



BY REGISTERED POST/BY HAND

Ref: SEC/DG/2023/10/284

31st October 2023

Mr. M. R. M. Nawas
No. 635, Maradana Road,
Colombo 10.

NOTICE TO SHOW CAUSE

RE: MARKET MANIPULATION IN THE SHARES OF PC HOUSE PLC DURING THE PERIOD FROM 01ST FEBRUARY 2013 TO 30TH APRIL 2013

The Securities and Exchange Commission of Sri Lanka (SEC) writes pursuant to an investigation carried into a suspected case of market manipulation in the shares of PC House PLC (PCH) during the period from 01st February 2013 to 30th April 2013 (hereinafter referred as the relevant period).

The said investigation has found the following:

1. Employees Provident Fund (EPF), on 14th March 2013 purchased 3.23 million shares of PCH which at a total value of LKR 12.36 million, for an average price of Rs. 3.83 per share (hereinafter referred to as the concentrated transaction) and were the major counterparty to the aforementioned concentrated transaction of the EPF.
2. There was a declining trend in the share price of PCH during the relevant period. However, from 07th March 2013, the share price of PCH has been stabilized within the range of Rs. 3.80 to Rs. 4.00 per share, deviating from its previous declining trend, until the EPF transaction was executed on 14th March 2013.
3. Immediately after the said concentrated transaction of the EPF, the share price of PCH drastically dropped by 38% within one day from 14th March 2013 to 15th March 2013.
4. During the year 2013 (during January to March), you were mainly on the selling side of PCH shares and has sold a total of 7,662,350 PCH shares. You have only purchased 31,870 PCH shares in the said period.
5. On the day you commenced selling your PCH shares on 08th February 2013, you sold a total of 673,400 PCH shares at Rs. 5.00 per share and the entire quantity was purchased by EPF. Since then, you continued to sell your PCH shares till 28th March 2013 and your major parcels were sold to EPF.
6. During months of February and March 2013, you have sold a total of 4,752,468 PCH shares to EPF which was around 63% of the total PCH share purchased by EPF.

7. When analyzing your trading pattern in the shares of PCH during the relevant period, it was observed that after a large volume of PCH shares was sold by you to the EPF, your remaining number of PCH shares also had been disposed by 28th March 2013.

As such, your trading behavior 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 PCH 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 486th Commission Meeting held on 04th July 2023 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
Rb/Nu