



ශ්‍රී ලංකා සුදානුමය සහ විවිධය කොමිෂන් සභාව இலங்கைப் பிணையங்கள் மற்றும் பரிவர்த்தனை ஆணைக்குழு

BY REGISTERED POST/ BY HAND

Ref: SEC/DG/2023/10/285

31st October 2023

Mr. S.H.M Rishan
No. 75, Arnold Ratnayake Mawatha,
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 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 you 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 was taken place, the share price of PCH drastically dropped by 38% within one day from 14th March 2013 to 15th March 2013.
4. During the period under consideration, it was found that you were one of the top sellers of PCH shares and you were the Chairman of PCH.
5. It was further found that the first of the top buyers of PCH shares during the period from 01st February 2013 to 30th April 2013 was Dynaris Holdings Limited which was another company owned by you.
6. You have sold the largest share volume in PCH share during the period amounting to 10,355,505 shares.

7. Based on the findings of the investigation, the SEC observed that the share price of PCH had been stabilized, immediately before the concentrated transaction referred above, by the contribution of you and certain other parties.

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