rules of the Colombo Stock Exchange (CSE) and a violation of the Rules issued by the SEC under Section 53 of the SEC Act No. 36 of 1987 (as amended) and gazetted in Gazette Extraordinary 1215/2 dated 18th December 2001.

The SEC issued a second Notice of Action in July 2019, on the Board of Directors of MTD Walkers PLC who served on the Board during January 2019 for making a misleading disclosure to the market on 17th January 2019 in violation of Section 51 of the SEC Act No. 36 of 1987 (SEC Act).

Upon the service of these Notices of Action, the Directors of MTD Walkers PLC who served on the Board of Directors during the material period, made an application to the SEC through their lawyers to compound the said offences. The SEC in October 2019 approved the compounding of offences by eleven Directors in respect of the first Notice of Action subject to their paying an aggregated sum of Rupees Thirty Million Eight Hundred Thousand (Rs. 30.8 million). In respect of the second Notice of Action, the SEC approved the compounding of the offence subject to the payment of an aggregate sum of Rupees Five Million Five Hundred Thousand (Rs. 5.5 million) against five of the Directors.

Although these sums of money had to be paid at the relevant time, steps had not been taken to do so and certain extensions of time had been sought and granted. However, since the last deadline too had lapsed, the SEC was in the process of forwarding criminal charges, when the relevant Directors came forward and paid the total amount payable.

This is the highest aggregate sum imposed ever, to compound offences in terms of Section 51A of the SEC Act against Directors of a single listed company.