

BY REGISTERED POST/ BY SPEED POST

Ref: SEC/DG/2023/10/286

31st October 2023

Mr. V.G.A.C.M. Mubarak
No. 177 A, Dehianga – South,
Muruthalawa.

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).
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. From February 2012 to March 2013, you have purchased 6,295,156 PCH shares at an average price of Rs. 9.40 per share and you sold your remaining large quantity of PCH shares amounting to 3,887,887 to Adam Capital PLC by 28th March 2013.
5. Based on the findings of the investigation, it was revealed that your contribution to the net impact of share price of PCH during the relevant period is comparatively significant and you have contributed to stabilize and maintain the market price of PCH shares during the relevant period, against the decreasing trend in the market.

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 in 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