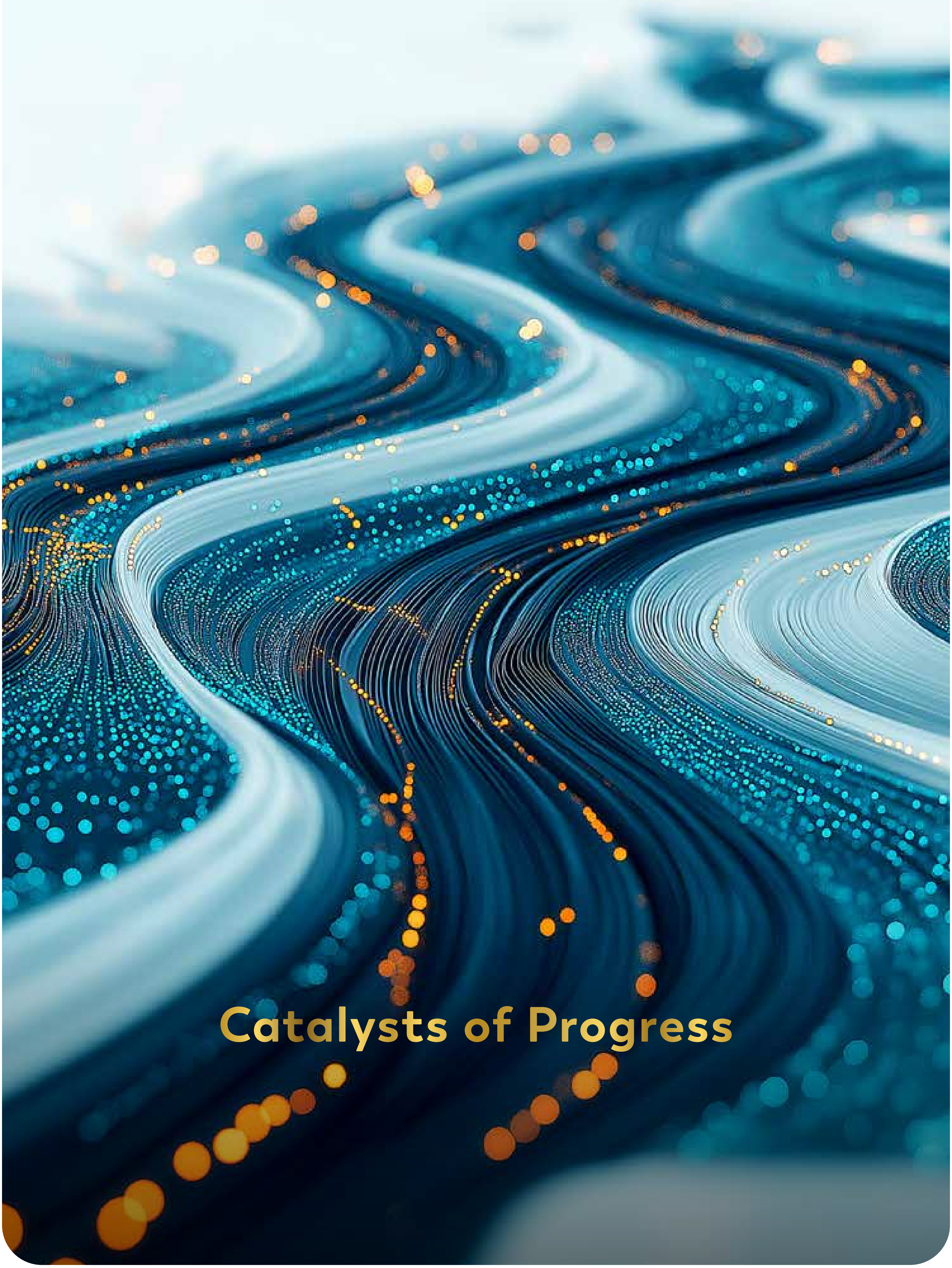
Securities and Exchange Commission of Sri Lanka
Annual Report 2024

SEC | SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA



Catalysts of Progress

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Catalysts of Progress

In a rapidly evolving financial landscape, the Securities and Exchange Commission of Sri Lanka (SEC) serves as a catalyst of progress driving regulatory excellence, market integrity, and sustainable growth. Our commitment to regulatory excellence, investor protection, market development, and technological innovation ensures that Sri Lanka's capital market remains dynamic, resilient, and future-ready. Over the past year, the SEC has continued to evolve, embracing emerging trends and new practices. By aligning with international best practices and engaging stakeholders, we continue to shape a market ecosystem that is robust, inclusive, and primed for long-term success. As we look ahead, our focus remains on empowering investors, embracing technology, and championing sustainability. With every step forward, we reaffirm our role as a catalyst of progress, building a capital market that thrives on integrity, innovation, and growth.

Strategic Direction

The SEC remains committed to fostering a robust, transparent, and resilient capital market that supports sustainable economic growth. Our strategic direction focuses on regulatory excellence, investor protection, market development, and technological innovation. Additionally, the SEC collaborates with market stakeholders to introduce new products, enhance market infrastructure, and align with global best practices, ensuring that Sri Lanka's capital market remains competitive and inclusive. This Annual Report gives an update on our progress within each of the five strategic themes of our strategic plan.

Vision

To accomplish the position of a benchmark capital market regulator in the region

Mission

To promote, develop and maintain a capital market that is fair, efficient, orderly and transparent

Strategic Themes

- Establish and Maintain a Robust Regulatory Environment
- Protect Investor Interest
- Foster Capital Market Development
- Promote Informed Investment Decision Making and Interest in the Capital Market
- Enhance Institutional Excellence

Values

- Innovation, creativity and development
- Integrity, objectivity and transparency
- Stakeholder and customer focus responsibilities
- Efficiency and flexibility
- Performance and quality driven

Our Statutory Objectives

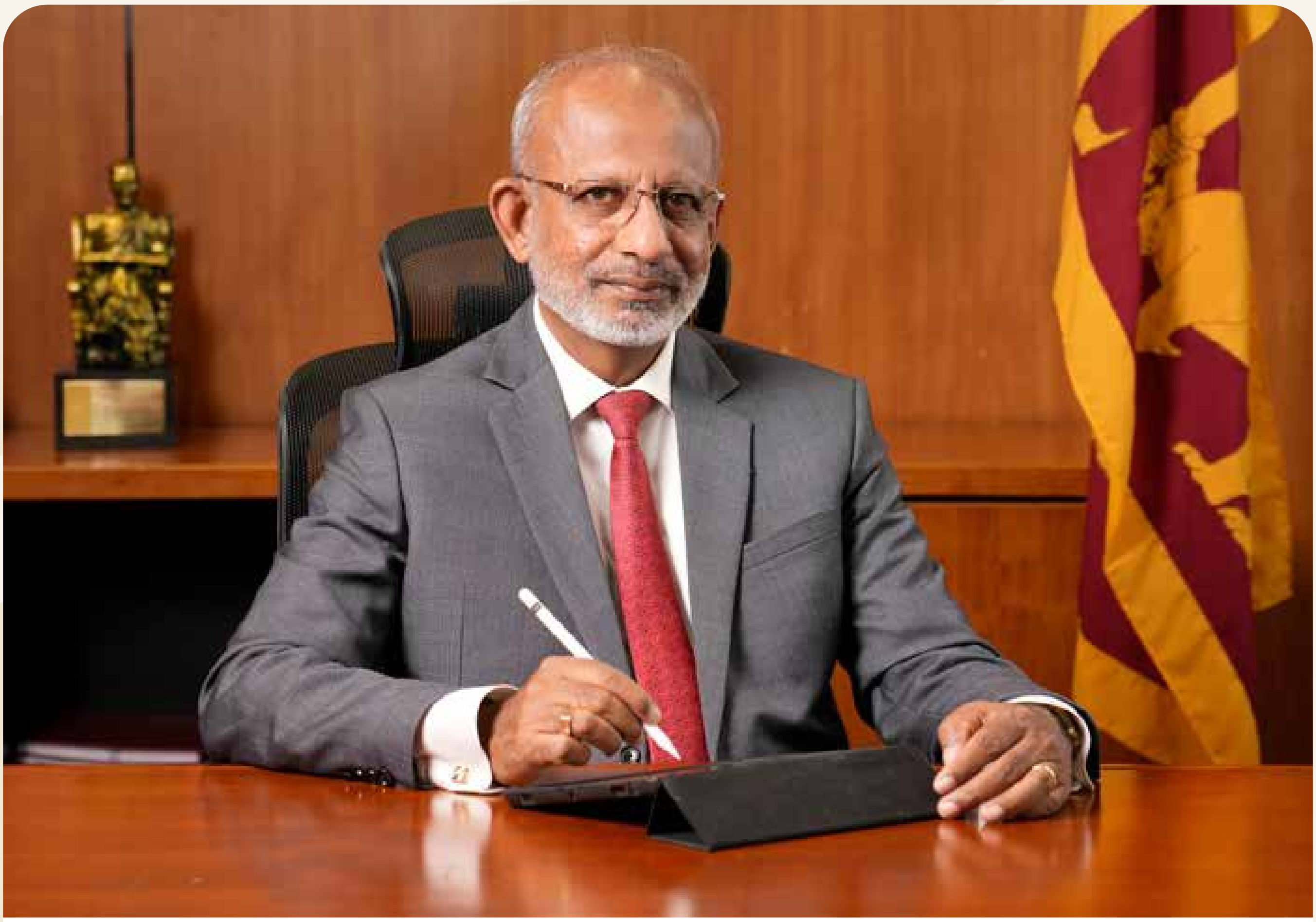
- To establish the SEC;
- To create, maintain and regulate a fair, orderly, efficient and transparent securities market;
- To protect the interests of local and foreign investors; and
- To ensure the maintenance of high professional standards in the provision of services in relation to securities markets.

Executive Reviews

Catalysts of Insight

Leadership at the SEC is shaped by both insight and foresight. By aligning strategic decisions with regulatory priorities and national objectives, we drive capital market progress, reinforce investor confidence, and ensure sustainable, forward-looking growth.

Chairman's Review



In this context of economic renewal, the SEC's commitment to both safeguarding and advancing the capital market has never been more relevant, as we continue to strike a careful balance between our dual roles as its protector and enabler.

It is my privilege to present the Annual Report of the SEC for the year under review. This period has been one of remarkable transformation and resilience for both our nation and its capital markets. Sri Lanka has emerged from what was undoubtedly the most severe economic crisis in its history, and through collective perseverance, strategic reforms, and an unwavering commitment to recovery, our nation has rebounded with greater speed and strength than many anticipated.

In this context of economic renewal, the SEC's commitment to both safeguarding and advancing the capital market has never been more relevant, as we continue to strike a careful balance between our dual roles as its protector and enabler. Moreover, a unifying theme across all our initiatives has been the drive to strengthen trust and confidence in the capital market. This focus is essential, not only for maintaining the health of our financial ecosystem, but also for ensuring that capital markets play a meaningful role in supporting long-term, inclusive, and sustainable economic growth.

STRENGTHENING MARKET INTEGRITY TO FOSTER INVESTOR CONFIDENCE

Market integrity remains fundamental to safeguarding investor interests. During the year, the Commission's rigorous investigations and decisive enforcement actions played a vital role in deterring misconduct and promoting accountability across the capital market. These measures not only reinforce investor trust

In line with our ongoing efforts to enhance oversight, the SEC has acquired a state-of-the-art market surveillance system from Nasdaq.

but also contribute significantly to enhancing Sri Lanka's standing as a secure, transparent, and credible destination for capital formation. In a significant enforcement outcome, the SEC facilitated the payment of the excess amount of Rs. 231 million paid by the Employees' Provident Fund (EPF) in connection with a case filed in 2020 before the Magistrate's Court, Colombo Fort pertaining to market manipulation, conspiracy, and abetting misconduct involving shares of a listed company. In April 2024, the Commission permitted compounding of these offences after considering the loss caused to the EPF, the time since the said offences were committed, accused agreeing to settle the loss caused to the EPF, other pending litigation connected to this case, and the absence of previous convictions. This resolution represents a significant enforcement achievement, reinforcing the SEC's commitment to protecting investor interests and maintaining market integrity.

TECHNOLOGICAL ADVANCEMENT AND MARKET SURVEILLANCE

Market surveillance remains a cornerstone of our regulatory approach, serving as a vital pre-emptive mechanism to detect and address potential vulnerabilities within the capital market. By identifying anomalous trading patterns and signs of market abuse at an early stage, effective surveillance plays a critical role in safeguarding market integrity and reinforcing investor confidence. In line with our ongoing efforts to enhance oversight, the SEC has acquired a state-of-the-art market surveillance system from Nasdaq, scheduled for implementation in mid-June 2025. This advanced system, which leverages artificial intelligence for market surveillance, will significantly bolster our capability to monitor trading activity in real time, detect irregularities, and take timely enforcement action where necessary. It underscores our unwavering commitment to ensuring that Sri Lanka's capital market remains fair, transparent, and resilient in the face of evolving challenges.

LEVERAGING SUPTECH INNOVATION FOR ENHANCED MARKET OVERSIGHT

As financial systems continue to grow in complexity, this evolving landscape is driving the increased adoption of Supervisory Technology (SupTech), which enables more efficient and effective market oversight. The rising volumes of transactional and compliance data now require sophisticated analysis to ensure timely and accurate decision-making. In response to this need, we have invested in a cloud-based SupTech system that integrates cutting-edge technologies such as data analytics, artificial intelligence, and automation. This innovative platform not only enhances our supervisory efficiency but also supports a risk-based approach to supervision, allowing us to allocate resources more effectively based on the assessed risk profile of market participants.

ADVANCING MARKET DEVELOPMENT AND GREEN FINANCE

The SEC made significant strides in broadening and deepening Sri Lanka's capital market during the year. A key milestone was the introduction of a regulatory framework for green and blue bonds, aimed at promoting sustainable finance. Although this journey has just begun, the successful listing of two such instruments underscores rising investor appetite for environmentally responsible investment options.

We also expanded the range of available products with the introduction of perpetual bonds, infrastructure bonds, high-yield bonds, Sukuks, stock borrowing and lending, and regulated short selling - initiatives that support capital formation and attract a wider investor base.

To further enhance market sophistication, we are evaluating proposals to establish a multi-asset class derivatives exchange covering products such as commodity derivatives. This will strengthen price discovery, liquidity, and risk management capabilities in the market. Additionally, we are finalising regulatory frameworks for social bonds and sustainability-linked bonds, reinforcing our commitment to developing a resilient, inclusive, and future-ready capital market.

FOSTERING FINANCIAL KNOWLEDGE IN THE DIGITAL AGE

We have repositioned our investor education initiatives to maximise digital engagement and broaden our reach. By leveraging a range of digital platforms, we are making financial education more accessible, engaging, and relevant, particularly for younger, tech-savvy audiences who are key to the future growth of our capital market. In partnership with the Colombo Stock Exchange (CSE), we launched Capital Market Clubs in 100 schools across Sri Lanka in 2023, recognising the importance of nurturing financial literacy from an early stage. Complementing this

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Demonstrating our commitment to combating financial crime and aligning with international regulatory standards, the SEC established a dedicated AML/CFT Unit

initiative, we introduced teacher training programs to enhance financial knowledge among educators within these schools. We further enriched our outreach efforts with a quiz competition titled "Capital Market Masters," designed to deepen students' understanding of capital markets in an interactive and inspiring manner. Pursuing this objective further, we expanded our digital presence in 2024 by launching our official LinkedIn profile, creating a valuable platform for professional engagement and knowledge sharing within the financial community. These strategic efforts underscore our dedication to building an informed, confident, and future-ready investor base.

STRENGTHENING AML/CFT FRAMEWORKS

Demonstrating our commitment to combating financial crime and aligning with international regulatory standards, the SEC established a dedicated Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Unit during the year. This unit, comprising cross-functional expertise, was formed to implement the SEC's AML/CFT Action Plan and play a central role in Sri Lanka's upcoming National Mutual Evaluation in 2026. The SEC has forged a close partnership with the Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka (CBSL) to ensure coordinated efforts in this national priority. During the year, joint inspections were conducted with FIU officials to assess the level of compliance by market participants with the Financial Transactions Reporting Act. No. 6 of 2006, and its associated regulations. To further support industry preparedness, a live demonstration on the use of a sanction screening tool was organised by the FIU for SEC staff, Chief Executive Officers (CEOs) of stockbroker firms, and their Compliance Officers, reflecting a proactive approach to strengthening preventive frameworks and promoting a culture of compliance within the capital market.

INTERNATIONAL ENGAGEMENT

In a significant step toward regional integration and market development, the SEC signed a landmark Memorandum of Understanding (MoU) with the Capital Market Development Authority of Maldives (CMDA) in July in Malé. This MoU paves the way for secondary listings of Maldivian companies on the CSE and fosters ongoing collaboration in regulatory oversight, capacity building, and information exchange between the two regulators. Further strengthening international engagement, the SEC hosted the International Organisation of Securities Commissions (IOSCO) Committee on Retail Investors (Committee 8) meeting in June. The event facilitated rich dialogue among global regulators, academics, and industry experts, with a strong focus on enhancing investor education. These collaborative efforts reinforce the SEC's commitment to promoting market integrity, cross-border cooperation, and investor protection in an increasingly interconnected global environment.

FUTURE OUTLOOK

The potential of Sri Lanka's capital market to contribute meaningfully to national economic development remains central to our vision for the SEC. As we navigate a landscape shaped by both emerging opportunities and persistent challenges, our focus is on building a well-regulated, transparent, and dynamic capital market that inspires trust among investors and issuers alike. My leadership at the SEC is anchored in a balanced approach-promoting market development while ensuring robust regulatory oversight.

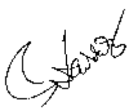
As Sri Lanka progresses on its path to economic recovery, the SEC is poised to play a pivotal role in enabling capital formation, a cornerstone of sustainable development. In line with the government's broader economic agenda, we have formulated a comprehensive, home-grown roadmap that outlines short, medium, and long-term objectives. This strategic framework comprises 12 high-impact initiatives, including the demutualisation of the CSE, expansion of the corporate debt and collective investment scheme markets, introduction of new financial instruments, and the establishment of a multi-asset class derivatives exchange. These efforts are complemented by reforms in regulation, digital transformation, risk management, and investor education, all aimed at building a vibrant, inclusive, and forward-looking capital market.

In an era defined by rapid technological advancement, the integration of digital assets and infrastructure remains essential to modernising our financial ecosystem. Embracing innovation in capital markets will not only enhance efficiency and accessibility but also unlock new avenues for investment and growth. Our ultimate goal is to create a dynamic and resilient market that fosters long-term stability, ensuring sustainable prosperity for generations to come.

CONCLUSION

I extend my sincere gratitude to my fellow Commissioner Members, the Director General, Deputy Director General and the dedicated staff of the SEC whose commitment and expertise have been instrumental in achieving our objectives during this challenging yet transformative period. I also wish to thank the Hon. President & Minister of Finance, Planning and Economic Development, Deputy Ministers and our market participants, investors, and all stakeholders whose trust and engagement remain vital in shaping a stronger, more resilient, and globally competitive securities market.

Sri Lanka's economic revival presents a unique opportunity to build a future-ready capital market, one that is innovative, transparent, and inclusive, and capable of engaging Gen Z, Gen Alpha, and generations to follow. Together, we will continue working towards realising the full potential of our market and driving sustainable economic growth for the benefit of all Sri Lankans.



Senior Prof. Hareendra Dissabandara
Chairman

20th April 2025

Director General's Review

We operate in an environment of accelerated change that is challenging the traditional model of regulation. Driven by rapid technological development, changing demographics, and shifting investor attitudes, as today's capital markets look vastly different from a decade ago.

It is with much pride and satisfaction that I review the work undertaken by the SEC in the year 2024.

A YEAR OF RESILIENCE: ADAPTING, EVOLVING AND THRIVING

As we continued to emerge from the economic crisis that we faced as a nation, it can be said that it was a year of resilience, adaptation and progress. In an evolving global economic landscape marked by rapid technological shifts, evolving investor expectations and heightened volatile markets coupled with global political uncertainty, our role as the capital market regulator has never been more pivotal.

During the reporting period, our markets have been extremely influenced by the economic crisis that we underwent on one hand and significant developments in financial markets on the other. Comparative global markets were evolving at an unprecedented pace with emerging technologies; environmental, social and governance (ESG) considerations; investor behaviours, expectations and needs; and the proliferation of online fraud and market manipulation. It is in this

Our mandate revolves around twin responsibilities: to ensure the integrity, transparency and stability of the capital markets through robust regulation, while advancing market development initiatives to drive sustainable economic growth. These twin responsibilities are not mutually exclusive; rather, they are strongly interwoven.

background that the SEC monitors all these trends and considers possible implications for our market as we implement our strategic plans and look ahead to the future.

At the same time, it is important to note that there has been an erosion of trust in traditional authorities, institutions, and information channels, alongside a more fragmented financial and media landscape. Retail investors have become very active market participants as they trade online and rely on new sources of advice and information, including social media – which may or may not be reliable, but is certainly influential.

In other words, we operate in an environment of accelerated change that is challenging the traditional model of regulation. Driven by rapid technological development, changing demographics, and shifting investor attitudes, as today's capital markets look vastly different from a decade ago.

To support our work, we continuously identify and build the skills that our future staff require for us to thrive in a data-driven environment. We have streamlined our organisation to reflect fewer business units with broader accountability for regulation across the financial markets.

Further, these issues are becoming increasingly polarised, and we are under greater scrutiny as we engage in efforts to develop the market we regulate. The SEC's mandate, structure and regulatory agenda have also been significantly changed as a result of these new developments.

Fulfilling our mandate requires us to balance priorities – for example, protecting investors and fostering capital formation, acting independently and working with our regulatory partners and delivering strong enforcement with traditional tools while being receptive to alternative approaches.

Our mandate revolves around twin responsibilities: to ensure the integrity, transparency and stability of the capital markets through robust regulation, while advancing market development initiatives to drive sustainable economic growth. These twin responsibilities are not mutually exclusive; rather, they are strongly interwoven. A well-regulated market provides the core ingredient to create investor trust and systemic confidence, while an inclusive market ensures competitiveness, relevance and resilience.

Over the past year, we have made significant headway in nurturing these two objectives. On the regulatory front, we procured one of the best-in-class market surveillance systems to strengthen our real time surveillance activities, enhance our supervisory frameworks, intensify enforcement mechanisms, introduced reforms to improve disclosure and corporate governance structures of the licensees and listed entities. These measures were introduced not only to mitigate systemic risk but also to instill investor confidence and drive market discipline.

Simultaneously we fast tracked the capital market development initiatives to deepen market liquidity, improve issuer access, product diversification, broad base investor participation and foster financial inclusion among the stakeholders. During the year under review, we streamlined regulatory processes and procedures to reduce unnecessary barriers, while maintaining the necessary safeguards to protect the investing community while preserving market integrity and confidence.

I have been saying that, when we make a decision, it must be the right one, grounded in evidence, sound judgment, and aligned with its mandate, because the consequences can be far-reaching. In financial markets, even a single misstep or rushed decision can disrupt investor confidence, distort market behaviour, or trigger systemic instability. We believe trust is the foundation of securities markets, if we fail to establish it among the market participants, we will not be able foster the market to the next step.

We remain committed to cultivating a capital market that is well balanced on regulatory and market development fronts while ensuring that the market remains inclusive, agile and future ready. We will continue to evolve our approach,

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When we make a decision, it must be the right one, grounded in evidence, sound judgment, and aligned with its mandate, because the consequences can be far-reaching.

driven by data, prudent risk-based mechanisms, and the principles of just and fairness. In doing so, we target to create an enabling environment that empowers investors, fosters capital formation and thus drives sustainable economic growth.

REBOUNDING CONFIDENCE IN CHALLENGING ENVIRONMENT

The year 2024 marked a significant rebound in Sri Lanka's capital market, demonstrating notable resilience amid macroeconomic challenges. The All-Share Price Index (ASPI) surged by 49.7%, reaching 15,945, while the S&P SL20 recorded an impressive growth of 58.5%, closing at 4,862. Both indices have sustained strong performance over the past three years, reflecting sustained investor confidence despite continued economic turbulence faced by the country during the preceding couple of years.

The Sri Lankan economy grew by 5% in the year 2024, marking a notable rebound which has amplified market performance. The economy shrank by 7.3% in the year 2022, whilst shrinking by 2.3% in the year 2023 amid the economic crisis faced by the country. The International Monetary Fund (IMF)-supported economic program provided a cushion for the Sri Lankan economy which helped the economy to resurrect in a short time frame. The credible framework provided by IMF is expected to create resolute reforms that would allow Sri Lanka to service the remaining debt in an efficient manner.

Sri Lanka's path to a stable economy depends upon consistent fiscal and monetary policies. Measured policies would offer inclusive growth both in the short and long term. Debt sustainability remains at a critical juncture, leaving little room for policy missteps. Maintaining the revenue base to fund critical public services is essential while social welfare programs are targeted to support the most vulnerable segments of the population. To fully unlock, Sri Lanka's long - term growth potential, capital formation that supports medium to long - term growth must be facilitated via the capital market.

The market's total market capitalisation stood at Rs.5.69 trillion, underpinned by improved sentiment and attractive valuations. The price to earnings (P/E) ratio remained attractive at 8.9x in comparison to regional competitors, offering attractive entry points for both local and foreign investors. The dividend yield remained stable at 3.6%, offering attractive returns for long-term investors.

However, capital raising through equity listings remained at moderate levels with only Rs. 2.8 billion raised via Initial Public Offerings (IPOs). In contrast, existing listed entities utilised the capital market in an appealing manner as the funds raised via rights issues recorded Rs. 63 billion, a significant improvement in comparison to the past five years. Furthermore, the primary debt market remained active recording Rs. 94.8 billion in debt IPOs, indicating a preference among issuers for more stable funding channels. In an environment where declining interest rates were observed with the economic recovery, primary debt market issuances rose by almost three times in comparison to the preceding year.

Subdued foreign investor participation was witnessed in the year, similar to the trend observed in the preceding three years. The foreign investor participation remained at 10% largely influenced by countries' broader macro-economic volatility. Moreover, net foreign activity recorded a negative outflow of Rs. 10 billion, a contrast to the Rs. 4 billion net inflow seen in the previous year, highlighting the ongoing cautionary approach adopted by the international investors.

Overall, while the market displays impressive performance metrics, key indicators suggest that structural reforms carried out at the macro-economic front continue to shape the investor sentiment in the capital market. As we look ahead, a robust policy framework which supports economic reforms is critical for sustaining this momentum and unlocking the full potential of the capital market.

CAPITAL MARKET STRATEGY: HARMONISING DEVELOPMENT AND REGULATION

The SEC rolled out the Capital Market Strategy 2025-2035, encompassing an array of progressive development and regulatory measures designed to transform Sri Lanka's capital market landscape and build trust and confidence among investors. It inculcates twelve key capital market reforms aimed at enhancing the

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local capital market. These twelve key reforms are aimed at fostering a robust, dynamic, and globally competitive capital market. In determining the reforms and to prioritise such reforms, views were gathered from a diverse range of capital market stakeholders including the CSE, the stock broking community, the unit trust industry, the Institute of Chartered Accountants of Sri Lanka, Multilateral and bi-lateral development partners such as Asian Development Bank (ADB), Chartered Financial Analyst Society Sri Lanka etc.

The SEC believes that these twelve key reforms are critical to strengthening the foundation of the local financial ecosystem. These reforms provide a clear roadmap for modernising the market. The reforms will help mobilise our resources and expertise to deliver on our mandate amid ongoing changes, opportunities, and risks. It centres on strategic goals, each introducing a varying degree of change from how we regulate today and leading to distinct outcomes responsive to the market. By addressing these key areas of regulation and development, the SEC plans to create a more efficient, accessible, inclusive and efficient capital market. Some of these reforms were previously discussed but didn't materialise in earlier efforts. The revamp initiative aims to bring these reforms into the limelight, ensuring that they are effectively implemented within the specified timelines.

We expect the financial landscape will change even faster as technologies mature and new ones emerge. New areas of innovation are challenging the principles of accountability that underline traditional regulatory methods.

We must continue to advance how we deter, disrupt, and punish misconduct in our dynamic data-driven environment to protect investors and the integrity of our markets. We must be able to move quickly to keep pace as technology evolves to understand its implications for the future of investing. As we look ahead, we must also consider the impact of changing economic conditions and geopolitical uncertainty on capital markets activity and ensure that we are prepared to assess the implications of these forces for our market.

DRIVING MARKET GROWTH THROUGH DIVERSIFIED MARKET OFFERINGS

Novel financial products and services are being introduced that straddle traditional lines of regulatory jurisdiction. Digital platforms are increasingly using gamification, dark patterns, and other behavioural techniques. These methods influence our markets and can encourage investors to take excessive risks and otherwise act against their own best interests. Digital engagement techniques blur the line of what constitutes advice and raise investor protection concerns. Clearly, regulators must find new ways to understand investors' behaviour and engage effectively.

Many investors, both institutional and retail, are increasingly influenced by Environmental, Social and Governance (ESG) factors, whether described under the ESG label or not, when making investment decisions. They demand greater transparency about how public companies are contributing to, and preparing for, climate change, and steps they are taking to build a more diverse board and management team that better reflects today's society and leads to better decisions.

During the year, with technical assistance from the ADB and in collaboration with the CSE, a comprehensive Green, Social and Sustainability (GSS) bond framework was introduced to the market. This structure supports and provides clear direction for issuance of GSS linked bonds, making a significant step towards aligning the local capital market with global best practices.

It is encouraging to note that the market responded positively to this initiative, with DFCC Bank PLC taking the leading role in issuing the first listed green bond. Notably, the issuance was oversubscribed, reflecting strong investor appetite towards sustainable investment opportunities. Sustainable bonds offer a range of advantages to the issuers and investors. These instruments support long term fund raising for projects that generate positive environmental or social outcomes, thereby reinforcing the role of capital market in driving sustainable economic growth.

MULTI-ASSET CLASS DERIVATIVES EXCHANGE AS A CATALYST FOR CAPITAL MARKET DEEPENING AND ECONOMIC RESILIENCE

The introduction of a multi-asset class derivatives exchange – encompassing futures, options and commodities represents

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a transformative milestone in expanding Sri Lanka's capital market footprint.

To facilitate the initiative, the SEC has taken proactive steps by issuing an Expression of Interest to identify qualified experienced partner to design, establish and operate the proposed exchange. The creation of the multi-asset class derivatives exchange is expected to yield a wide range of benefits to the country. It will significantly improve market efficiency by offering tools for effective price discovery, especially in sectors such as agriculture. This platform will facilitate producers and buyers alike to mitigate their price risk and would provide robust risk management mechanisms that would help market participants immensely which would promote financial stability across sectors.

The exchange would further facilitate broadening investor participation by introducing new financial instruments to the market. A commodity-based exchange would offer local businesses and farmers the opportunity to trade their products in a structured well-regulated environment thus would facilitate reaping benefits. The introduction of futures and options would facilitate the enhancement of capital allocation and would provide means for portfolio diversification contributing to a more resilient and vibrant capital market eco system.

Furthermore, the proposed muti-asset class derivatives exchange is expected to aid policymakers, market participants and regulators to make informed decisions while improving overall governance standards of the issuers. This would also facilitate in enhancing investor confidence. The exchange is expected to play a pivotal role not just uplifting the Sri Lankan economy but will also serve as a catalyst in accelerating Sri Lanka's integration into the global financial eco-system.

CAPITAL MARKET LITERACY AS A PILLAR OF ECONOMIC DEVELOPMENT

As part of SEC's ongoing efforts to broaden investor participation and deepen financial literacy among the stakeholders, SEC in collaboration with the CSE, has continued to implement a range of outreach programs. These include a series of seminars, workshops and inter-university quiz competitions aimed at equipping current and prospective investors in the capital market. In addition, SEC-CSE regional forums have served as a vital platform in engaging the public in enhancing their awareness levels about the market.

Recognising the importance of inculcating financial education among the students, the SEC together with National Institute of Education Sri Lanka has embarked on a journey to revamp student curriculum by incorporating capital market into the "Financial Literacy and Entrepreneurship" subject from Grades 6 - 9. The SEC is hopeful that the initiative will become successful in the near future.

Further, the SEC, the Ministry of Education together with the CSE has taken steps to establish "Capital Market Clubs" in schools across the island. This initiative aims to foster foundational understanding among the students about the market dynamics. The SEC actively engages with universities to foster capital market knowledge whilst continuing to collaborate with IOSCO to build a financially savvy society.

We must continue to advance how we deter, disrupt, and punish misconduct in our dynamic data-driven environment to protect investors and the integrity of our markets.

PROMOTING MARKET INTEGRITY THROUGH IN-DEPTH DISCLOSURE REVIEW

The SEC operates under a disclosure – based regulatory framework, which emphasises the importance of timely and transparent dissemination of material information to the market thus facilitating investors to make informed investment decisions. The SEC remains committed to upholding transparency and accountability in the capital market. As part of the regulatory oversight, the SEC conducts regular reviews to verify listed companies' compliance with financial reporting standards, corporate governance standards and other disclosure obligations. This process plays a major role in detecting early warning signs of non-compliances or material omissions, thereby strengthening investor confidence and promoting market integrity.

SEC engages with the market operator on a continuous basis to seek clarifications from listed companies, recommending improvements to disclosure practices thus fostering a culture of proactive regulation. SEC strives to continuously improve the disclosure-based regulation in line with the best international practices to achieve the objective of maintaining a fair, orderly and efficient market. During the year under review, the SEC examined over a hundred annual reports and carried out reviews and analyses pertaining to new issues of debt and equity offerings.

SAFEGUARDING MARKET INTEGRITY: IMPLEMENTATION OF A REAL-TIME MARKET SURVEILLANCE SYSTEM

During the year under review, the SEC achieved a major milestone by taking steps to acquire a state-of-the-art, real-time market surveillance system, making a major advancement in its regulatory oversight capabilities. The system will facilitate identifying trading anomalies, detect market manipulation and enhance overall analytic capabilities through machine learning technologies. It will continue to evolve to address novel market threats and would advance to identifying changing trading patterns.

The SEC identified 147 instances via surveillance activities in the year which required further evaluation and took multiple steps to address them. Out of such instances, eleven surveillance referrals were generated.

UPHOLDING TRUST THROUGH PROACTIVE ENFORCEMENT

Consistent and transparent enforcement is a key ingredient in maintaining a fair and orderly market. By holding wrongdoers accountable, we aim to instill trust and confidence in the regulatory framework and reinforce our commitment to safeguard investor interest.

Investigation and enforcement remain at the heart of SEC's mandate. Throughout the year, we adopted a proactive approach to enforcement, focusing on early detection and swift intervention. We firmly believe in "nipping issues in the bud" to prevent risks from escalating into uncharted territories thereby safeguarding the integrity of the capital market. During the year, SEC concluded a significant number of investigation cases and took multiple actions including issuance of Show Cause Notices, letters of warning etc. Also, during the year the SEC instituted action in eight instances.

Looking ahead, the SEC will continue to take firm decisions against offenders. This includes not only ensuring violators face appropriate legal and financial consequences but also implement preventive measures to deter future market misconduct. The state-of-the-art market surveillance system will play a pivotal role in this regard.

A NOTE OF APPRECIATION

I want to extend my sincere appreciation to the entire SEC team for their tireless efforts and unwavering commitment in achieving the organisational targets. Their hard work, dedication and professionalism are deeply appreciated. Thank you for going above and beyond – their contribution makes a true difference in achieving organisation's mandate.

As we endure the journey, we must continue to consider all components of our mandate in totality to ensure their significance in any decision or recommendation is balanced. To get the balance right in the years to come, we need to move forward with a clear strategy that can help guide us on how best to focus our resources.

I would also like to take this opportunity on behalf of my team to express our sincere appreciation to the outgoing Chairman Mr. Salieh and the Commission for their valuable guidance and leadership. We are truly thankful for the commitment and dedication. At the same time, we warmly welcome the new Commission and the new Chairman Senior Prof. Hareendra Dissabandara and look forward to continued collaboration and commitment to elevate the capital market to new heights. We look forward to novel perspectives and strategic direction that you will impart to us as we continue to create a vibrant and resilient capital market eco-system.

Chinthaka Mendis
Director General

20th April 2025

Members of the Commission

SENIOR PROF. HAREENDRA DISSABANDARA

MR. HESHANA KURUPPU

MRS. K. M. A. N. DAULAGALA

MR. LAKNATH JAYAWICKRAMA

MR. DILIP SILVA

MRS. ARAVINDI DE SILVA

MR. NERANJITH GAMAGE

MR. KAPUGE ARUNA PERERA

MR. M. P. A. KUMARA

SENIOR PROF. HAREENDRA DISSABANDARA

Chairman

Prof. Hareendra Dissabandara is a distinguished academic, regulator, and visionary leader in the fields of finance, capital markets, and corporate governance. As the current Chairman of the SEC he brings over three decades of multifaceted experience across higher education, financial regulation, and public policy. His stewardship of the SEC is underpinned by a lifelong commitment to institutional development, ethical leadership, and strategic reform.

Parallel to his regulatory responsibilities, Prof. Dissabandara serves as a Senior Professor in Finance and Corporate Governance at the University of Sri Jayewardenepura, where he has mentored generations of finance professionals and contributed significantly to academic and governance reforms. His academic journey began at the same university and culminated in a Ph.D. in Finance from Chukyo University, Japan, awarded under the prestigious Monbukagakusho Scholarship.

Prof. Dissabandara has held a number of prominent leadership positions, including President of the Sri Lanka Finance Association and the Corporate Governance Research Institute of Sri Lanka (GRISL), Vice Chancellor and CEO of Saegis Campus, and Deputy Secretary-General (Financial Affairs) of the National Economic Council. He has also previously served as Director of Capital Market Education and Training Division of the SEC and the Director General of the SEC and has brought strategic insight to the boards of financial institutions such as Multi Finance PLC and Standard Credit Finance Ltd.

An authority on financial management, corporate governance, and capital market development, Prof. Dissabandara has led national and international consultancy projects, including assignments with the Asian Development Bank. His contributions to education policy have been equally significant, having chaired national initiatives on university reforms assigned by the COPE, AACSB accreditation, and strategic planning in higher education.

During his tenure at the SEC, he has spearheaded major reforms focused on market modernisation, investor protection, and human capital development. These include the introduction of professional qualification frameworks, the launch of comprehensive capital market roadmaps, and the digitisation of regulatory infrastructure. His leadership continues to shape Sri Lanka's capital market landscape with a forward-looking and inclusive approach.

A visionary thinker and educator, Prof. Dissabandara's philosophy centers on creating institutions that are resilient, innovative, and responsive to emerging challenges. He is known for bringing together academic excellence and industry relevance, ensuring that strategic plans translate into measurable outcomes for both regulatory and educational institutions.

His contributions have been recognised with several national honours, including the SEC 25th Anniversary Recognition Award, a special appreciation from the CBSL for his role in revitalising some financial institutes, and multiple accolades for teaching and research excellence.

Prof. Dissabandara is also a respected public intellectual and thought leader. He has delivered number of convocation speeches, keynote speeches and orations at international forums, universities, and capital market conferences, consistently addressing contemporary issues in finance, governance, and sustainable economic development. His voice remains a guiding force in shaping the future of financial education and financial regulation in Sri Lanka.

MR. HESHANA KURUPPU

FCA, MBA (Banking and Finance) PIM, MA (Financial Economics) (Colombo), B. Sc (Accy) Special 1st Class (Sri Jayewardenepura), ACMA President of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and Group Finance Director of David Pieris Group of Companies.

Mr. Kuruppu also serves as the President of South Asian Federation of Accountants (SAFA). He served as the Vice President of SAFA in year 2023 and the Chairman of the Committee for Improvement in Transparency, Accountability and Governance (ITAG) Committee in year 2020/2021.

He served as a member of the SAFA Professional Accountants in Business (PAIB) Committee and a member of the Committee to study Fiscal Regimes and other Statutory Requirements of Business in SAARC countries. Mr. Kuruppu is a Board member of the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB).

MRS. K. M. A. N. DAULAGALA

Mrs. Nelumani Daulagala is the Senior Deputy Governor of the CBSL with over 32 years of experience at

Members of the Commission

CBSL in different capacities in the areas of supervision and regulation of non-bank financial institutions, macroprudential surveillance, finance, international operations, risk management, regional development and human resource management.

Further, Mrs. Daulagala serves as a member of the Monetary Policy Board of the CBSL and the Chairperson of the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB).

Mrs. Daulagala holds a Master of Science Degree in Financial and Business Economics from the University of Essex, United Kingdom, and a Master of Business Administration Degree from the University of Sri Jayewardenepura. She is a Fellow member of Chartered Institute of Management Accountants, United Kingdom.

MR. LAKNATH JAYAWICKRAMA

Mr. Laknath Jayawickrama is a Governing Council Member of the CA Sri Lanka from 2022. He counts over 22 years of post-qualifying experience and spent over a decade with the Global Accounting Firm PricewaterhouseCoopers (PwC) in Sri Lanka, Southern Africa and in East Asia. Subsequently, he joined a conglomerate based in Singapore overseeing tax and regulatory matters in a number of countries including Indonesia, Malaysia, Singapore and India. He was admitted as a partner of a leading law firm in Sri Lanka before embarking as an Independent Practitioner. His practice areas include finance, tax, legal services and forensic accounting.

He has also been serving as a visiting lecturer for finance, tax and legal subjects in the University of Sri Jayawardenepura, General Sir John Kotelawala Defense University, SLTC Research University, Chartered Institute of Taxation, and the CA Sri Lanka. He has also been a resource person for a number of training programs conducted locally and overseas. Mr. Jayawickrama obtained B.Sc. (Accountancy and Financial Management) Special degree from the University of Sri Jayewardenepura and a Bachelor of Laws degree from the Open University of Sri Lanka. He is a Fellow Member of CA Sri Lanka. and the Institute of Certified Management Accountants of Sri Lanka. Further, he is also an Attorney-at-Law at the Supreme Court of Sri Lanka.

He is the current Chairman of the School of Taxation in CA Sri Lanka whereas he was the Chairman of its Business School during 2022-2023 period. Currently, he is a member of the Committee on Insolvency of the SAFA.

Currently, he is an Independent Non-Executive Director of Siyapatha Finance PLC and serves as the Chairman of its Board Audit Committee and a member of a number Board committees.

MR. DILIP SILVA

Mr. Dilip Silva, who is a senior officer in Special Grade of the Sri Lanka Accountants' Service, assumed the duties of the post of Deputy Secretary to the Treasury on 28th October 2024. With extensive experience as an Accountant in regional administration, he has held various posts in several Departments of the Treasury and has experience of nearly 34 years of service in the public service.

Mr. Silva joined the Sri Lanka Accountants' Service in 1992 and has then performed his duties as a representative of the financial sector of several major Departments such as the Department of State Accounts, Department of Treasury Operations, Department of Management Audit and Sri Lanka Customs etc. attached to the Ministry of Finance. He had been appointed as the Director General of Treasury Operations from 11.11.2020 to 27.10.2024 and performed the duties of the said post very successfully before being appointed as the Deputy Secretary of the Treasury.

Mr. Silva possesses a Honours Degree in Public Administration from the University of Sri Jayewardenepura in 1991, a Diploma in Public Planning from the Sri Lanka Institute of Development Administration in 2011 and a post-graduate degree in Public Management and Project Management from the same institution in 2016.

Mr. Silva is also a member of prestigious professional bodies such as the Chartered Institute of Public Finance and Accountancy (London) and the Association of Accounting Technicians of Sri Lanka. He has registered as a Certified Business Accountant with the Institute of Chartered Accountants of Sri Lanka.

Throughout his career, he has received extensive foreign training in accounting, financial management, public debt management, and Treasury cash flow operations from international institutions and universities. He has also served as a member of the Sri Lankan delegation on several occasions.

Mr. Silva has represented the Treasury as a board member of many statutory bodies including Development Lotteries Board, National Lotteries Board, National Science Foundation, Open University of Sri Lanka - Audit and Management Committee and National Innovation Agency. Furthermore, he has also served as the Treasury representative of the Procurement Committees in major ministries such as the Ministry of Defence, Ministry of Transport and Highways, Ministry of Urban Development and Ministry of Health. Currently, he represents the Treasury as a board member of the State Mortgage and Investment Bank (SMIB), Insurance Regulatory Commission of Sri Lanka (IRCSL), SEC Sri Lanka Telecom and also serves as a member of the Governing Council of the University of Sri Jayewardenepura.

MRS. ARAVINDI DE SILVA

Registrar General of Companies (Actg) and Chief Financial Officer, Ministry of Trade, Commerce, Food Security and Cooperative Development

Mrs. Aravindi De Silva, a Special Grade Officer of the Sri Lanka Accountancy Service, is currently serving as the Chief Financial Officer of the Ministry of Trade, Commerce, Food Security and Cooperative Development and Registrar General of Companies.

She joined the Sri Lanka Accountancy Service in 1995 and worked in a number of key ministries such as Ministry of Foreign Affairs, Ministry of Economic Development, Public Service Commission, Ministry of Cultural Affairs and Ministry of Industry.

She received her first degree qualification from the University of Colombo with a second-class division pass in Bachelor of Commerce.

She obtained her Master's degree in Public Administration from the University of Sri Jayawardenapura and Master of Economics from the University of Kelaniya.

She is a member of the Institute of Chartered Public Finance Accountants of Sri Lanka.

MR. NERANJITH GAMAGE

Mr. Neranjith Gamage is a distinguished financial and operational leader with over 25 years of experience spanning diverse industries, including textiles, apparel, consumer goods, and power generation. As a Fellow Member of CA Sri Lanka, he possesses extensive expertise in financial strategy, cost optimisation, manufacturing operations, and regulatory compliance.

Throughout his career, Mr. Gamage has held key leadership positions in both multinational and local corporations, successfully driving financial strategies and operational efficiencies. His contributions have been instrumental in large-scale manufacturing projects, M&A due diligence, ERP implementations, and vertical integration initiatives. His proficiency extends to treasury management, budgeting, tax compliance, and stakeholder engagement across both public and private sector organisations.

Mr. Gamage has played a crucial role in leading and managing overseas finance, operations, supply chain functions, and regulatory compliance for multinational manufacturing corporations. His tenure at two of the Big Four accounting firms has further enhanced his expertise in financial governance, auditing, and advisory services. Additionally, he has spearheaded smart factory implementations, Lean Six Sigma methodologies, and global supply chain management across multiple international markets.

He holds a Master of Science in General Management from the University of Sri Jayewardenepura, a Postgraduate Diploma in Textile and Clothing Management from the University of Moratuwa, and a Bachelor of Science in Marketing Management (Special) from the University of Sri Jayewardenepura. He is also a Certified Black Belt in Lean Six Sigma from TQMQ Global International, India.

MR. KAPUGE ARUNA PERERA

Mr. Aruna Perera is the immediate past president of the CFA Society Sri Lanka and the Group Chief Financial Officer of Analytical Instruments (Pvt) Ltd. He has over 25 years of experience in financial analytics, corporate finance, and valuation management primarily in the blue-chip and corporate sectors in Sri Lanka. He was the Director – Corporate Finance and Valuation Consulting at PwC Sri Lanka from 2017 to 2023. He has worked in multiple organisations including Moody's Analytics Knowledge Services (Pvt) Ltd, John Keells Holdings PLC and Ernst & Young Sri Lanka. He has also served at Abans Finance PLC as an independent non-executive director. He is a CFA charter holder from CFA Institute, USA. He holds an MBA from the University of Leicester, UK, and a BSc (Accounting) from the University of Sri Jayewardenepura. He is also an associate member of CA Sri Lanka.

MR. M. P. A KUMARA

Mr. Anil Kumara Meegahage is a seasoned corporate leader with over 30 years of experience across diverse industries, including insurance, telecommunications, consumer goods, media, and hospitality.

Mr. Meegahage has served as a Board Director of the Sri Lanka Insurance Corporation and Chairman of Canwill Holdings, Sinolanka Hotels (Pvt) Ltd, and Helanco Hotels and Spa (Pvt) Ltd. He was also a Member of the Telecommunication Regulatory Commission of Sri Lanka.

Members of the Commission

He was the Senior Executive Vice President and CEO of EAP Holdings, as well as Director of EBC TV/Radio and EAP Films. From 2013 to 2018, he led the media sector as the Director/CEO of Swarnawahini, Shree FM, E FM, and Ran FM.

Earlier in his career, he served as the Country Head of Samsung Mobile Sri Lanka, where he was responsible for driving sales, marketing, and product distribution. He played a pivotal role in establishing the Samsung Sri Lanka channel distribution network and introducing the SMART shop concept island-wide.

He also held the role of Director — Sales and International Business at Hemas Consumer Goods Sri Lanka, overseeing a turnover of LKR 10 billion and leading sales operations, distribution, customer marketing, and international business functions.

Prior to that, he headed as General Manager at Sri Lanka Insurance Corporation, both Life and General business, and led the company to be the market leader in life and general business by introducing an innovative product portfolio during the year 2008/2010.

His corporate journey began at Unilever Sri Lanka in 1988, where he rose through the ranks, taking on key roles such as Sales Administration Manager, Area Sales Manager, and Trade Category Manager for Home and Personal Care. He also worked in Unilever Vietnam, returning to Sri Lanka to lead channel development, marketing, and pharmacy and cosmetic channel strategy, accumulating over 20 years of experience at Unilever.

He holds an MBA and a Professional Postgraduate Diploma in Marketing (DipM MCIM) from the Chartered Institute of Marketing, UK. He is also a Fellow of The Cambridge Association of Managers and brings over 18 years of experience as a lecturer in Customer Marketing and Management.

Directors and Assistant Directors

CHINTHAKA MENDIS
Director General

TUSHARA JAYARATNE
Deputy Director General

NIROSHA KODIKARA
Director – Finance and Administration

MANURI WEERASINGHE
Director - Corporate Affairs

RIYAZ BARY
Director – Investigations & Enforcement

RISHDHA ZAROOK ISHAQ
Director Legal

SUNETH PERERA
Acting Director - Supervision

MADHUGAYANIE BALAPITIYA
Assistant Director – Legal and Enforcement

D M G PRIYANTHA
Assistant Director – Investigations

SHARMILA PANDITARATNE
Assistant Director – Supervision

MADURA P R WANIGASEKARA
Chief Digital Officer

Absent:
DHAMMIKA PERERA
Deputy Director General

Senior Managers

Left to right standing : Ranmini Jayathilake - Senior Manager, Information Technology, Sheena Goonaratna - Senior Manager, External Relations

Left to right seated: Sajeevani Bakmedeniya – Senior Manager, Capital Market Education, Manjula Chandraratne – Senior Manager, Surveillance

Absent: Saumi Kodippily- Senior Manager, Supervision

Managers

Left to right standing: C. Erandathie Waidyasekara – Manager, Investigations, Marian Glenda Sandanam - Manager, Corporate Affairs, Olivi Solangaarachchi – Manager, Capital Market Development, Nimal Kumarasinghe - Manager, External Relations, Thakshila Francis – Manager, Capital Market Development, Nomaanie Seneviratne – Manager - Investigations

Left to right seated: G. D. Kapila Kumara - Manager, Investigations, Anula Wijesinghe - Manager, Supervision, Ashoka K. Dayarathne - Manager, Human Resources, R. K. Wasantha Sunimal – Manager, Supervision

Left to right standing: Y. D. Sandamali – Manager, Finance and Administration, Mekhala Jayapala - Manager, Supervision, Priyantha Herath – Manager, Surveillance, Buddhinee Herath - Manager, Legal and Enforcement, J. K. Priyadarshini – Manager, Human Resources

Left to right seated: M. Imran Ahamed – Manager, Finance and Administration, Lakshmi Wickramanayake - Manager, Finance and Administration, P. M. Niroshika Udayanganie - Manager, Legal and Enforcement, Rasika Walpitagama – Manager, Capital Market Development

Absent: Samanthi Gunawardana - Manager, Corporate Affairs

Event Gallery

Chairman at South Eastern University of Sri Lanka

Awareness session on the Revised Corporate Governance Rules for Company Secretaries/Board Secretaries of Listed Companies

Acquisition of a world-class state-of-the-art market surveillance system from Nasdaq

Renewal of MOU with the University of Jaffna

SEC signs landmark MOU with Maldives Capital Market Regulator

Matara Investor Forum

Varsity Battles Finale

Undergraduate Program

Capital Market Club Quiz Competition Finale


School seminar

"Towards a Greener Economy: Unlocking Opportunities through Sustainable Bonds" Forum


Renewal of MOU with the Eastern University of Sri Lanka


CPD program for Registered Investment Advisors

SEC hosts IOSCO Policy Committee 8 Meeting


Matale Investor Forum


Renewal of MOU with the South Eastern University of Sri Lanka

Event Gallery

Dambulla Investor Forum

Teacher Training Program Organised by the Ministry of Education

Teacher training program for teachers from the Dimbulagala Educational Zone

Ratnapura Investor Forum

Teacher Training program for Capital Market Clubs

Nuwara Eliya Investor Forum

Investor Forum in Vavuniya

Operational Review

Catalysts of Agility

SEC champions operational responsiveness through streamlined systems and adaptive strategies. Our commitment to continuous improvement ensures that the capital market remains efficient, agile, and aligned with the evolving needs of stakeholders and the global financial landscape.

Strategic Goal 1

Establish and Maintain a Robust Regulatory Environment

The SEC remains steadfast in its mission to establish and maintain a robust regulatory environment that fosters investor confidence, market integrity, and financial stability. In the past year, the SEC has implemented key regulatory reforms, strengthened compliance frameworks, improved investor education and administered licensing exams to address emerging risks and evolving global standards.

LICENSING

A key function of the SEC is licensing entities that meet stringent regulatory standards, granting them the authority to operate within the industry. Licensing of market institutions and intermediaries is a structured two-stage process under the regulatory framework established by the SEC Act No. 19 of 2021. In the first stage, prospective applicants must obtain in-principle approval and upon satisfying further requirements, final approval would be granted.

The SEC's oversight extends beyond the initial licensing phase. Licences granted to market intermediaries are subject to annual renewal which entails a process of thorough review of conformity with applicable rules, an assessment of internal controls, and an evaluation of the fitness and propriety of key management personnel, including directors and individuals who deal with clients. This licensing process ensures regulatory oversight, safeguards financial market integrity and stability, fosters investor confidence, and promotes fair, orderly trading.

During the year under review, new licences granted to entities and the total number of licence holders as at 31st December 2024 are as follows: (Figures 01, 02:)

Figure 01: Licensing of Entities in 2024

Type of regulated entity	New licences granted during the Year 2024	Total Number of licensed entities as at 31st December 2024
Exchanges	01	01
Clearing Houses	-	01
Central Depositories	-	01
Stock Brokers	-	27
Stock Dealers	-	10
Managing Companies*	03	16
Investment Managers	01	22
Margin Providers	-	20
Underwriters	-	08
Credit Rating Agencies	-	02
Corporate Finance Advisors	04	08

*companies authorised to operate approved Collective Investment Schemes (CIS).

Figure 02: Comparison of total number of Licensed Entities

Type of licence	Total number of licensed entities	
	As at 31st December 2023	As at 31st December 2024
Exchanges	01	01
Clearing Houses	01	01
Central Depositories	01	01
Stock Brokers	27	27
Stock Dealers	11	10
Managing Companies	16	16
Investment Managers	22	22
Margin Providers	20	20
Underwriters	08	08
Credit Rating Agencies	02	02
Corporate Finance Advisors	04	08

During the year two licences were discontinued as the entities did not wish to pursue respective operations.

- Investment Manager - Capital TRUST Wealth Management (Pvt) Ltd
- Stock Dealer - Softlogic Stockbrokers (Pvt) Ltd

Chairman's and Director General's Offices

In addition, during the year under review, approval was granted for six CIS operated by licensed managing companies. (Figure: 03)

Figure 03: Total number of CIS in 2024

	Total number of CIS	
	as at 31st December 2023	as at 31st December 2024
Approved CIS	84	90

POLICY INITIATIVES

Demutualisation of the CSE

The SEC continued to advance the Demutualisation of the CSE Bill, which was originally published in the supplement to Part II of the Gazette on 26th January 2018 (issued on 1st February 2018).

Following extensive deliberations, the Commission affirmed that the Demutualisation of the CSE Bill is intended solely to facilitate the conversion of the CSE from a Company Limited by Guarantee to a Company Limited by Shares. Cabinet approval for the proposed Committee Stage amendments was obtained on 8th April 2024.

The Ministry of Finance, Economic Stabilisation and National Policies subsequently forwarded the Draft Bill, incorporating these amendments, to the Attorney General's Department via the Legal Draftsman's Department for certificate of constitutionality. In response, the Attorney General's Department requested clarifications, which the SEC is actively addressing.

Strategic Goal 1

Establish and Maintain a Robust Regulatory Environment

Legal and Enforcement Team

APPROVALS

Country, Regional and Global Funds

Upon the recommendation of the Central Depository Systems (Private) Limited (CDS), the SEC grants approval to global, regional and country funds to invest in the shares of companies listed on the CSE. Approvals are granted subject to compliance with Exchange Control Regulations, Prevention of Money Laundering Act No.05 of 2006 (as amended), Financial Transactions Reporting Act No. 06 of 2006 and the Laws relating to securities in Sri Lanka.

During the year 2024, the SEC approved 37 global, regional and country funds to invest in listed securities in Sri Lanka and noted 49 name changes.

Amendments to the Trading Participant Rules of the CSE (formerly known as the Stockbroker Rules)

During the year under review, the SEC granted approval to the amendments proposed by the CSE to its Trading Participant Rules:

1) To facilitate additional requirements applicable to application systems utilised by Trading Participants
2) To define persons providing exclusive services to the stockbroker, to revise and revisit recording of orders and to revise the declaration by staff.
3) To facilitate the shortening of the trade settlement cycle from T+3 to T+2.
4) To further align same with current market practice.

Amendments to the Trading Rules of the CSE

During the year under review, the SEC granted approval to the amendments proposed by the CSE to its Trading Rules:

1) To facilitate shortening of the trade settlement cycle from T+3 to T+2.
2) For the introduction of high yield corporate debt securities on the over-the-counter platform of the CSE.

Amendments to the Listing Rules of the CSE

The Listing Rules have been amended in their entirety by the CSE in accordance with the SEC Act No. 19 of 2021, with some of the proposed rules currently under review by the SEC. During the year under review, the SEC also granted approval for the following proposed amendments to the Listing Rules:

1) To facilitate the listing of Shariah compliant debt securities.
2) To facilitate the imposition of fines on the directors of Listed Entities for key violations of the Listing Rules of the CSE.
3) To revise the enforcement action against Listed Entities for identified non-disclosures by directors of Listed Entities.
4) To facilitate the introduction of high yield corporate debt securities on the over-the-counter platform of the CSE.
5) To facilitate the issuing and listing of Infrastructure Bonds on the CSE.
6) To facilitate the shortening of the trade settlement cycle from T+3 to T+2.

Amendments to the CDS Rules

During the year under review, the SEC granted approval to the amendments proposed by the CSE to the CDS Rules:

1) To facilitate the clearing and settlement of foreign currency denominated debt securities issued by entities incorporated / established in Sri Lanka.

Amendments to the Clearing House Rules of the CDS

During the year under review, the SEC granted approval to the amendments proposed by the CSE to the Clearing House Rules:

1) To facilitate shortening of the trade settlement cycle from T+3 to T+2

2) The introduction of high yield corporate debt securities on the over the counter platform of the CSE.

De-listings

During the year under review, the SEC granted approval to the voluntary delisting applications made by the following companies in terms of Rule 5 of the SEC Rules, published in the Gazette Extraordinary No.1215/2 dated 18th December 2001.

1) Unisyst Engineering PLC

2) Expolanka Holdings PLC

3) Aitken Spence Plantation Managements PLC

Administration of the Takeovers and Mergers Code (TOM Code)

The following takeover offers were administered during the year 2024 in terms of the company TOM Code 1995 (as amended). (Figure: 04)

Figure 04:Offers Extended under the TOM Code

Offeror	Offeree	Nature of the Offer	Status
Ekta Global Pte. Ltd	Ceylon Printers PLC	Mandatory Offer	Ongoing
Iconic Trust (Private) Limited	Sierra Cables PLC	Mandatory Offer	Ongoing

Approvals under Section 80 of the SEC Act

A Public Limited Company (PLC) or any public company which has applied to obtain a listing in an exchange shall not make a public offer of securities either directly or through a third party by way of a prospectus or a similar document or otherwise for the purposes of solicitation of funds from the public unless approved by the Commission or a person authorised by the Commission. During the year, Digital Mobility Solutions Lanka Ltd was granted approval and applications of Transco Cargo Ltd and Lanka Dairies (Pvt) Limited were evaluated.

Approval of Off-the-Floor Share Transactions

In terms of Section 84 (1) of the SEC Act, "A person holding securities in a company listed on an exchange shall buy, sell, gift or otherwise deal in such securities in compliance with the trading procedure adopted by such licensed exchange" Provided however, where no express trading procedure has been adopted by such exchange, the approval of the Commission shall be obtained.

Approval was granted to 816 transfers, with 664 exceptional transfers and 152 gifting of shares during the year under review. The exceptional transfers were in order to facilitate Margin Trading, Single to Joint/ Joint to Joint/Joint to Single, Financial Facilities, Gift (Special), De-listing offers.

Approvals under Section 81 of the SEC Act

In terms of Section 81 of the SEC Act, applications relating to issuance of unlisted securities by Listed Companies need to be submitted to the SEC. Approval of the Commission was granted to Nations Trust Bank PLC and the application of Sanasa LIfe Insurance Company PLC was evaluated.

DIRECTIVES AND INSTRUCTIONS ISSUED BY THE SEC

- The CSE was directed by a Directive issued in terms of Section 16 (c) of the SEC Act No. 19 of 2021 to conduct an in-person inquiry into the complaint made by an investor whilst giving him an opportunity of being heard in person.
- The CSE was instructed to issue a Notice of Disciplinary Action and imposition of administrative penalty on a director of a PLC for non-compliance with the penalty imposed on the Members of the Board of the said Company on Non-submission of Annual Report for the Financial Year ended 31st March 2022.

COMPLIANCE FACILITATION INITIATIVES OF THE SEC

Notices on prohibiting the transfer of shares

The SEC was informed of certain freezing orders issued by the High Court of Colombo obtained by the CBSL with regard to restraining the transfer of shareholdings of certain individuals and corporate entities. The SEC took steps to convey the decisions of the High Court of Colombo to the CSE and the CDS for necessary action.

Strategic Goal 1

Establish and Maintain a Robust Regulatory Environment

Requests by the CBSL for Information on Directors of Licensed Commercial Banks and Licensed Finance Companies

The SEC facilitated the process of due diligence on behalf of the CBSL considering the importance of extending the background screening of individuals who are proposed to be appointed or are already appointed as directors or officers performing executive functions of Licensed Commercial Banks and Licensed Finance Companies in terms of Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions Direction No. 03 of 2011.

The CBSL has requested the SEC for any observations/adverse findings as per the regulatory framework of the SEC that may prevent such individuals from being appointed as Directors of such Licensed Commercial Banks and Licensed Finance Companies in terms of Section 21(1) of the Finance Business Act No. 42 of 2011.

Notices on Suspension of Trading and the Suspension of Business

The SEC was informed by the CBSL of certain suspensions of the business and activities of certain individuals and corporate entities issued in terms of Section 15(3) of the Financial Transactions Reporting Act No. 06 of 2006 by the High Court of Colombo. The SEC took steps to convey the decisions of the High Court of Colombo to the CSE and the CDS for necessary action.

Assessment of the National Action Plan for Combating Bribery and Corruption in Sri Lanka (CIABOC) for the period 2019-2023

In response to the request from CIABOC, the SEC provided a detailed status report regarding the implementation of all actions assigned to the SEC under the 2019-2023 Action Plan.

OVERSIGHT AND COMPLIANCE

Listed Companies

All Listed Companies are required to submit Annual Reports within 5 months from the close of the financial year to their shareholders and to the CSE.

The SEC reviews Annual Reports of Listed Companies and communicates with the Companies on matters relating to non-compliances. The responses of Listed Companies were extremely positive in this endeavour.

The objective of this exercise is to enhance the quality of financial reporting and dissemination of information by Listed Companies. Listed Companies are required to disseminate material information promptly in order to establish transparency and accountability in the Securities Market, and to ensure that professional standards are maintained.

In reviewing the Annual Reports the SEC focused on the following areas:

- Compliance with CSE Listing Rules, Sri Lanka Accounting Standards
- Corporate Governance Practices
- Financial Highlights
- Chairman's Report
- Report of Directors
- Independent Auditors' Report
- Shareholder and Investor Information
- Financial Data
- Reports of Board Committees

Corporate Affairs Team

This process will contribute to continuously improve the level of awareness among Companies regarding the obligations placed upon them in the preparation and presentation of Annual Reports and Financial Statements in accordance with CSE Listing Rules and relevant regulations.

During the year, the SEC has conducted 114 Annual Report reviews of listed companies. 61 letters of comments were sent to improve compliance and enhanced disclosures, 38 reviews were concluded as closures.

Additionally, the SEC conducted reviews of 10 debt and four equity prospectuses and reviews of shareholder circulars of 19 companies who applied for further raising of funds from the existing shareholders.

Regulatory Action Taken in Relation to Disclosures and Corporate Affairs of PLCs

During the year, the SEC reviewed disclosures via market announcements by listed entities and sought clarifications from CSE relating to 18 instances. Such clarifications were relating to the following disclosures. (Figure: 05)

Figure 05: Action Taken in Relation to Disclosures and Corporate Affairs of Public Listed Companies

Nature of Clarifications	No of Instances
Dealings by Directors whilst PLC on Watch List/Second Board	3
Dealings by Directors – Delayed Disclosure	2
Dealings by Directors – Trading during Black Out period (Listing Rule 8.6)	3
Delayed disclosures	
Changes in Directorate	8
Other immediate corporate disclosure requirements	2

Matters Referred to Other Regulators / Government Institutes

Several matters were referred to other regulators/CSE/Government Institutes as indicated below in order to obtain clarifications on the recognition, measurement and disclosures as per applicable standards/regulations. (Figure: 06)

Figure 06: Matters Referred to Other Regulators / Government Institutes

Regulator	Number of Companies	Matters relating to and Outcome
SLAASMB	01	Hela Apparel Holdings PLC
The FIU of the CBSL	03	• Asia Capital PLC • Hela Apparel Holdings PLC • NDB Shares purchased by W M Mendis Company

SUPERVISION OF MARKET INSTITUTIONS AND MARKET INTERMEDIARIES

The scope of the SEC encompasses granting and renewal of licences and monitoring activities of regulated entities through both on-site and off-site supervision. These activities are carried out to ensure that both market institutions and market intermediaries comply with the provisions of the SEC Act No. 19 of 2021, along with the Rules and Regulations enacted thereunder.

Supervision Team

During the year, the SEC achieved several milestones that significantly strengthened the regulatory framework and operational efficiency. To strengthen the resilience of market intermediaries, the SEC revised the minimum financial requirements applicable to such entities including both minimum shareholders' funds and liquidity requirements, which will ensure financial stability and operational soundness across the industry.

Additionally, the SEC spearheaded the establishment of a dedicated AML/CFT Unit with cross-functional representation to operationalise the AML/CFT Action Plan of the SEC and to facilitate the National Mutual Evaluation. The AML/ CFT Unit will collaborate with the FIU of the CBSL to achieve expected outcomes during the National Mutual Evaluation planned for 2026. Further, in collaboration with the CSE, FIU, Colombo Stock Brokers Association (CSBA), and broker back office system providers, the SEC initiated a joint forum aiming at implementing a common sanction screening tool and transaction monitoring system for stockbrokers, ensuring sector compliance with FIU requirements.

Pursuant to the new CIS Code introduced in May 2022, the SEC issued several directives during the year under review, specifying requirements relating to managing companies including minimum liquidity requirements, borrowing limitations, investment limitations, monthly returns and reporting obligations and timelines for launching CIS. In addition, a directive was issued specifying the compliance

Strategic Goal 1

Establish and Maintain a Robust Regulatory Environment

responsibilities of Trustees of CIS, ensuring that the industry adheres to robust regulatory standards.

A significant milestone for the SEC during the year under review was the successful revision of licensing fees for market institutions and market intermediaries after 16 years. The fee structure was revised after a review of the existing structure considering the need to generate adequate revenue for effective monitoring and the development of the capital market in general. Revision to the fee structure has not been made since 2007 for market institutions and market intermediaries and since 1991 for Unit Trusts/ CIS. Subsequent to the approval by the Minister of Finance, Economic Stabilisation and National Policies, the revised fee structure is effective from 1st February 2024.

Additionally, the SEC continued implementing the framework for imposing fitness and propriety disqualifications on key management personnel and persons dealing with clients of market intermediaries to ensure that they meet the necessary standards of professionalism and integrity. Furthermore, with the purpose of reinforcing accountability and compliance within the industry, the SEC introduced a procedure to implement enforcement actions for violations and/or non-compliances by market intermediaries.

To enhance efficiency and supervisory oversight of the SEC, steps were taken to procure a technical solution. Following a rigorous procurement process, the SEC successfully identified the most suitable bidder and awarded the contract for the implementation of a cloud-based, Software-as-a-Service (SaaS) SupTech solution.

STOCK BROKERS

During the year under review, the SEC's oversight activities were carried out in monitoring the conduct of stock brokers to assess the status of compliance with the provisions of the SEC Act, applicable Rules and Regulations. The inspections of stock brokers were carried out on a risk-based approach, where the risk was assessed based on both financial and non-financial factors.

Off-site supervision primarily involves reviewing audited financial statements, monthly unaudited financial statements, and fortnightly debtor exposure reports submitted by stockbrokers.

As part of off-site supervision, the SEC reviewed monthly schedules submitted by the CSE, relating to non-compliances by stock brokers and regulatory measures taken by the CSE with regard to such non-compliances. This enabled the SEC to assess whether CSE has taken prompt regulatory measures for non-compliance within the applicable Rules.

Additionally, the SEC conducted joint inspections with representatives from the FIU of the CBSL to determine the status of compliance with the Financial Transactions Reporting Act No. 6 of 2006 and Rules and Regulations made thereunder. Four such inspections were conducted during the year. During the year, a demonstration was organised by the FIU for the SEC, stock brokers' CEOs and Compliance Officers on the usage and implementation of the sanction screening tool within stock broker firms.

During the year under review, industry performance indicated that the total turnover of stock brokers increased by 33% compared to the year 2023. The profitability of the industry witnessed a 38% increase, recording a net profit after tax of Rs. 1,678 million in 2024 compared to a net profit after tax of Rs. 1,216 million reported in 2023. The comparative statistics on the performance of the stock broker industry is given below. (Figure 07)

Figure 07 : Highlights of the Stock Broker Industry in 2024

	2024 (Rs. '000)	2023 (Rs. '000)	Change %
Turnover	6,156,193	4,635,144	33
Net brokerage	5,557,802	4,166,262	33
Other income	2,725,033	3,846,382	(29)
Operating profit/loss	2,847,469	2,787,191	2
Net profit/loss before tax	2,272,491	1,838,886	24
Net profit/ loss after tax	1,678,965	1,216,551	38
Total assets*	44,890,398	24,280,733	85
Total liabilities *	29,840,971	11,432,918	161
Shareholder Funds*	15,049,426	12,847,816	17

*As at 31 December
Source: Un-Audited financial statements submitted by stock brokers to the CSE and the SEC

Managing Companies and CIS

In 2024, the SEC maintained a risk based supervisory approach to ensure on-going compliance and facilitate a holistic assessment of risks. It remained focused on safeguarding investor interests and mitigating risks within the industry.

The SEC reinforced its risk-based approach to on-site supervision of managing companies, evaluating key risks related to prudential, operational, and risk management policies. This assessment aimed to review financial strength, internal control adequacy, compliance with applicable regulatory requirements and governance standards.

Off-site supervision was enhanced by analysing financial statements and compliance reports to verify the stability of managing companies and ascertain due compliance with the applicable Rules and Regulations. During the year 2024, to further strengthen prudential standards, the SEC revised the minimum financial requirements applicable to managing companies and CIS.

Additionally, the SEC closely monitored the monthly return submissions of schemes to ensure adherence to regulatory requirements, including the minimum number of unit holders, limitations on investments and the required liquidity requirement as stipulated by the applicable Rules to safeguard the interest of unit holders.

To bolster regulatory standards, the SEC introduced additional regulatory requirements for CIS revising limits on investments, specifying limits on borrowing and liquidity requirement through a Directive. The responsibilities of CIS trustees were expanded to include submitting a compliance report to the SEC for which a standardised reporting format was issued by a Directive.

The SEC maintains ongoing communications with the managing companies and trustees of the CIS to assess the financial stability of schemes and monitor regulatory compliance. Breaches in investment limits and liquidity requirements were identified and communicated during the year. The SEC required the respective managing companies to take corrective actions, ensuring compliance and mitigating potential risks. The SEC continued to provide timely guidance to these companies to ensure adherence to the applicable regulatory requirements.

During the year, six new schemes were approved by the SEC, two of which were close-ended schemes that will list their units on the CSE. (Figures 8, 9)

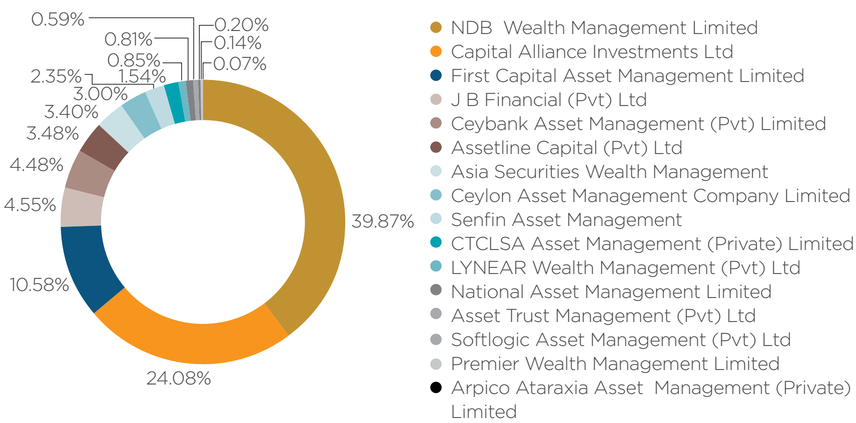
Figure 08 : Overall Position of the Schemes

	As at 31.12.2024	As at 31.12.2023	% change
Number of Approved Schemes	90	84	7.14
Net Asset Value of Unit Trusts (Rs. Bn. approx.)	544.83	407.74	33.62
Number of Unit Holders	114,898	93,450	22.95
Number of Units Issued (No. Mn. approx.)	30,261	13,371	126.32
Investment in Equity (Rs. Mn. approx.)	30,956	18,506	67.28
Investment in Government Securities (Rs. Mn. approx.)	380,217	315,238	20.61
Investment in Other Instruments* (Rs. Mn. approx.)	129,128	70,175	84.01

*Commercial papers, trust certificates, debentures, bank deposits etc.

Source: Regulatory submissions by Managing Companies

Figure 09: Market Share of Managing Companies



Strategic Goal 1

Establish and Maintain a Robust Regulatory Environment

Other Market Intermediaries

The SEC also ensures regulatory oversight of market intermediaries, including margin providers, investment managers, credit rating agencies, underwriters, and Corporate Finance Advisors (CFAs). This oversight guarantees that all entities operate in compliance with the provisions of the SEC Act and applicable Rules and Regulations. To effectively identify, monitor, mitigate, and manage risks associated with market intermediaries, a robust risk-based supervision framework was implemented, encompassing both on-site and off-site supervision.

During the year 2024, the SEC granted licences to four entities under the category of CFAs and one entity under category of investment managers. Further, one stock dealer and one investment manager, who did not wish to pursue its operations, discontinued their licences.

MEASURES TAKEN BY THE SEC TO COMBAT MONEY LAUNDERING, TERRORIST FINANCING AND PROLIFERATION FINANCING

The Financial Action Task Force (FATF), the global policy setter has introduced 40 recommendations on AML/CFT to combat money laundering/ terrorist financing and other related offences globally. The Asia Pacific Group on Money Laundering (APG) functions as the FATF's regional affiliated body and monitors the level of compliance with the FATF recommendations in the region. Sri Lanka is a founding member of APG.

Considering the scope of the action plan set out by FATF, a framework is now in place by the National Coordinating Committee, the AML/CFT Policy setting body of the FIU to bring the commitment and coordination of all the stakeholders in the country to enhance the AML/CFT Standards.

The FATF evaluates legal, institutional framework and effective implementation of AML/CFT measures of countries regularly through regional monitoring bodies. Sri Lanka was subjected to two Mutual Evaluations and the third Mutual Evaluation is scheduled to be held in March 2026. At the Mutual Evaluation, Sri Lanka is required to demonstrate its compliance with the 40 recommendations of the Financial Action Task Force (FATF - the global policy setter on AML/CFT) and their effectiveness across 11 Immediate Outcomes.

The SEC understands the importance of being a stakeholder of the FIU as a relevant supervisory authority in terms of the provisions of the Financial Transactions Reporting Act No 06 of 2006 (as amended) to address the ML/FT risks of the securities sector of the economy.

At present, the SEC is working closely with National Coordinating Committee (NCC) and the FIU of the CBSL to achieve the outcomes expected in the Action Plan communicated by the FIU to the SEC in this regard. Further, SEC will focus on addressing the deficiencies/ gaps identified in the National Money Laundering and Terrorist Financing Risk Assessment of Sri Lanka 2021/2022 relating to the Securities Market on AML/CFT/PF matters and provide guidance to the regulated entities in achieving the 40 recommendations of FATF.

The SEC implemented a series of coordinated initiatives in close collaboration with the FIU/CBSL which led to the FIU sharing a United Nations Transaction Screening Tool developed by them among all Stockbrokers. The SEC also facilitated the provision of guidance materials for transaction monitoring systems, which have been implemented by the majority of stockbrokers, while others continue to use their own systems in this regard.

The SEC Rules issued in 2022 to all Market Institutions and all Market Intermediaries obligate adherence to the Know Your Client (KYC) and customer due diligence (CDD) procedures specified by the FIU of the CBSL from time to time. The SEC requires all Market Institutions and Market Intermediaries to submit and confirm the following information on a monthly and quarterly basis, as part of the Compliance Report related to AML/CFT matters:

- information on Suspicious Transaction Reports (if any);
- the number generated; and
- any outcomes (if any)

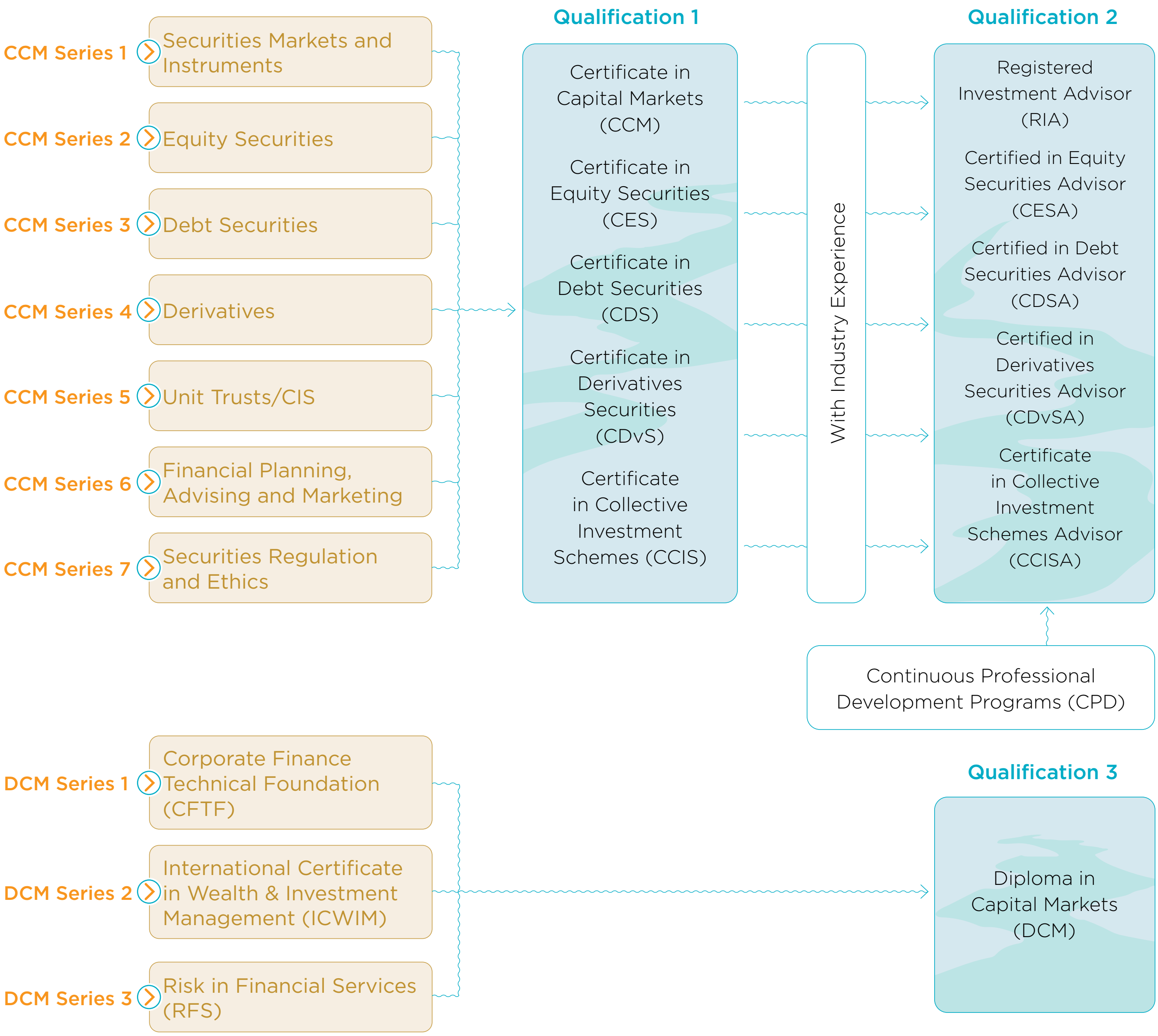
The SEC continues to maintain substantive and ongoing engagement with the FIU. In 2024, the SEC referred one Suspicious Transaction Report (STR) to the FIU following an investigation, while the Corporate Affairs Division of the SEC referred two additional matters during the same period.

Additionally, the SEC spearheaded certain awareness sessions related to the AML/CFT/PF. One such industry awareness session on AML/CFT conducted in August 2024 culminating in bringing together 51 industry representatives and 50 SEC staff participants for the said program. In addition, the SEC initiated a Staff awareness program conducted by the FIU.

ENHANCING PROFESSIONAL STANDARDS AND CONDUCT OF MARKET PROFESSIONALS

The SEC develops and administers professional education and conducts Continuous Professional Development (CPD) programs as part of the licensing regime for the capital market of Sri Lanka. In addition to the above, SEC also delivers structured programs to impart basic theoretical and practical aspects of investing to the public. (Figure: 10)

Figure 10: Capital Market Qualification Framework



Strategic Goal 1

Establish and Maintain a Robust Regulatory Environment

During the period under review the SEC continued to implement the Capital Market Qualification Framework aimed at offering a minimum level of proficiency and competency for investment advisors and thus serving as a quality standard for investment advisors of the capital market. The said framework is established to provide separate certifications for certified investment advisors for one or more asset classes, i.e. Equity Securities, Debt Securities and Collective Investment Schemes.

Each of these individual certifications contributes to the licensing process for investment advisors. The Registered Investment Advisor (RIA) qualification is the highest certification, encompassing all asset classes within the securities industry.

The following table illustrates a schematic of the separate certifications for each asset class and the corresponding licences awarded by the SEC. (Figure : 11)

Figure: 11 Certifications for Each Asset Class and the Corresponding Licences

Series No.	Series Name	Level of Certification & Licence				
		Equity	Debt	Derivatives	Collective Investment Schemes	Capital Markets
Series 1	Securities Markets & Instruments	●	●	●	●	●
Series 2	Equity Securities	●				●
Series 3	Debt Securities		●			●
Series 4	Derivatives			●		●
Series 5	Collective Investment Schemes				●	●
Series 6	Financial Planning, Advising and Marketing	●	●	●	●	●
Series 7	Securities Regulation and Ethics	●	●	●	●	●
	Certification	Certificate in Equity Securities (CES)	Certificate in Debt Securities (CDS)	Certificate in Derivatives Securities (CDvS)	Certificate in Collective Investment Schemes (CCIS)	Certificate in Capital Markets (CCM)
	Relevant Industry Experience	6 months	6 months	6 months	6 months	1 year
	Viva Voce Examination	Required	Required	Required	Required	Required
	Industry Designation	Certified Equity Securities Advisor (CESA)	Certified Debt Securities Advisor (CDSA)	Certified Derivative Securities Advisor (CDvSA)	Certified Collective Investment Schemes Advisor (CCISA)	Registered Investment Advisor (RIA)
	Continuing Professional Development	Four CPD Credits Annually				

Having recognised and understood the importance of adapting to the changes the SEC continued to offer more uninterrupted lectures through online platforms and few in-person sessions. A growing trend in the number of students joining these certification programs was observed during the period under consideration. All the examinations scheduled to be conducted during 2024 pertaining to these programs were conducted and completed by 31st December 2024.

As a part of its licensing regime, the SEC administered the Registered Investment Advisor (RIA), Certified Equity Securities Advisor (CESA) and Certified Collective Investment Schemes (CCISA) certifications which are mandatory to perform duties as an Investment Advisor in the capital market. Moreover, the SEC continued to reinstate investment advisors whose licences had lapsed due to non-compliance with the requirements set by the SEC, as communicated to the market through circulars and directives. As the licensing procedure plays a pivotal role in the industry, continuous VIVA VOCE examinations for investment advisors were held throughout the year without any hindrance and these consisted of students seeking the RIA Licence which caters for all four asset classes i.e. Equity Securities, Debt Securities and Collective Investment Schemes. Further, the CESA Licence catering for a single asset class which is Equity Securities and CCISA Licence catering for Collective Investment Schemes.

CPD Programs were conducted in the form of webinars and in-person to enhance and maintain the knowledge and skills related to professionals and market practitioners.

Industry Professionals

Certificate in Capital Markets (CCM), Certificate in Equity Securities (CES), Certificate in Debt Securities (CDS) and Certificate in Collective Investment Schemes (CCIS)

The aforesaid programs were conducted in English medium and were inaugurated during the year 2024. Lectures pertaining to Batch 27 which was inaugurated in 2023, concluded during September 2024. Meanwhile, Batch 28 commenced in August 2024 and will conclude in September 2025. Applications for the new batch, set to begin in March 2025, were invited in December 2024. (Figure : 12)

Figure : 12 Statistical Performance of Certificate Programs

Number of Students						
Total Registered	Completed Securities Markets and Instruments series	Completed Equity Series	Completed Debt Series	Completed Collective Investment Schemes series	Completed Financial Planning, Advising and Marketing series	Completed Securities Regulations and Ethics series
169	32	37	20	29	25	25

Registered Investment Advisor (RIA), Certified Equity Securities Advisor (CESA), Certified Collective Investment Schemes Advisor (CCISA) and Re-Instatements

Seventeen VIVA VOCE examinations were conducted during the year to grant licences to students pursuing the RIA, CESA, and CCISA licences, as well as to reinstate investment advisors whose licences had expired due to non-compliance with the annual CPD requirements.

Accordingly, a total of 72 students participated in these VIVA VOCE Examinations and the average pass rate was 70%. Out of the students who passed, 24 obtained the RIA Licence, representing 49%. Additionally, 14 students earned the CESA Licence, accounting for 28%, while 4 students received the CCISA Licence, making up 8%. Furthermore, 7 investment advisors were reinstated during the year, representing 29%. (Figure : 13)

Strategic Goal 1

Establish and Maintain a Robust Regulatory Environment

Figure : 13 Statistical Performance of VIVA VOCE Examinations

VIVA VOCE Examination	Participated No. of Students	Average Pass %
RIA / CESA / CCISA/ Re-instatements	72	70

Continuous Professional Development (CPD) Programs

During the year under review, 5 CPD programs were conducted for existing investment advisors of stock broking companies to enable them to constantly assess and update themselves with the latest trends in the local and global capital markets. These programs attracted over 1,100 participants, which included investment advisors, compliance officers, analysts of market intermediaries and individuals who are regular participants to these CPD programs.

The SEC maintained its mandatory requirement for the existing investment advisors to obtain a minimum of 4 CPD seminar credits for a year to renew their RIA status for the following year. (Figure :14)

Figure : 14 Summary of CPD Programs for 2024

Title of the CPD Programme	No. of participants
New Products Initiatives	261
Monetary Policy Measures under FIT Framework	319
Capital Market Regulation Framework and Ethics	311
Salient Features of the SEC Act, Emphasis on Part V	229
Innovative New Products Introduced at the CSE	59

Efforts to Enhance Professional Standards

The SEC issued a Directive that provides relaxed entry requirements and exemptions for certification programs. This Directive, which came into effect on August 1, 2024, introduces new entry requirements aimed at better supporting aspiring and current investment advisors by aligning educational and professional standards with industry best practices and emerging market trends.

The relaxation of entry requirements for CCM is expected to broaden access, enabling a wider range of candidates to participate. The new criteria recognise a broader spectrum of academic and professional qualifications, allowing more individuals to pursue the certification program.

This Directive accommodates various professional backgrounds and prior learning experiences, hence has broadened the exemption policy for CCM. Previously, the SEC only granted exemptions for candidates who had passed Level 2 of Chartered Financial Analyst. However, currently, candidates who are passed finalists of the Chartered Institute of Management Accountants (CIMA), the Association of Chartered Certified Accountants (ACCA), the Institute of Chartered Accountants of Sri Lanka (CA), as well as those who have completed a Bachelor's or Master's degree in a finance-related discipline, are eligible to apply for exemptions.

These revisions are designed to elevate and enhance professional standards of the industry while making it more inclusive and supportive of ongoing professional growth.

General Public

Program in Investing (PI)

In addition to the above, the SEC also conducted Program in Investing (PI), which is a program focused on providing knowledge that will facilitate informed investment decisions for existing and potential investors. Two batches were inaugurated and completed during the year. Due to the industry demand, both batches were conducted in English Medium and were hybrid sessions. A diverse student base was observed for the above programs including non-industry individuals, undergraduates, school leavers and professionals from other sectors in addition to capital market professionals.

University Students

Gold Medal and Cash Award Project

The SEC continued to maintain a close relationship with the state universities with the aim of promoting the capital market among the undergraduates. The gold medal and cash award project was administered during the year under review, which was initiated with the intention of encouraging undergraduates to study capital market related subjects in universities. Under this project, a gold medal and cash prize were awarded to the best-performing undergraduate in capital markets. Memoranda of Understanding (MOUs) have been signed with eleven national universities in relation to this project.

Accordingly, below mentioned national universities were awarded with gold medals and cash prizes during the year 2024.

- University of Jaffna
- Wayamba University of Sri Lanka
- Uva Wellassa University of Sri Lanka
- University of Kelaniya
- Eastern University of Sri Lanka
- University of Sri Jayewardenepura
- University of Ruhuna

VARSITY BATTLES

The SEC and the CSE organised and conducted an Inter- University Quiz Competition for undergraduates of state universities titled “Varsity Battles” Capital Market Quiz Competition 2024.

The main objective of organising this quiz competition is to create awareness on the Sri Lankan capital market, thereby increase financial literacy among the undergraduates in Sri Lanka. This initiative will pave the way for undergraduates to gain more knowledge about capital market and inspire students to invest in the stock market and seek employment opportunities in the capital market industry.

This competition concluded its second consecutive year in 2024. Participants were tested on various knowledge domains, including global markets, general knowledge, Sri Lankan economy and business, current affairs, sports and entertainment, The competition was carried out in two stages.

The event culminated in a thrilling finale, where the top-performing teams competed head-to-head for the coveted title.

Overall Winner: Faculty of Law (Team 01) from the University of Colombo secured the top position. First Runner-Up Position: Faculty of Commerce and Management Studies (Team 01) from the University of Kelaniya claimed the first runner-up position. Second Runner-Up Position: Faculty of Medicine (Team 01) from the Sabaragamuwa University secured the second runner-up position.

Platinum Sponsors Bartleet Religare Securities (Pvt) Ltd and First Capital Holdings PLC, along with Co-Sponsor Motorola by Abans, contributed to the success of the event. The evening concluded with a fellowship for participants, celebrating their achievements and fostering a sense of camaraderie among future leaders. Varsity Battles serves as a platform to inspire, educate, and challenge Sri Lanka’s brightest university students, shaping the next generation of financially literate citizens.

Strategic Goal 1

Establish and Maintain a Robust Regulatory Environment

SEC in the News

The Island, Tuesday, 6th February 2024

SEC Sri Lanka introduces mechanism to report social media wrongdoings

Daily FT Friday, 16th August 2024

SEC amends entry requirements for Capital Market professionals

Ceylon Today, Tuesday, 10th September 2024

SEC issues new directions on Whitelist Indices

With the objective of protecting the interest of investors seeking Shariah compliant investments and rationalising the construction and publication of Shariah compliant Whitelist Equity Indices in the capital market, the Securities and Exchange Commission of Sri Lanka (SEC) has issued new regulatory directions to Market Institutions and Market Intermediaries operating Whitelist Indices.

Shariah compliant equities are equity securities which have been determined to be Shariah compliant. The process of determining whether an equity is Shariah compliant, and therefore appropriate for investment by investors seeking Shariah compliant investments, is done through a Shariah screening methodology of listed securities and consists of a set of qualitative and quantitative components.

Recognising the growing demand for Shariah Compliant Debt Securities such as Sukuks, both domestically and internationally, the SEC recently took a proactive step by approving an enabling regulatory framework to introduce and list such products on the Colombo Stock Exchange (CSE). The list of Accredited Shariah Scholars and the compliance certification process approved by the SEC provides credibility to the products listed on the CSE.

In order to provide investors assurance that the Whitelist Indices operating in Sri Lanka are in compliance with Principles and Rules of Shariah and that the securities screening methodology is on par with globally recognized screening thresholds, the SEC requested the approved list of Accredited Shariah Scholars, recognized as Supplementary Service Providers under the SEC Act, to develop a Shariah Securities Screening Methodology standard that is comprehensive, comparable to global benchmarks, and relevant to local market conditions. Thereupon, a Standard Shariah Compli...

Daily FT, Thursday, 22 February 2024

SEC and CSE host investor forum in Vavuniya

Ceylon Today, Friday, 10th May 2024

SEC SRI LANKA CERTIFIES SHARIAH SCHOLARS FOR MARKET PRODUCTS

The Securities and Exchange Commission of Sri Lanka (SEC) yesterday said that they have approved a list of Accredited Shariah Scholars as 'Supplementary Service Providers'.

These scholars are authorised to certify the Shariah compliance of Islamic Capital Market Products intended for listing on the Colombo Stock Exchange (CSE) in accordance with the Listing Rules. The SEC considers this as an essential step in view of products that require Shariah compatibility and to satisfy the needs of Islamic investors.

Recognising the growing demand for Shariah Compliant Debt Securities such as Sukuk, both domestically and internationally, the SEC took a proactive step by approving an enabling regulatory framework to introduce such products on the Colombo Stock Exchange. The Accredited Shariah Scholars and compliance certification process approved by the SEC will provide credibility to the products listed on the Exchange.

The SEC published an advertisement calling for applications from Shariah Scholars with the requisite academic / professional qualifications, work experience ...

... Muzaffar (based in Sri Lanka), Aishath Muneeza (based in Malaysia), Mohammed Siraj Najubudeen (based in Saudi Arabia) and Dr. Suleiman Dalhatu Sani (based in Saudi Arabia).

As outlined in the published Guidelines and SEC's directive to the CSE, issuers of Islamic capital market products seeking a listing on the CSE are required to obtain a Shariah compliance certification from any three of the Accredited Shariah Scholars. The Guidelines define the duties of a Shariah Scholar, qualifications and experience required, submission of reports and record maintenance, governance standards, conflict of interest management, and fit & proper criteria.

Ceylon Today, Tuesday, 16th July 2024

SEC Hosts IOSCO Policy Committee Meeting

SEC advocates for informed, empowered retail investors

Daily Mirror, Monday, 3rd June 2024

SEC calls upon listed company secretaries to play an active role in board governance

Daily Mirror, Wednesday, 14th February 2024

SEC approves regulatory framework for Infrastructure Bonds

The Securities and Exchange Commission (SEC) yesterday announced the approval of a regulatory framework to facilitate the issuance and listing of Infrastructure Bonds on the Colombo Stock Exchange (CSE).

This landmark decision by the SEC is aimed at fostering both foreign and local investments in infrastructure projects that will contribute to the economic development and well-being of the country.

Infrastructure Bonds aim to raise capital for vital projects such as roads, rail, water management, waste management systems, airports, seaports, mixed development projects, natural disaster protection systems, deep water ports, gas supply systems, utility projects, telecommunications infrastructure, etc. which are integral to economic growth and sustainability.

"The misallocation of capital is a root cause of our economic crisis. It is our objective to enable instruments that can raise long-term capital for development projects and provide investor assurance that such capital is allocated to the project's stated purpose with transparency and accountability," said SEC Chairman Faizal Salieh.

"We have now created an opportunity for government bodies such as Municipal Councils, Urban Councils, Local Government Councils, the Urban Development Authority, etc. and even large private sector companies to finance infrastructure projects through these bonds," he added.

There is a need for Sri Lanka to develop a market for Infrastructure Bonds and raise the long - term capital needed for infrastructure projects.

The scope of infrastructure development in emerging economies has evolved significantly in recent decades and now comprises a broad range that includes traditional infrastructure projects such as power, oil and gas, and water as well as low-carbon, climate-resilient infrastructure such as renewable energy projects.

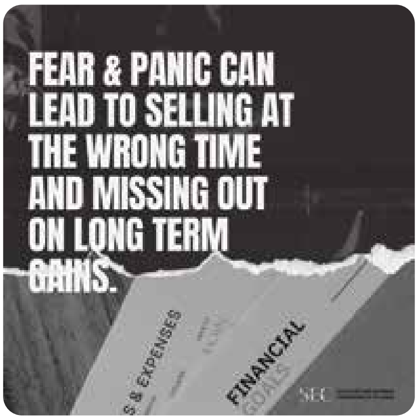
MORE ON P8

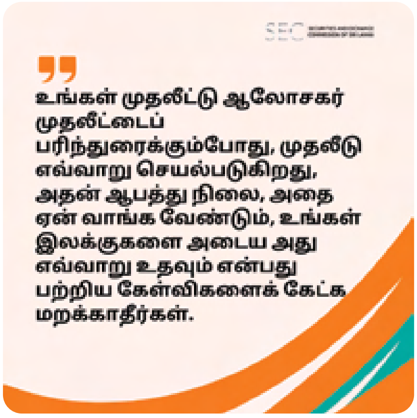
Empowering Investors through Social Media Platforms

Strategic Goal 1

Establish and Maintain a Robust Regulatory Environment

Empowering Investors through Social Media Platforms



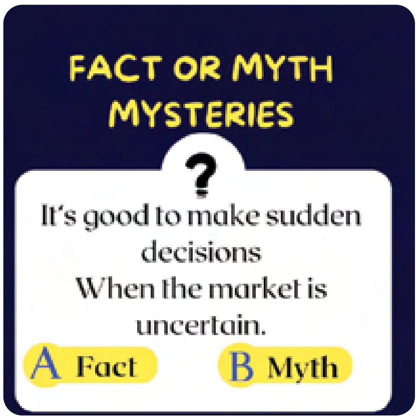

SEC
உங்கள் முதலீட்டு ஆலோசகர் முதலீட்டைப் பரிந்துரைக்கும்போது, முதலீடு எவ்வாறு செயல்படுகிறது, அதன் ஆபத்து நிலை, அதை ஏன் வாங்க வேண்டும், உங்கள் இலக்குகளை அடைய அது எவ்வாறு உதவும் என்பது பற்றிய கேள்விகளைக் கேட்க மறக்காதீர்கள்.


ගණුදෙනු කරුවෙකු නොව, ආයෝජකයකු වීමට උත්සාහ කරන්න.
SEC


SEC
A wonderful company with strong fundamentals, competitive advantages, and a robust business model is more likely to provide consistent returns and growth over time. Conversely, a fair company, even if purchased at a lower price, may lack the inherent qualities needed to thrive, making it a riskier and potentially less rewarding investment.


SEC


SEC
பங்குச் சந்தையானது எவ்வித பெறுமதியுமற்ற அனைத்தினதும் விலையை அறிந்த தனிநபர்களால் நிரம்பியுள்ளது.


FACT OR MYTH MYSTERIES
?
It's good to make sudden decisions When the market is uncertain.
A Fact
B Myth


SEC
A smart investor reviews disclosure documents and recognizes that investments in sustainable finance may significantly differ and need to be evaluated on their terms.


SEC
Advantages of Investing in Fundamentally Strong Shares
• Lower Investment Risk
• Consistent and Reliable Returns
• Potential for Capital Appreciation
• Dividend Yield
• Enhanced Market Confidence
• Protection Against Inflation


SEC
கேளுங்கள்

Strategic Goal 2

Protect Investor Interest

A core regulatory objective of the SEC is to maintain fair and orderly trading. To achieve this, the SEC employs market surveillance to identify and prevent manipulation and other unfair trading practices. Any suspected misconduct detected through its surveillance network undergoes thorough review. If there is reasonable suspicion of wrongdoing, the SEC initiates investigations, followed by enforcement actions when necessary.

SURVEILLANCE

The SEC is responsible for monitoring the capital market to ensure fairness, transparency, and investor protection. The SEC actively oversees trading activities on the CSE, identifying abnormal price or volume movements and suspicious trading behaviour. This vigilance helps uphold market integrity and safeguard investors.

The SEC conducts real-time market surveillance to detect unusual trading activity. When irregularities are identified, a detailed analysis is carried out, and appropriate action may be taken through surveillance referrals and surveillance notes. The SEC employs advanced monitoring platforms to proactively analyse market data, ensuring timely detection of anomalies and potential risks. Surveillance referrals are escalated to the Commission and, upon approval, forwarded for investigation and further action.

Importantly, during 2024, the SEC took steps to strengthen its market surveillance role by acquiring a state-of-the-art market surveillance system from Nasdaq. Nasdaq's market surveillance system will provide the SEC with cutting-edge technology to detect and respond to market anomalies, potential fraud, and other forms of market manipulation and abuse. The system's sophisticated algorithms, customisable alert and report generation capabilities, visualisation tools and real-time data analytics with market replays, will enable the SEC to proactively safeguard market participants and enhance the overall stability and credibility of Sri Lanka's capital market. The system is scalable to support increasing market activity, capable of processing large volumes of data, and can integrate Artificial Intelligence and machine learning to enhance its detection capabilities. The system will be implemented during the 2nd quarter of 2025.

Surveillance Activities during the year 2024.

A summary of surveillance activities for the year 2024 is provided below: (Figure : 15)

Figure : 15 Surveillance Activities in 2024

Observations	Phone Calls	Providing the requested trading analysis to other divisions	Further Monitoring	Statement Recordings	Surveillance Notes	Surveillance Referrals
147	27	20	92	4	6	11

As shown in the table above, the SEC identified 147 suspicious activities through its surveillance process in 2024. On at least one occasion within every two market days, out of a total of 240 market days, an observation was recorded. Additionally, the SEC contacted suspected parties on 27 occasions for clarifications and obtained statements from four individuals. These surveillance measures act as a proactive deterrent, discouraging the continuation of suspicious trading activities in the market.

In 2024, the SEC generated 11 surveillance referrals for full-scale investigations and prepared six surveillance notes based on findings related to suspected trading activities. Additionally, the SEC issued 20 surveillance reports in response to requests from other divisions, including the Investigations Division, and flagged 92 observations for further monitoring.

Monitoring of Social Media Discussions

Investors are increasingly relying on social media to gather information about listed securities. However, these platforms are also exploited by certain parties to mislead investors with false information. Such posts may include recommendations or target prices, potentially creating a false market perception of a security's value or price. This can result in market volatility and misguided trading decisions.

Therefore, the SEC actively monitors social media platforms such as Facebook, Instagram, YouTube, Telegram, WhatsApp, etc to detect potential instances of market misconduct, including information-based market manipulation, and takes proactive measures to address them.

In 2024, the SEC identified 19 instances of suspicious content posted on social media. Clarifications were obtained from 12 investors, and due to the severity of one case, a formal statement was recorded. One instance of suspicious activity involving social media was referred to the Investigations Division, while another was forwarded to the Corporate Affairs Division for further review. Additionally, two social media channels were flagged for ongoing monitoring to ensure compliance. The SEC also conducts social media screening related to corporate announcements, particularly concerning price and volume movements.

INVESTIGATIONS

The SEC conducts investigations into any alleged violations or contraventions of the provisions of the SEC Act No. 19 of 2021, or any Regulations, Rules, Directives, or Instructions issued under the Act. This is one of the key functions, powers, and duties of the SEC as the regulator of Sri Lanka's capital market. As part of its commitment to maintaining a fair, orderly, efficient, and transparent securities market while protecting the interests of investors, the SEC is also empowered to inquire into and investigate the activities of market institutions, market intermediaries, registered persons, PLCs and listed foreign entities.

During the year 2024, the SEC concluded 36 investigations out of the 55 investigations that were carried forward from the previous year. Further, in 2024 the Commission resolved to commence seven new investigations. Out of the total number of the aforesaid new investigations which were commenced during the year, six investigations were pertaining to suspected contraventions that fall under the SEC Act No. 19 of 2021 (the new SEC Act) which comprise of insider trading and certain types of market manipulation including false trading, market rigging and securities fraud and the other investigation was relating to a suspected case of market manipulation in contravention of Rule 12 of the SEC Rules 2001 where the trades had occurred during the time the SEC Act No. 36 of 1987 as amended (the repealed Act) was in force.

Accordingly, in total, the SEC conducted 62 investigations during the year under review, and it was decided to take the following enforcement action based on the findings of the investigations which were concluded during the year under review:

- To issue Show Cause Notices to twelve individuals and four entities prior to determining the suitable enforcement action.

Surveillance Team

Strategic Goal 2
Protect Investor Interest

- To issue Letters of Warning to three individuals and three entities.
- To issue a Letter of Reprimand to an entity as a deterrent not repeating the same conduct in future and a letter to an individual for his unethical conduct.
- To implement required measures to secure a court order preventing a person from traveling overseas after returning to Sri Lanka.
- To refer the relevant findings of four investigations to the CBSL, the relevant findings of two investigations to the CSE and the relevant findings of one investigation to the Sri Lanka Insurance Corporation Limited for necessary action.

Moreover, out of the 36 investigations completed during the year, 23 investigations were concluded without enforcement action since the commission of an offence by the persons/ entities subject to investigations was not established by the evidence elicited during the respective investigations.

In addition to the above-mentioned investigations completed in the reviewed year, the SEC also completed two sub- matters related to an ongoing investigation. Moreover, in another investigation, the Commission recommended conducting further investigations into certain other aspects of the case after reviewing the investigation report.

Throughout the reviewed year, the SEC strengthened its affiliation with other law enforcement authorities and organised knowledge-sharing sessions to enhance the capacity of staff involved in investigations. Furthermore, as part of the SEC's ongoing commitment to digital transformation, additional measures were implemented to enhance the security and accessibility of data and investigation files.

ENFORCEMENT ACTIONS

Issuance of Show Cause Notices

One investment advisor was issued two notices to show cause for submitting untrue Affidavits to the SEC.

Eight persons including two investment advisors were issued notices to show cause for committing the offence of front running in contravention of Rule 14 of the SEC Rules and connected offences.

A former investment advisor was issued a notice to show cause for front running in contravention of Rule 14 of the SEC Rules.

Four individuals were issued notices to show cause for insider dealing and other connected offences under Section 32 of the then SEC Act No 36 of 1987 (as amended).

A Chairman of a PLC was issued a notice to show cause for insider dealing in contravention of Section 32 (6) of the SEC Act No 36 of 1987 (as amended).

A stock broker company was issued a notice to show cause for front running in the shares of a PLC in contravention of Rule 14 of the SEC Rules and an investor was issued a notice to show cause for conspiring by aiding and abetting the stock broker company to contravene Rule 14 of the SEC Rules.

Two companies were issued notices to show cause for contravention of Rule 13 of the SEC Rules.

The members of the Board of a PLC were issued notices to show cause for their failure to make the payment of an administrative penalty imposed by the CSE on the Company for non-submission of the Annual Report for the Financial Year ended 31st March 2022 and the non-submission of Interim Financial Statements for the quarter ended 30th September 2023.

The Members of the Board of a PLC were issued notices to show cause for their failure to make the payment of an administrative penalty imposed by the CSE for non-submission of the Annual Report for the Financial Year ended 31st March 2023.

An investor was issued a notice to show cause for his market manipulation in contravention of Rule 12 of the SEC Rules.

A stock broker company was issued a notice to show cause for violating Section 175 (1) (b) of the SEC Act No 19 of 2021 by furnishing untrue, incorrect misleading information to the SEC.

A Director of a stock broker firm was issued a notice to show cause for violating Section 175 (1) (b) of the SEC Act No 19 of 2021 by providing untrue, incorrect or misleading information in the affidavit submitted to the SEC as a key management person of a market intermediary.

A Deputy Chairman of a PLC was issued a notice to show cause for insider dealing in contravention of Section 32 (1) of the SEC Act No 36 of 1987 (as amended).

Two PLCs were issued notices to show cause for the contravention of SEC Rules in terms of Section 183 of SEC Act No.19 of 2021 in relation to the Rules issued to Margin Providers.

An Investment Advisor was issued a notice to show cause for contravention of Section 137 (2) (a) of the SEC Act No. 19 of 2021.

Two investors were issued notices to show cause for contravention of Sections 137 (2) of the SEC Act No. 19 of 2021.

Issuance of Warnings

An investor was warned for his conduct that may amount to the contravention of Rule 12 of the SEC Rules.

One investment advisor was warned to desist from conduct where he had placed matched trades together with another investment advisor.

A PLC was warned for its reckless conduct in respect of disclosure of material information.

An investor was warned to desist from conduct that may amount to a contravention of Section 132 of the SEC Act No 19 of 2021.

Two PLCs were warned for failing to comply with Section 8.2 of the Listing Rules of the CSE.

A Deputy Chairman of a PLC was warned to desist from trading which could amount to insider dealing in contravention of Section 32 (1) of the SEC Act No. 36 of 1987 (as amended).

An investor was warned against causing undue price volatility in the price of the shares listed on CSE by certain conduct which could lead to create false misleading appearance in the market.

An individual was warned for making or publishing certain posts on social media which appear to contain false/misleading information relating to securities that are listed on the CSE, without taking reasonable care to check the accuracy of such statements or information in a manner that can influence investors to make investment decisions with regard to those securities and thereby contributing towards creating a false market in respect of the said securities.

Issuance of Letters of Caution

An investor was cautioned for conduct that may amount to market manipulation in contravention of Section 129 (1) of the SEC Act No. 19 of 2021.

Issuance of Letters

Three persons were advised by letter to use due care when engaging in share transactions and to ensure that their transactions do not amount to market/price manipulation.

An investor was advised to desist from unethical conduct of purchasing shares of certain companies whilst being privy to impending investing decisions of the Corporation he was employed at.

Issuance of a Reprimand

A stock broker firm was issued a reprimand in terms of Section 178 (1) (iii) of the SEC Act No 19 of 2021 for their conduct in contravention of Trading Participant Rules of the CSE (previously known as Stockbroker Rules of the CSE).

A stock broker company was issued a reprimand in terms of Section 178 (1) (iii) of the SEC Act No 19 of 2021 for committing an offence under Section 175 (1) (a) of the SEC Act No 19 of 2021 by the contravention of Rules 13.3 (3) and 13.3 (4) of the CSE Trading Participant Rules, and Rule 7.1.3 (3) of the then stock broker Rules of the CSE (now known as Trading Participant Rules of the CSE) in respect of the conduct of the Stockbroker Firm.

A stock broker company was issued a reprimand in terms of Section 178 (1) (iii) of the SEC Act No 19 of 2021 for committing an offence under Section 175 (1) (b) of the said Act by furnishing untrue, incorrect misleading information to the SEC.

Imposition of Administrative Penalty

An investment advisor was imposed an administrative penalty of Rs. 1 Million in terms of Section 178 (1) (ii) of the SEC Act No 19 of 2021.

A Key Management Person of a stock broker firm was imposed an administrative penalty of Rs. 1 Million in terms of Section 178 (1) (ii) of the SEC Act No 19 of 2021 for providing untrue and incorrect information in the affidavit submitted to the SEC. As of 31st December 2024, the payment has not been made to the SEC. He filed a Writ Application bearing No. 466/24 against the SEC seeking to quash the above decision. The Court of Appeal has given a direction to the SEC to maintain the status quo and not to make any further decision with regard to this matter until the next date of the Appeal Court matter. The said case is pending before the Court of Appeal.

Four directors of a PLC was imposed an administrative penalty of Rs. 100,000/- in terms of Section 178 (1) (ii) of the SEC Act No 19 of 2021 for the failure to make the payment of administrative penalty imposed by the CSE for the non-submission of Interim Financial Statements for the quarter ended 30th September 2023 by the company.

Referral to Other Agencies

Based on the findings of an investigation, the fund transactions of an investor was referred to the Financial Intelligence Unit of the CBSL for necessary action under the Financial Transactions Reporting Act No. 06 of 2006.

Based on the findings of six investigations, certain findings were referred to the CBSL for their necessary action.

Strategic Goal 2
Protect Investor Interest

Investigations Team

Based on an investigation held by the SEC, certain findings were referred to the CSE to inquire into the action taken by the CSE against a certain Listed Company for the contravention of Section 8.2 of the Listing Rules of the CSE.

Settlement Agreements

Settlement Agreement was entered into with one person under Section 152 (4) of the SEC Act No. 19 of 2021.

Compounding of Offences

On the application of an individual who was found to have committed front running as an independent contractor in contravention of Rule 14 of the SEC Rules was compounded upon his payment of a sum of Rs. 3.3 Million to the compensation Fund of the SEC.

After extensive deliberation the Commission decided to compound the offences which included market manipulation and other connected offences committed by three individuals subject to certain conditions. The compounding was effected upon their payment of a total of Rs. 23.1 Million to the Compensation Fund of the SEC.

The application to compound by an accused in a case filed by the SEC for the contravention of Section 46A (4) of the SEC Act was accepted by the Commission since a connected matter had already been compounded and the case was compounded upon his payment of Rs. 333,333.33 to the Compensation Fund of the SEC.

Indictment

Four investors were referred to the Hon. Attorney General to prefer indictment against them for market misconduct in terms of the provisions of the SEC Act No 19 of 2021.

Decision to institute legal action before the Magistrate's Court, Fort

Commission has decided to take steps to institute action against:

Four persons for insider dealing in contravention of the provisions of the SEC Act No. 36 of 1987 (as amended) and other connected offences.

Three investment advisors for market manipulation for contravention of Rule 12 of the SEC Rules 2001.

One investment advisor for front running in contravention of Rule 14 of the SEC Rules 2001.

Two investors for market manipulation in contravention of Rule 12 of the SEC Rules 2001.

A person for market manipulation in contravention of Rule 12 of the SEC Rules by way of imposing travel restrictions.

A stock broker firm and an investor for front running in contravention of Rule 14 of the SEC Rules and connected offences.

A Chairman of a PLC for insider dealing in contravention of Section 32 (6) of the SEC Act No. 36 of 1987 (as amended).

An investment advisor for Front Running in contravention of Rule 14 of the SEC Rules 2001 and his client for Conspiracy to Commit Front Running.

A former Investment Manager registered by the SEC, its Directors at the time and its former Chief Investment Officer for having contravened the Regulatory Standards applicable to Market Intermediaries issued by way of a Directive in 2015.

LITIGATION

SEC v M. I. Samsudeen and M. B. Nizar MC/S/5322/17

The SEC instituted the above action in the Magistrate's Court, Colombo Fort in 2017 against M. Imtiaz Samsudeen and Bafiq Nizar for conspiracy to commit market/price manipulation and for committing market/price manipulation in the shares of E-Channeling PLC punishable under Rule 12 of the

SEC Rules as published in Gazette Extraordinary No.1215/2 dated 18th of December 2001 read with Sections 113(b) and 102 of the Penal Code under Section 51(1)(a) of the then SEC Act No. 36 of 1987 (as amended).

The matter is pending before Court.

SEC v Lanka Kannangara, Kapila Senerath, Faariq Furkhan, and Raveendra Mallawarachchi

MC Fort/13736/19

Legal action was instituted in the Magistrate's Court, Colombo Fort in 2019 against the above mentioned persons for market manipulation, conspiracy to commit market manipulation and for aiding and abetting in the shares of Radiant Gems PLC which are offences punishable under Rule 12 of the SEC Rules as published in Gazette Extraordinary No. 1215/2 dated 18th of December 2001 read with Section 113 (b) and 102 of the Penal Code under Section 51(1) (a) of the then SEC Act No.36 of 1987 (as amended).

The matter is pending before Court.

SEC v Dr. Sena Yaddehige and S. Thinamany

MC Fort/12639/19

Legal action was instituted before the Magistrate's Court, Colombo Fort in 2019 against Dr. Sena Yaddehige and Mr. Subramanium Thinamany for insider dealing and aiding and abetting thereto in the shares of Kegalle Plantations PLC in contravention of section 32 of the then SEC Act No. 36 of 1987 as amended read with Section 102 of the Penal Code respectively.

The case has been laid by as the connected Supreme Court Case SC Appeal 164/2023 has stayed the proceedings in this case.

Director General of the SEC v W.K.H. Wegapitiya, Thilak De Silva and Thakshila Hulangamuwa

MC Fort/16967/20

Legal action was instituted before the Magistrate's Court, Colombo Fort in 2020 against the above mentioned persons for market manipulation, conspiracy to commit market manipulation, and for aiding and abetting in the shares of Laugfs Gas PLC which are offences punishable under Rule 12 of the SEC Rules as published in Gazette Extraordinary No. 1215/2 dated 18th of December 2001 read with Section 113 (b) and 102 of the Penal Code under Section 51(1) (a) of the then SEC Act No.36 of 1987 (as amended) during the period from 07th to 10th October 2011.

On 03rd April 2024, application was made in Court by the Counsel representing the accused on the above action, in order for the SEC to consider compounding these offences in terms of Section 51A of the then SEC Act.

Having considered the loss caused to the Employees' Provident Fund (EPF), from the time since the said offences were committed, accused agreeing to settle the loss caused to the EPF, other pending litigation connected to this case and the absence of previous convictions, the Commission decided to consider the application to compound the said offences upon the payment of the following sums to the Compensation Fund of the SEC by the accused by way of compounding:

Mr. W.K.H. Wegapitiya	Rs. 6.6 Mn
Mr.U.K.Tilak N de Silva	Rs.9.9 Mn
Mr. T. I. Hulangamuwa	Rs.6.6 Mn
Total	Rs.23.1 Mn

The above compounding was effected on 19th July 2024 following Mr.W.K.H. Wegapitiya, Mr.U.K.Tilak N de Silva and Mr.T. I. Hulangamuwa agreeing to settle the EPF, the excess amount of Rs. 231 Mn paid by the EPF in respect of the 33 Mn shares of Laugfs Gas PLC bought at Rs. 48/- on 10th October 2011.

The amounts referred to above were settled to the EPF and to the SEC in open court by the three accused when the matter was called before the Learned Magistrate on 19th July 2024 and the said funds were duly credited to the EPF and to the Compensation Fund of the SEC respectively.

Director General of the SEC v Nihal Radella

MC Fort/23337/22

Legal action was instituted before the Magistrate's Court, Colombo Fort in 2022 against Mr. Nihal Radella for the offence of giving a false / misleading answer to a question asked during a statement taken during an investigation conducted by the SEC in contravention of Section 46 (A) (4) of the then SEC Act No.36 of 1987 (as amended).

An application was made in Court by the Counsel representing him in order for the SEC to consider compounding the said offence in terms of Section 51A of the then SEC Act No. 36 of 1987 (as amended). Having considered that there have been no previous findings against the accused and that the connected matter has now been compounded, the case against Mr. Radella was compounded by the Commission on 01st November 2024 upon Mr.Radella crediting Rs. 333,333.33 to the Compensation Fund of the SEC.

Strategic Goal 2
Protect Investor Interest

Director General of the SEC v Riyaz Mohamed Sangani
MC Fort/28266/2023

Legal action was instituted before the Magistrate's Court, Colombo Fort in 2023 against Mr. Riyaz Mohamed Sangani for two instances of insider dealing in the shares of Vidullanka PLC, in contravention of Section 32 (1) and 32 (6) of the then SEC Act No. 36 of 1987 (as amended).

The matter is pending before Court.

Director General of the SEC v Riyaz Mohamed Sangani
MC Fort/33954/2024

Legal action was instituted before the Magistrate's Court, Colombo Fort in 2024 against Mr. Riyaz Mohamed Sangani for one instance of insider dealing in the shares of Vidullanka PLC, in contravention of Section 32 (1) of the then SEC Act No. 36 of 1987 (as amended).

The matter is pending before Court.

Director General of the SEC v Riyaz Mohamed Sangani
MC Fort/33955/2024

Legal action was instituted before the Magistrate's Court, Colombo Fort in 2024 against Mr. Riyaz Mohamed Sangani for one instance of insider dealing in the shares of Vidullanka PLC, in contravention of Section 32 (1) of the then SEC Act No. 36 of 1987 (as amended).

The matter is pending before Court.

Director General of the SEC v W.E.M. Weerasinghe, E.A. Gunawardane and S.M. De R. Gunasekara
MC Fort/28328/23

Legal action was instituted before the Magistrate's Court, Fort in 2023 against Mr. W.E.M. Weerasinghe, Mr. E.A. Gunawardane and Mr. S.M. De R. Gunasekara for committing the offence of market manipulation in the shares of Bimputh Finance PLC in contravention of Rule 12 of the SEC Rules published in Gazette Extraordinary No. 1215/2 dated 18th December 2001 which is punishable under Section 51(2) read with Section 51(1)(a) of the then SEC Act No. 36 of 1987 (as amended). Summons are yet to be issued to the parties.

Director General of the SEC v K.A.L.D. Lanka Kannangara
MC Fort/28706/23

Legal action was instituted before the Magistrate's Court, Fort in 2023 against Mr.K.A.L.D. Lanka Kannangara for committing the offence of market manipulation in the shares of Regnis Lanka PLC which in contravention of Rule 12 of the SEC Rules, published in Gazette Extraordinary No. 1215/2 dated 18th December 2001, which is punishable under Section 51 (1) (a) of the then SEC Act No.36 of 1987 (as amended). The case is pending before Court.

Director General of the SEC v K.A.L.D. Lanka Kannangara
MC Fort/28707/23

Legal action was instituted before the Magistrate's Court, Colombo Fort in 2023 against Mr.K.A.L.D. Lanka Kannangara for committing the offence of market manipulation in the shares of Ascot Holdings PLC in contravention of Rule 12 of the SEC Rules, published in Gazette Extraordinary No. 1215/2 dated 18th December 2001, which is punishable under Section 51 (1) (a) of the then SEC Act No.36 of 1987 (as amended). The case is pending before Court.

Director General of the SEC v Govindasamy Ramanan and Kanagarathnam Naveenkanth
MC Fort/28553/23

Legal action was instituted before the Magistrate's Court, Colombo Fort in 2023 against Mr. Govindasamy Ramanan and Mr. Kanagaratnam

As part of its commitment to maintaining a fair, orderly, efficient, and transparent securities market while protecting the interests of investors, the SEC is also empowered to inquire into and investigate the activities of market institutions, market intermediaries, registered persons, PLCs and listed foreign entities.

Naveenkanth for the offences of Market Manipulation, conspiracy to commit Market Manipulation, and aiding and abetting in the shares of Industrial Asphalts PLC in contravention of Rule 12 of the SEC Rules, published in Gazette Extraordinary No. 1215/2 dated 18th December 2001, which is punishable under Section 51 (1) (a) of the then SEC Act No.36 of 1987 (as amended) read together with Section 113 (B) and 102 of the Penal Code. Summons were issued on the accused. Subsequently, Mr. G. Ramanan filed a writ application in the Court of Appeal inter alia (see below CA/Writ/111/24) seeking writ of certiorari to quash the Magistrate's order and summons issued against him in this case. The Court of Appeal issued notice and interim orders staying the proceedings in the Magistrate's Court.

Accordingly, this matter has been laid by before the Magistrate's Court.

Director General of the SEC v Govindasamy Ramanan
MC Fort/29040/24

Legal action was instituted before the Magistrate's Court, Colombo Fort in 2024 against

Mr. Govindasamy Ramanan for the offence of market manipulation in the shares of Industrial Asphalts PLC in contravention of Rule 12 of the SEC Rules, published in Gazette Extraordinary No. 1215/2 dated 18th December 2001, which is punishable under Section 51 (1) (a) of the then SEC Act No.36 of 1987 (as amended). Summons were issued on the accused. Subsequently, Mr. G. Ramanan filed a writ application in the Court of Appeal inter alia (see below CA/Writ/115/24) seeking writ of certiorari to quash the Magistrate's order and summons issued against him in this case. The Court of Appeal issued notice and interim orders staying the proceedings in the Magistrate's Court.

Accordingly, this matter has been laid by before the Magistrate's Court.

Director General of the SEC v Amana Asset Limited, its Directors (A.A.M.Haroon, M.E.Zaheed, L. Yadav) and former Chief Investment Officer (S. Nilam)

MC Fort/30437/24

Legal action was instituted before the Magistrate's Court, Colombo Fort in 2024 against Amana Asset Limited, its Directors and Chief Investment Officer who served as such during the relevant period for acting in contravention of the Regulatory Standards applicable to Market Intermediaries issued by the SEC in 2015 by way of a Directive, which are requirements imposed under the provisions of the then SEC Act No. 36 of 1987 (as amended) under Section 51 (1) (a) read with section 51 (3) of the said Act.

The summons are yet to be issued to the parties and the case has been laid by on account of the matter being stayed by the Court of Appeal in Writ Application No CA/Writ/203/24.

Director General of the SEC v K.A.L.D. Lanka Kannangara and Kapila Senarath

MC Fort/36468/24

Legal action was instituted before the Magistrate's Court, Colombo Fort in 2024 against the aforementioned persons for market manipulation in the shares of On'ally Holdings PLC in contravention of Rule 12 of the SEC Rules, published in Gazette Extraordinary No. 1215/2 dated 18th December 2001, together with conspiracy to commit market manipulation and for aiding and abetting, all of which are offences punishable under Section 51 (1) (a) read with Section 113 (b) and 102 of the Penal Code under Section 51(1) (a) of the then SEC Act No.36 of 1987 (as amended).

The summons are yet to be issued and the case is pending before court.

Director General of the SEC v S.M.D.N.P. Banda

MC Fort/ 28831/24

Legal action was instituted before the Magistrate's Court, Colombo Fort in 2024 against Dr. S.M.D.N.P. Banda for the offence of market manipulation in the shares of Palm Garden Hotels PLC in contravention of Rule 12 of the SEC Rules, published in Gazette Extraordinary No. 1215/2 dated 18th December 2001, which is punishable under Section 51 (1) (a) of the then SEC Act No.36 of 1987 (as amended).

The summons have been issued to Dr. S.M.D.N.P. Banda. The case has been stayed by the Court of Appeal in CA/Writ/292/24.

Director General of the SEC v S.M.D.N.P. Banda and S.M. Aruna Upendra Premarathne Banda

MC Fort/28830/24

Legal action was instituted before the Magistrate's Court, Colombo Fort in 2024 against Dr. S.M.D.N.P. Banda and Mr. S.M. Aruna Upendra Premarathne Banda for the offences of market manipulation, conspiracy and aiding and abetting to commit the offence of market manipulation in the shares of Associated Motor Finance Company PLC in contravention of Rule 12 of the SEC Rules, published in Gazette Extraordinary No. 1215/2 dated 18th December 2001, which is punishable under Section 51 (1) (a) of the then SEC Act No.36 of 1987 (as amended) read together with Section 113 (B) and 102 of the Penal Code.

The Summons have been issued to Dr. S.M.D.N.P. Banda and Mr. S.M. Aruna Upendra Premarathne Banda. The case has been stayed by the Court of Appeal in CA/Writ/293/24 and CA/Writ/294/24.

Director General of the SEC v Kahawalage Danushka Gunaratna

MC Fort/32066/24

Legal action was instituted before the Magistrate's Court, Colombo Fort in 2024 against K.D. Gunaratna for the offence of market manipulation in the shares of Lanka Walltiles PLC in contravention of Rule 12 of the SEC Rules, published in Gazette Extraordinary No. 1215/2 dated 18th December 2001, which is punishable under Section 51 (1) (a) of the then SEC Act No.36 of 1987 (as amended)

The Summons have been issued to Mr. Gunaratna and the matter is pending before Court.

Talib Tawflq Al Nakib vs. CSE and Securities and SEC

WP/HCCA/LA/COL/158/17(LA) - DC Case No. DSP/20/2016

The above action was initiated against the SEC and CSE in the District Court of Colombo upon the Plaintiff's need to investigate the share issue done in contravention of the imperative provisions of the Companies Act No. 17 of 1982 by Heath and Company (Ceylon)

Strategic Goal 2
Protect Investor Interest

Limited in view of its impact to Hunter and Company Limited in which the plaintiff (now deceased) was a 14% shareholder. By Order dated 26th October 2017, the District Court dismissed the case on the basis that it has no jurisdiction to hear the matter and the Plaintiff has filed a leave to appeal application from that Order to the Civil Appellate High Court of the Western Province. The matter is pending before Court.

Talib Tawfiq Al - Nakib vs. CSE and SEC

WP/HCCA/COL/175/2017/F Connected with WP/HCCA/LA/COL/158/17 (LA)

The Petitioner (Talib Tawfiq Al-Nakib) filed another appeal against the same order to which he sought leave to appeal under case no. WP/HCCA/LA/COL/158/17 (LA) on the following amongst other grounds:

- Set aside/reverse the order dated 26th October 2017 made by the Learned Judge of the District Court of Colombo in the action bearing No. DSP/20/2016;
- Make order declaring that the District Court of Colombo has jurisdiction to hear and determine the Case No. DSP/20/2016;
- Make an order directing the District Court of Colombo to proceed with the trial in the matter No. DSP/20/2016 on all the issues already raised and on the merit thereof or

in the alternative make order transferring the Case to the correct court, as the Court may determine, with a direction to hear and determine the action on the merit of the case.

The matter is pending before Court

Riyaz Mohamed Sangani vs SEC and Others

CA/Writ/301/2023

Mr. Riyaz Mohamed Sangani (the Petitioner) filed this application in the Court of Appeal, challenging the quantum of the amount imposed by the Commission to compound the four offences of insider dealing committed by the Petitioner. He sought Writs of Mandamus from the Court of Appeal inter alia directing and/or compelling the SEC:

- to compound the four offences committed by the Petitioner at a sum proportionate and reasonable to any gain made by the Petitioner; and
- not to publish any information by the SEC regarding the Petitioner, in respect of the decision made by the SEC to compound the matter against him.

The case was dismissed by the Court of Appeal.

Riyaz Mohamed Sangani vs SEC and Others

CA/Writ/797/2023

Mr. Riyaz Mohamed Sangani (the Petitioner) filed the above application in the Court of Appeal, seeking inter alia Writs of Certiorari to quash the decision taken by the SEC to withdraw its previous decision to compound the four offenses of insider dealing committed by him and to quash the SEC's decision to proceed with filing action against the Petitioner.

The Petitioner further sought a Writ of Mandamus to compel the SEC to compound the four actions of the Petitioner at a sum proportionate and reasonable to any gain made by the Petitioner.

The case was dismissed by the Court of Appeal.

Tushan Wickremasinghe Vs SEC and another

CA/Writ/466/2024

Mr. Tushan Wickramasinghe filed the above writ application against the SEC citing the SEC as the 1st Respondent and the Director General as the 2nd Respondent, to prevent the SEC (inter alia) from taking further action against him for non-payment of the administrative penalty of Rs. 1,000,000/- imposed by the SEC against him.

The aforesaid administrative sanction was imposed by the SEC in terms of Section 178(1)(ii) of the SEC Act, for the contravention of Section 175(1)(b) of the SEC Act, by providing untrue and incorrect information in his Affidavit dated 21st July 2023, submitted to the SEC as a Key Management Person, for the renewal of the stockbroker licence of capital Trust Securities (Private) Limited.

The matter is pending before Court.

Govindasamy Ramanan Vs SEC and another

CA/Writ/60/2024

Mr.Govindasamy Ramanan filed the above Court of Appeal Writ Application in January 2024, citing the SEC, the Director General and the Attorney General as the Respondents, seeking inter alia Writ of Certiorari to quash the Notice of Action issued to him in the capacity of a director of a PLC, in respect of the conduct of the company in contravention of Rule 30(1) of the Company TOM Code 1995 (as amended) and sought to quash the Show Cause Notice issued to him in terms of Section 51 (3) of the then SEC Act No. 36 of 1987 (as amended). Considering the decision taken by the SEC not to proceed against the PLC in respect of the aforesaid contraventions due to new developments in the matter, the petitioner withdrew the Writ Application filed by him.

Amana Asset Limited and Love Yadav vs. SEC, Director General of the SEC and others

CA/Writ/203/24

Legal action was instituted in the Magistrate's Court, Fort in 2024 against Amana Asset Limited, its Directors (Mr. A.A.M.Haroon, Mr. M.E.Zaheed, Mr. L.Yadav) and former Chief Investment Officer ((Mr. S.Nilam) for acting in contravention of the Regulatory Standards applicable to Market Intermediaries issued by the SEC in 2015 by way of a Directive, which are requirements imposed under the provisions of the SEC Act under Section 51 (1) (a) of the then SEC Act No. 36 of 1987 (as amended) read with Section 51 (3) of the said Act. In such circumstances, Amana Asset Limited and Love Yadav filed a writ application against the SEC before the Court of Appeal seeking inter alia to prevent the SEC from initiating legal action and to stay any proceedings before the Magistrate's Court. An interim order was issued against the SEC and the matter is pending before Court.

Milanka Induruwage v SEC and Others

CA/Writ/171/24

The Petitioner has filed this writ application seeking to inter alia quash the decision of the SEC that the Petitioner has committed the offence of front running in contravention of Rule 14 of the SEC Rules and its decision to institute proceedings against him for the said contravention. Court of Appeal having heard the Petitioner ex parte issued certain interim orders and the matter is pending before Court.

Urban Development Authority (UDA) vs On'ally Holdings PLC and Others

HC (Civil)/11/2021/CO

The UDA, a shareholder holding not less than 5% of the voting rights in On'ally Holdings PLC, filed an application against On'ally Holdings PLC in the Commercial High Court of the Western Province (Exercising Civil Jurisdiction) under Section 225 of the Companies Act, read with Sections 226, 520 and 521 of the said Act.

The UDA alleged that the affairs of On'ally Holdings PLC were being conducted in a manner prejudicial to the interests of the company due to a material change in control. This change occurred through the ownership of shares by Lanka Realty Investments PLC, which acquired control of On'ally Holdings PLC by way of a mandatory offer.

The UDA (the Petitioner) cited On'ally Holdings PLC, Lanka Reality Investments PLC, Renuka Capital PLC, PW Corporate Secretarial (Private) Limited, CSE as the first to fifth Respondents respectively and the SEC was the sixth Respondent.

When the final order was granted in February 2024, the Court discharged the SEC from this case as no reliefs have been sought against the SEC by the Petitioner.

Lanka Reality Investment PLC Vs UDA and others

CA RII Application No. 34/2024

Lanka Reality Investment PLC (Petitioner) filed the above application in the Court of Appeal, citing the SEC as the 04th Respondent – Respondent seeking inter alia the following reliefs:

- to grant an Order setting aside the impugned Order of the Commercial High Court dated 15th February 2024, in the Case bearing No. HC Civil/11/2021/CO (filed by the Urban Development Authority); and
- to grant an Order declaring that the High Court of the Western Province Colombo (Civil) does not have the jurisdiction to hear and determine the application made by UDA in the said Commercial High Court, until a valid complaint is lodged against the Petitioner before the SEC and the SEC makes a ruling on such complaint.

In this case, no relief has been sought against the SEC by the Petitioner and the matter is pending before the Court of Appeal.

The matter is pending before Court.

Sena Yaddehige v SEC (CA/Writ/417/2017)

Sena Yaddehige v SEC (SC/Appeal/164/23)

(Both connected to SEC vs Sena Yaddehige and S. Thinamany, MC Fort/12639/19)

In response to the action filed by the SEC before the Magistrate's Court, Colombo Fort against Dr. Sena Yaddehige and Mr. Subramanium Thinamany for insider dealing and aiding and abetting thereto in the shares of Kegalle Plantations PLC, the first accused in case no. MC Fort/12639/19 filed a writ application against the SEC before the Court of Appeal seeking inter alia to stay the proceedings before the Magistrate's Court. The Court of Appeal delivering order refused to stay the proceedings before the Magistrate's Court and sought written submissions to be filed on the issue of notice.

Thereafter, the accused appealed to the Supreme Court by way of Special Leave to Appeal challenging the order made by the Court of Appeal in relation to the writ application. The Supreme Court allowed the application of the Petitioner and fixed the matter for inquiry. The matter is pending before Court.

Shaw Wallace Investments PLC and Shamindra Rajiyah vs SEC, Chinthaka Mendis and Others

CA/Writ/460/2023

The Petitioners have filed an application for the grant of inter aila a Writ of Certiorari against the Notices of Action Issued by the 1st Respondent to the Petitioners and a Writ of Prohibition restraining the 1st Respondent and/or 2nd Respondent and/or 3rd Respondent from

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instituting criminal or other legal proceedings against the petitioners. The matter is pending before Court.

Dr. Senevirathna Mudiyanselage Dhammika Narendra Premathna Banda vs. SEC and others

CA/Writ/292/2024

In response to the action filed by the SEC before the Magistrate's Court, Colombo Fort against Dr. Senevirathna Mudiyanselage Dhammika Narendra Premathna Banda for market manipulation (MC/Fort/28831/24), the accused filed a writ application against the SEC before the Court of Appeal seeking inter alia to stay the proceedings before the Magistrate's Court.

The matter is pending before the court.

Dr. Senevirathna Mudiyanselage Dhammika Narendra Premathna Banda vs. SEC and others

CA/Writ/293/2024

In response to the action filed by the SEC before the Magistrate's Court, Colombo Fort against Dr. Senevirathna Mudiyanselage Dhammika Narendra Premathna Banda for market manipulation (MC/Fort/28830/24), filed a writ application against the SEC before the Court of Appeal seeking inter alia to stay the proceedings before the Magistrate's Court.

The matter is pending before the court.

Dr. Senevirathna Mudiyanselage Aruna Upendra Premathna Banda vs. SEC and others

CA/Writ/294/2024

In response to the action filed by the SEC before the Magistrate's Court, Colombo Fort against Dr. Senevirathna Mudiyanselage Dhammika Narendra Premathna Banda for market manipulation and aiding and abetting thereto (MC/Fort/28830/24), filed a writ application against the SEC before the Court of Appeal seeking inter alia to stay the proceedings before the Magistrate's Court. The matter is pending before Court.

G. Ramanan vs. The Learned Magistrate, Colombo Fort, SEC Chinthaka Mendis and Others

CA/Writ/111/2024

The Petitioner filed a writ application in the Court of Appeal inter alia seeking writs of certiorari to quash the Magistrate's order and summons issued against the Petitioner in a case filed by the SEC against the Petitioner and another at the Magistrate's Court of Fort for alleged conspiracy and market manipulation, and a writ of Prohibition to prevent the SEC and other Respondents from taking further action against the Petitioner based on the contested decisions and notice of action issued. The Court issued notice and interim orders against the Respondents staying the proceedings in the Magistrate's Court. Subsequently, the SEC, the Director General, the Attorney General, and two other Respondents appealed to the Supreme Court challenging the interim orders issued. Both the writ application and the appeal are currently pending before their respective courts.

G. Ramanan vs. The Learned Magistrate, Colombo Fort, SEC Chinthaka Mendis and Others

CA/Writ/115/2024

The Petitioner filed a writ application in the Court of Appeal inter alia seeking writs of certiorari to quash the Magistrate's order and summons issued against the Petitioner in a case filed by the SEC against the Petitioner at the Magistrate's Court of Fort for market manipulation, and a writ of Prohibition to prevent the SEC and other Respondents from taking further action against the Petitioner based on the contested decisions and notice of action issued. The Court issued notice and interim orders against the Respondents staying the proceedings in the Magistrate's Court. Subsequently, the SEC, the Director General, the Attorney General, and two other Respondents appealed to the Supreme Court challenging the interim orders issued. Both the writ application and the appeal are currently pending before their respective courts.

Capital Alliance Securities (Pvt) Ltd v SEC and Others

CA/Writ/789/24

The Petitioner filed this writ application against the SEC, seeking inter alia to quash a directive of the SEC by which the SEC directed the CSE to conduct an in-person hearing to a complaint made by a client against the Petitioner stockbroker firm and the matter is pending before Court at the end of the year.

G.C.S Ramanayake and another vs. SEC and others

CA/Writ/411/2024

The Petitioners filed a writ application in the Court of Appeal alleging unauthorised share purchases in their CDS account by LOLC Securities Limited, resulting in financial losses to the Petitioner. The SEC, CSE, the Chief Executive Officer of the CSE, the CDS, LOLC Securities Limited and three of its officers were cited as Respondents. The reliefs sought by the Petitioners included the grant of certain declarations and writ of Mandamus to restore their CDS account, reverse forced sales and interest charges, and initiate disciplinary action. The Court issued interim orders preventing forced sales of shares/ assets and recovery actions, restoring the CDS account to the status quo that prevailed prior to the unauthorised purchases, and allowing portfolio transfer under supervision. However, LOLC Securities Limited and two other Respondents appealed to the

Supreme Court against the interim orders issued, and the Supreme Court set aside the interim orders granted and returned the matter to the Court of Appeal with the notice issued left undisturbed (See below SC Spl LA 40/2024). The matter is pending before the Court of Appeal.

M.T.M.Shuaib, W.K.G.Abeysinghe and P.K.R.Deshapriya v SEC and others

CA/Writ/189/24

Three shareholders of Expolanka Holdings PLC filed an action challenging the delisting process and seeking to prevent inter alia the delisting of Expolanka Holdings PLC. The case was supported and the application of the Petitioners were refused.

A.K. Amunugama and 9 Others v SEC and Others

CA/Writ/312/24

A Writ application was filed by the Petitioners, purported to be aggrieved Shareholders, seeking to prevent the SEC from granting approval for the delisting application submitted by Expolanka Holdings PLC. The case is pending before Court.

L. D. Paranamana and Seven Others v SEC and others

CA/Writ/339/24

A Writ application was filed by the Petitioners, purported to be aggrieved shareholders, seeking to prevent the SEC from granting approval for the delisting application submitted by Expolanka Holdings PLC. The case is pending before Court.

K.C. Vignarajah v SEC, CSE and Others

SC CHC Appeal 70/2018

The Petitioner has filed this application before the Supreme Court following the refusal of the Commercial High Court of Colombo to grant the reliefs requested in CHC/CO/09/2016, which was filed by K.C. Vignarajah as a derivative action against Standard Capital PLC and its Directors. The Petitioner claims that he was wrongfully removed as a director of the company and as the Chairman of the Audit Committee.

The Petitioner-Appellant has cited the SEC as the 7th Respondent on the basis that it is the regulatory authority overseeing the conduct and affairs of the CSE and companies listed thereon. However, the Petitioner-Appellant has not sought any relief against the SEC.

This application was dismissed in October 2024 following the demise of the Petitioner-Appellant.

LOLC Securities Limited v G.C.S Ramanayaka and Others

SC Spl LA Application No.40/2024

The Petitioners filed a writ application in the Court of Appeal alleging unauthorised share purchases in their CDS account by LOLC Securities Limited, resulting in financial losses. The SEC, CSE the Chief Executive Officer of the CSE, the CDS LOLC Securities Limited and three of its officers were cited as Respondents. The reliefs sought by the Petitioners included the grant of certain declarations and writ of Mandamus to restore their CDS account, reverse forced sales and interest charges, and initiate disciplinary action. The Court issued interim orders preventing forced sales of shares/ assets and recovery actions, restoring the CDS account to the status quo that prevailed prior to the unauthorised purchases, and allowing portfolio transfer under supervision. LOLC Securities Limited and two other Respondents appealed to the Supreme Court against the interim orders issued, and the Supreme Court set aside the interim orders granted and returned the matter to the Court of Appeal with the notice issued left undisturbed.

SEC and Attorney General v Capital Trust Holdings Limited and Tushan Wickremasinghe

SC Spl LA 21/2024 (Appeal from CA/Writ/465/2022)

This leave to appeal application was filed by the SEC against the judgement of the Court of Appeal which quashed the decision taken by the SEC to institute criminal proceedings against the 2nd Petitioner-Respondent and its Notice of Action in a writ application filed by the latter (CA/Writ/465/22).

SEC V G. Ramanan and Others

SC Spl LA Application No.117/2024 (Appeal from CA/Writ/111/2024)

The Petitioner filed a writ application in the Court of Appeal inter alia seeking writs of certiorari to quash the Magistrate’s order and summons issued against the Petitioner in a case filed by the SEC against the Petitioner and another at the Magistrate’s Court of Fort for alleged conspiracy and market manipulation, and a writ of Prohibition to prevent the SEC and other Respondents from taking further action against the Petitioner based on the contested decisions and notice of action. The Court issued notice and interim orders against the Respondents staying the proceedings in the Magistrate’s Court. The SEC, the Director General, the Attorney General, and two other Respondents filed a special leave to appeal application to the Supreme Court. The matter is yet to be supported.

SEC v G. Ramanan and Others

SC Spl LA Application No.118/2024 (Appeal from CA/Writ/115/2024)

The Petitioner filed a writ application in the Court of Appeal inter alia

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seeking writs of certiorari to quash the Magistrate's order and summons issued against the Petitioner in a case filed by the SEC against the Petitioner at the Magistrate's Court of Fort for market manipulation, and a writ of Prohibition to prevent the SEC and other Respondents from taking further action against the Petitioner based on the contested decisions and notice of action issued. The Court issued notice and interim orders against the Respondents staying the proceedings in the Magistrate's Court. The SEC, the Director General, the Attorney General, and two other Respondents appealed to the Supreme Court against the interim orders issued. The matter is yet to be supported.

Panchalingam Associates (Pvt) Limited v SEC and Others

SC Spl LA Application No.177/2020 now SC Appeal 50/2024

The Petitioner Company Panchalingam Associates (Pvt) Ltd filed an application for writs of certiorari against certain directions issued by the CBSL with regard to shares that were held by the Company in HNB PLC seeking to set aside the said directions of the CBSL. The Monetary Board, the Governor of the CBSL, two Directors of the Department of Bank Supervision and four others including the SEC were cited as Respondents. Upon the Court of Appeal refusing to grant a writ, the Petitioner Company has since filed a special leave to appeal application to the Supreme Court. No relief has been sought from the SEC. This matter is pending before the Supreme Court.

Eng. G. Kapila Renuka Perera v the Hon. Attorney General and others

SC/FR/182/2021

The petitioner has filed a fundamental rights application in the Supreme Court against Selendiva Investments Limited and 32 others including the SEC (cited as the 7th respondent) seeking inter alia a declaration of an imminent violation of one or more of the fundamental rights of the petitioner (including all other citizens of Sri Lanka) guaranteed under the Constitution. The petitioner has also sought a declaration that the Cabinet Decision dated 06th March 2020 which established Selendiva Investments Limited (which is a new state owned property Development Company having the primary objective of transforming the state owned hospitality portfolios to optimum performance level through appropriate restructuring) as being null and void. The Treasury owns 100% of the company. An interim order has been sought on the SEC to restrain the SEC from permitting the listing of Selendiva Investments Limited on the CSE. The matter is pending before the Supreme Court.

Vajira Wijegunawardane v the SEC and others

SC/FR/62/2024

The Petitioner, a former Director General of the SEC filed a Fundamental Rights Application in February 2024, citing the SEC and others, inter alia seeking relief for his alleged infringement of Article 12(1) and/or Article 14(1)(g) of the Constitution.

When the matter was taken up before the Supreme Court on 24th June 2024, the Court refused to grant leave to proceed to the Petitioner.

T. H. Edirithilaka v LTL Holdings, SEC and 17 others

SC/FR/263/2024

The Petitioner a Public Interest Litigant filed action seeking inter alia seeking an order directing the Auditor General to audit LTL Holdings and to furnish a report pursuant to the conducting of the audit and until same to prevent conducting the Initial Public Offering LTL Holdings. Leave to proceed was refused and the matter was dismissed.

Riyaz Mohamed Sangani v SEC and Others

SC Spl LA 319/2024 (Appeal from CA/Writ/797/2023)

Mr. Riyaz Mohamed Sangani filed the above application in the Supreme Court against the Order of the Court of Appeal delivered in respect of CA/Writ/797/2023 citing the SEC and the Members of the Commission as Respondents.

The matter is yet to be supported.

Riyaz Mohamed Sangani v SEC and Others SC

Spl LA 318/2024 (Appeal from CA/Writ/301/2023)

Mr. Riyaz Mohamed Sangani filed the above application in the Supreme Court against the Order of the Court of Appeal delivered in respect of CA/Writ/301/2023 citing the SEC and the Members of the Commission as Respondents.

The matter is yet to be supported.

Senfin Securities Limited v SEC

RTIC/Appeal/529/2024

Upon the refusal of the SEC to submit certain information based on the application of the Appellant Company made under the Right to Information Act No 12 of 2016, the Appellant appealed to the Right to Information Commission. The inquiry is pending.

COMPLAINTS REDRESS SYSTEM

The status of complaints relating to listed entities that have been received and redressed is provided below. (Figure 16)

Figure : 16 Handling of Complaints and Matters Relating to Listed Entities

Nature of Complaint	Number of Complaints attended	Action Taken
Conduct of Board of Directors of PLCs	3	03 matters were concluded appropriately.
Conduct of PLCs	8	05 matters were concluded appropriately.
		01 matter was referred to the Colombo Stock Exchange.
		01 matter was referred to the SLAASMB (Relevant Regulatory Body)
		01 matter was referred for enforcement action
Non-Compliance with SEC Rules / CSE Listing Rules	5	05 matters were concluded appropriately.
Other Administrative matters	6	05 matters were concluded appropriately
		01 matter was referred to the Company secretary
Non-Compliance with applicable Financial Reporting Framework	1	01 matter was concluded appropriately
Total	23	

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STATUTORY FUNDS OF THE COMMISSION

CESS FUND

Cess Fund of the SEC was established under the Section 14B (1) of the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 as amended by Act No. 26 of 1991, Act No. 18 of 2003 and Act No. 47 of 2009 which was repealed and replaced by Section No 156 (1) of the SEC Act No. 19 of 2021.

In terms of Sections 155 (1) and (2) and 156 (1), (2) and (3) of the SEC Act No. 19 of 2021, the procedure for operation and the objectives of the Cess Fund are as follows.

155 (1) There shall be charged, levied and paid a Cess at such rates as may be specified by the Minister by Order published in the Gazette on every purchase and sale of securities recorded in a licensed stock exchange or notified to it under its rules by both the purchaser and the seller. Different rates may be specified in respect of different classes of securities.

(2) The Cess imposed under this Section shall be in addition to any other tax or Cess levied under any other written law.

156 (1) There shall be established a fund called the Cess Fund to which shall be credited the proceeds of the Cess imposed under Section 155.

(2) The monies lying to the credit of the Cess Fund shall only be utilised for the purpose of -

(a) developing the securities market;

(b) enhancing monies lying to the credit of the Compensation Fund or the Fund of the Commission established under this Part;

(c) meeting all expenditure incurred by the Commission in the management, administration, and operation of the Commission in the exercise, performance and discharge of its duties and functions.

(d) granting loans for housing, educational, health and transport purposes to the staff of the Commission as the Commission deems appropriate;

(e) to make contributions to pension and provident funds and other schemes established for the benefit of the Director General and its officers and servants and their dependents and nominees; and

(f) to defray the costs of study, in Sri Lanka or abroad of the officers and servants of the Commission who are of proven merit as determined by the Commission.

(3) Any excess money lying to the credit of the Cess Fund may be invested by the Commission in such manner as may be determined by the Commission for the purpose of developing the Cess Fund.

SEC Cess for Equity Securities

As per the CSE Guidelines, the rate of Cess charged by the SEC on equity securities had been reduced for the second time to 0.072% per transaction from 0.09% per transaction with effect from 1st August 2010. The earlier reduction took effect from 1st December 2003 when the applicable rate of Cess was reduced from 0.1% to 0.09% per transaction.

Further, the applicable threshold for the above rates was revised to Rs.100 Mn with effect from 27th June 2017. Earlier, with effect from 1st January 2011, the SEC Cess for transactions up to Rs.50 million and over Rs.50 million were levied at 0.072% and 0.045% respectively. Subsequently, with effect from 27th June 2017, as per the revised threshold the SEC Cess for transactions up to Rs.100 million and over Rs.100 million are levied at 0.072% and 0.045% respectively.

In addition, the transaction fee due to the SEC on Intraday trades, where a client buys and sells the same security (or contrariwise) on the same day through the same broker, will not be charged on one side of the transaction with effect from 15th February 2006.

In the event the total number of shares purchased does not equal the total number of shares sold, the transaction fees as detailed above will not be levied on the lower quantity of shares either purchased or sold. In the event the total quantity purchased is equal to the total quantity sold the transaction fees will not be levied from the sales transaction. And the total purchases and sales of a client on the same security will be considered for the purpose of determining the exemption of SEC transaction fee. Yet, the Government Share Transaction Levy of 0.30% will be charged on both sides of the transactions.

Behaviour of the Cess Fund

To strengthen the Compensation Fund, a sum of Rs. 50 million was transferred during the year 2009 from the Cess Fund. A further Rs.100

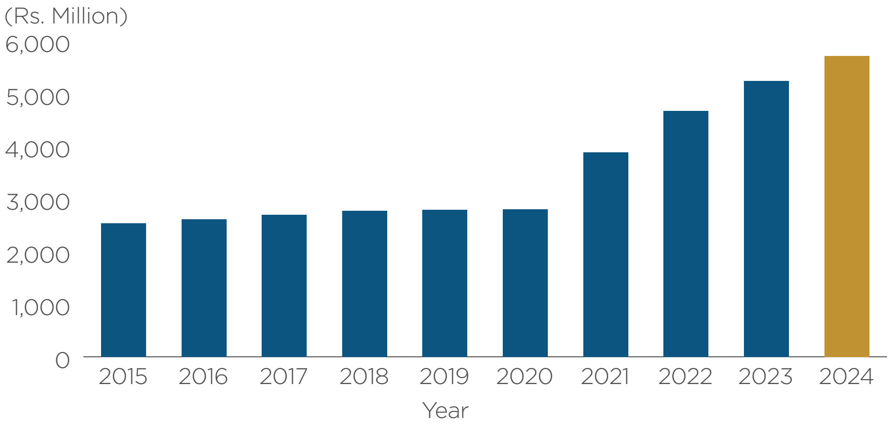
million was transferred from the Cess Fund to the Settlement Guarantee Fund of Rs.50 million each during the years 2009 and 2010.

Transfers to the Consolidated fund on five occasions amounted to Rs.276 million, Rs.380 million, Rs.94 million, Rs.52 million and Rs.312 million in 2010, 2012, 2013, 2019 and 2020, respectively.

The balance lying to the credit of Cess Fund reached Rs. 5,706.7 million as at the end of 2024, of which Rs. 725.5 million is invested in Treasury Bonds expected to realise after twelve months, Rs. 4,386.3 million is invested in Treasury Bills and Rs.536 million is invested in Repo.

The movement of the fund during the period 2015 to 2024 is depicted below: (Figure : 17)

Figure 17: CESS Fund



COMPENSATION FUND

The Compensation Fund came into operation along with the establishment of the SEC in 1987. Under Section 158 of the SEC Act No. 19 of 2021, it is a statutory responsibility of the SEC to establish and maintain a Compensation Fund. In terms of Sections 158 and 159 of the SEC Act, the objective and guidelines for maintaining the Compensation Fund are as follows.

158 (1) There shall be established a fund called the Compensation Fund, for the purpose of granting compensation to any investor who suffers pecuniary loss as a result of any licensed stockbroker or licensed stock dealer being found incapable of meeting his contractual obligations.

(2) The Compensation Fund shall consist of;

(a) Such sums of money as may be voted upon by Parliament.

(b) Such sums of money as may be credited to the fund under the provisions of this Act; and

(c) Such sums of money as may be credited from the Cess Fund as approved by the Commission.

(3) Moneys belonging to the Compensation Fund may be invested by the Commission in such manner as may be determined by the Commission.

Section 159 of the SEC Act requires the Commission to appoint from amongst the Members of the Commission three members who shall comprise the Compensation Committee.

The Committee shall be responsible to assess and award compensation in respect of any application made and the decision of such Committee on any such assessment or award shall be final and conclusive for the purpose of this Act.

The Act also provides for the procedure to apply for compensation. According to the Act, the Committee may, after examination of the documents and other evidence produced in support of the claim by an applicant, or in any case where an inquiry was held on the conclusion of such inquiry, allow or disallow such claim for compensation. Yet, there have been no claims made from the Compensation Fund up to now.

Behaviour of the Compensation Fund

To strengthen the Compensation Fund a sum of Rs. 50 million was transferred from the Cess Fund during the year 2009.

The balance lying to the credit of the Compensation Fund reached Rs.764.8 million as at the end of 2024, of which Rs. 254.3 million is invested in Treasury Bonds expected to realise after twelve months, Rs. 464.8 million is invested in Treasury Bills and Rs. 53 million is invested in Repo.

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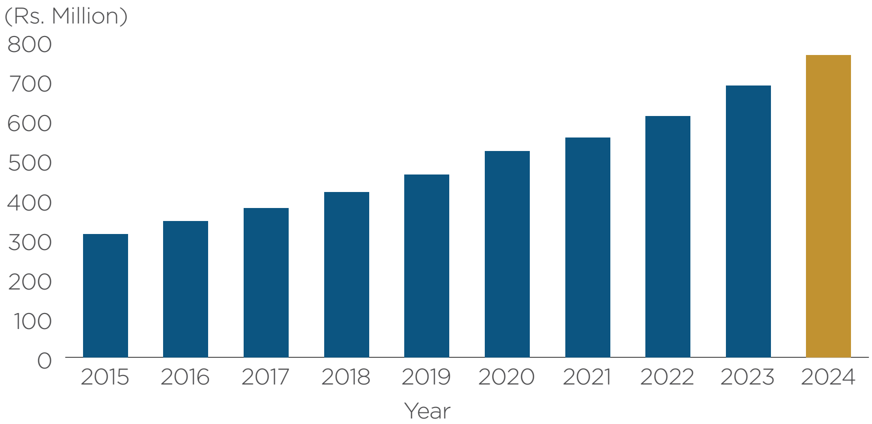
The movement of the Fund during the period 2015 to 2024 is depicted below. (Figure: 18)

Figure 18: Compensation Fund



THE SETTLEMENT GUARANTEE FUND (SGF)

The SGF was launched on 22 May 1998. The Fund was established for the purpose of guaranteeing the settlement of trades between participants of the Central Depository System of the Colombo Stock Exchange (CSE). The operation of the SGF is described below.

- Ownership of shares traded is transferred no sooner a trade is executed. From 10 December 2007 the CSE adopted a single tier settlement cycle. The buyer is required to pay on T+3 i.e., on the 4th Market Day including the day of trading and the seller to receive the settlement on T+3 i.e., on the 4th Market Day. The relatively long interval between transfer of ownership and receipt of proceeds leaves the settlement risk uncovered which in turn necessitated the establishment of the SGF.
- The Trustees of the Fund hold office of ex-officio and comprise the Chairman of SEC, the Chairman of CSE, the Deputy Secretary to the Treasury, the Director General of SEC, and the Director General of CSE.
- The Government of Sri Lanka has contributed a sum of Rs 50 million to setup the said Fund. This money has been invested in Government securities and fixed deposits. SGF can also receive donations, gifts and endowments as replenishments. The broker/ custodian banks are presently not required to contribute to the Fund.
- However, since the SGF is found to be inadequate to properly address the issue of settlement risk, steps are being taken to establish a Central Counterparty Mechanism to effectively address the settlement risk. From the inception of the Fund no claims have been recorded from the SGF.

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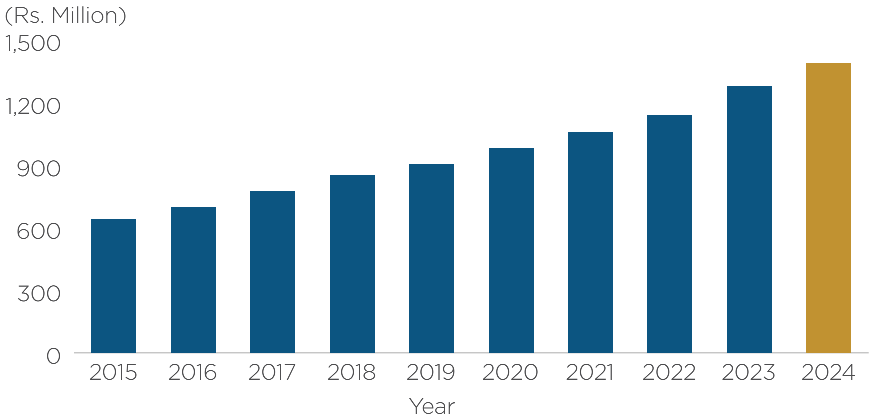
Behaviour of the SGF

With a view to strengthen the Fund a sum of Rs. 100 million was transferred from the Cess Fund in two equal amounts of Rs. 50 million each during the years 2009 and 2010. The CSE also transferred Rs.100 million in January 2012 after changing the Deed of Trust of the SGF to accommodate such receipts to the fund.

The balance lying to the credit of the SGF reached Rs.1,389.5 million as at the end of 2024, of which Rs.7.76 million is invested in Treasury Bonds expected to realise after twelve months, Rs.1,268.8 million is invested in Treasury Bills and Rs. 98 million is invested in Repo.

The movement of the Fund during the period 2015 and 2024 is depicted in the following graph. (Figure: 19)

Figure 19: Settlement Guarantee Fund



Strategic Goal 3

Foster Capital Market Development

As the securities regulator, the SEC plays a vital role in developing a robust and efficient capital market while ensuring its competitiveness and alignment with global best practices, thereby contributing to economic growth and market stability. To achieve this, the SEC has facilitated the introduction of new financial products, supported the development of market infrastructure, and collaborated with multilateral donor agencies to secure technical expertise.

FACILITATE THE INTRODUCTION OF NEW PRODUCTS TO THE MARKET

SHARIAH COMPLIANT DEBT SECURITIES OR SUKUKS

Islamic Capital Market Products (ICMP) are securities which are developed in compliance with Islamic Law. ICMPs play an important role in the development of the Capital Market and the economy as it opens up opportunities for foreign portfolio investments and fund raising. Shariah Compliant Debt Securities or Sukuks are the most popular product under the ICMP suite. Sukuk are financial instruments that work similarly to conventional bonds while complying with Shariah principles. They allow organisations to raise capital in a religiously acceptable way, while giving investors who want Shariah-compliant options the chance to purchase an attractive debt product that includes partial ownership of the underlying assets backing the Sukuk.

The SEC made significant contributions during the previous year by facilitating the introduction of Sukuk products at the CSE. This involved securing Commission approval for the Regulatory Framework governing Sukuk products and publishing Guidelines for Accredited Shariah Scholars who were entrusted with certifying that the product was compliant with Shariah Law. These steps were taken by the SEC to protect the interest of investors who seek such products and to align with benchmark global standards. Accordingly, the SEC conducted a due selection process by way of publishing an advertisement specifying requisite qualifications, experience and fit and proper criteria in accordance with the Guidelines published by the SEC for Accredited Shariah Scholars and invited qualified individuals to submit applications and, six individuals were selected through the selection process which also included an interview.

In parallel, a Directive was issued by the SEC directing the CSE to inform any potential issuer of Sukuk products to obtain approval from three Accredited Shariah Scholars of the SEC certifying that the product is Shariah compliant prior to its issue.

HIGH YIELD BONDS

High Yield Bonds are debt securities which have a credit rating lower than an investment grade rating. High Yield Bonds have gained traction as a popular product in the capital market due to the higher return attributed to it in comparison to other listed Corporate Debt Securities. Further, High Yield Bonds would aid in broad basing the investment asset

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classes available at the CSE and allow corporates who are unable to meet stringent listing requirements to raise funds through the capital market.

Subsequent to a proposal submitted by the CSE, in-principle approval of the Commission was obtained for introducing High Yield Bonds at the CSE. Thereafter, under the guidance of the SEC-CSE joint committee on new products, the regulatory framework for High Yield Bonds was formulated and, approval was obtained from the Commission. As per the approved regulatory framework, High Yield Bonds will be listed and traded on the over-the-counter trading platform of the CSE.

PRODUCTS IN THE PIPELINE

To stimulate market growth, improve capital access, and align with global best practices, we are currently developing the following products. These initiatives are expected to strengthen market infrastructure, deepen the potential for sustainable financing and offer investors a more diverse range of investment opportunities.

ESTABLISHMENT OF A DERIVATIVES EXCHANGE

With the enactment of the SEC Act No.19 of 2021, the SEC is empowered to licence and regulate derivatives trading. In accordance with this mandate, the SEC has undertaken the task of establishing a multi-asset class derivatives exchange, which will encompass a range of underlying asset classes, including commodities. This initiative is expected to foster the growth of the capital market while contributing to the nation's economic recovery and sustainable development efforts.

In line with this objective, a concept paper and a roadmap for the establishment of the derivatives exchange were formulated and subsequently approved by the Commission. Pursuant to the approved roadmap, the SEC issued a public call for Expressions of Interest (EOI) from eligible entities for the establishment and operation of a multi-asset class derivatives exchange.

At present, the SEC has received six EOIs and is in the process of evaluating the proposals, representing a significant advancement towards introduction of a regulated derivatives market in Sri Lanka.

SOCIAL BONDS

Social Bonds are financial instruments designed to raise funds for projects that generate positive social outcomes, such as improving access to essential services, supporting affordable housing, or promoting economic empowerment. These bonds align with Environmental, Social and Governance (ESG) principles, fostering sustainable development while addressing key social challenges.

The SEC has granted in-principle approval to introduce social bonds as part of broader ESG-related initiatives, reinforcing Sri Lanka's commitment to sustainable finance and inclusive economic growth.

The SEC, in collaboration with the CSE and consultants sourced through the Asian Development Bank, is exploring the possibility of facilitating the issuance of social bonds in the Sri Lankan capital market. Parallel to providing advice to the SEC and the CSE on revising the existing regulatory framework to include regulations for the issuance of Social Bonds, the ADB consultants are also in discussion with potential issuers, financial institutions and supporting ecosystem service providers to build capacity and to provide guidance and support in areas such as project selection and facilitating the external review process etc.

The SEC has granted in-principle approval to introduce social bonds as part of broader ESG-related initiatives, reinforcing Sri Lanka's commitment to sustainable finance and inclusive economic growth.

SUSTAINABILITY LINKED BONDS

Sustainability Linked Bonds (SLBs) are forward-looking, performance-based instruments designed to drive positive climate and environmental outcomes. SLBs incentivise the issuers to achieve measurable and ambitious sustainability objectives by linking financial terms to predefined Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs).

A concept paper has been developed on the introduction of Sustainability-Linked Bonds (SLBs). Moreover, the SEC, in collaboration with the CSE and consultants engaged through the ADB Technical Assistance Program, is actively exploring the introduction of SLBs within the Sri Lankan capital market. These efforts aim to revise and enhance the regulatory framework to accommodate SLBs under the

Strategic Goal 3

Foster Capital Market Development

broader umbrella of 'Sustainability Bonds' while fostering an ecosystem that supports the sustainable finance landscape.

EXCHANGE TRADED FUNDS (ETFS)

ETFs are pooled investment securities that hold multiple underlying assets, offering investors a diversified and flexible investment option.

Recognising the evolving demand of investors for innovative financial products that support dynamic portfolio management and the enabling regulatory framework for introducing ETFs to the Sri Lankan market provided through the new SEC Act No. 19 of 2021 and the Collective Investment Schemes (CIS) Code of 2022, the SEC developed a concept paper to explore the potential of ETFs as a tool for capital raising in Sri Lanka. It outlines the benefits and risks associated with ETFs, along with key policy recommendations, aiming to strengthen the capital market and support economic growth.

The introduction of ETFs will expand the range of investment products available at the CSE, fostering market growth and diversification. Additionally, it will bring in new market participants such as Market Makers and Authorised Participants, enhancing liquidity and efficiency while aligning the Sri Lankan capital market with global standards.

ISSUE REGULATORY DIRECTIONS FOR WHITELIST INDICES

With the objective of protecting the interest of investors seeking Shariah compliant equity investments and rationalising the construction and publication of Shariah compliant Whitelist Equity Indices in the capital market, the SEC issued regulatory directions to Market Institutions and Market Intermediaries operating Whitelist Indices.

Shariah compliant equities are equity securities which are compliant with Shariah Law. The Shariah screening methodology of a Whitelist Index determines whether an equity is Shariah compliant, and this consists of a set of qualitative and quantitative elements. The SEC conducted cross jurisdictional research on securities screening methodologies adopted by Whitelist Index operators and other regulatory bodies such as the Accounting and Auditing Organisation for Islamic Financial Institutions and also held meetings with the existing Whitelist Index operators in the market.

Accordingly, it was observed that there were vast differences between the securities screening methodologies used by these Whitelist Index providers. Thereafter, in order to provide investors assurance that the Whitelist Indices operating in Sri Lanka adhere with Principles and Rules of Shariah and with recognised global standards, and to ensure that there are no anomalies between securities screened by different index providers, the SEC decided to adopt a 'Standard Shariah Compliant Securities Screening Methodology' developed by Accredited Shariah Scholars for all Whitelist Indices operating in the market and this methodology was approved by the Commission.

Accordingly, a Directive was sent to all Market Institutions and Market Intermediaries instructing them to adopt the Standard Shariah Compliant Securities Screening Methodology developed by the Accredited Shariah Scholars prior to publishing or circulating a Whitelist Equity Index among clients or the public and, to obtain the approval of three Shariah Scholars from SEC's list of Accredited Shariah Scholars certifying the entity's compliance with the Directive. Further, the said Directive also specifies that a market Institution or Market Intermediary subscribing to a Whitelist Index should ensure that the Whitelist Index is approved by three Accredited Shariah Scholars of the SEC.

The introduction of ETFs will expand the range of investment products available at the CSE, fostering market growth and diversification.

OTHER INITIATIVES

Introducing XBRL reporting to listed companies

During the year under review, the SEC worked in collaboration with the CSE to expedite the implementation of an XBRL based Financial Reporting System (FRS) that will allow the electronic reception and processing of financial information from the reporting listed entities.

Accordingly, steps were taken to develop XBRL reporting formats and taxonomies for the listed entities and they were shared with the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) for review and comments. Further, through a competitive bidding process, the CSE selected an eligible XBRL vendor firm to procure the system.

The initiative is progressing forward with plans of making the system available for listed company XBRL submissions by the end of year 2025.

PROPOSALS FOR THE NATIONAL GOVERNMENT BUDGET 2025

With the primary objective of broad basing the capital raising avenues available for the Government of Sri Lanka and, empowering the capital market landscape to be a key contributor towards the development of the economy, the Department formulated Budget proposals for the National Government Budget 2025 and submitted same to the Ministry of Finance for consideration.

12 KEY MARKET DEVELOPMENT PROJECTS

Under the guidance of Senior Prof. D.B.P.H. Dissabandara, Chairman SEC, the Secretariat identified a set of development initiatives embedded into 12 key projects that would elevate the Sri Lankan capital market to be on par with developed peer nations whilst aligning with the development objectives of the Government of Sri Lanka. Accordingly, the SEC is currently engaged in working towards championing relevant development projects.

Strategic Goal 4

Promote Informed Investment Decision Making and Interest in the Capital Market

Investor education plays a crucial role in fostering a well-functioning capital market, which is essential for enabling individuals and businesses to participate in wealth creation and capital formation. By equipping investors with the knowledge and skills needed to make informed decisions, investor education enhances market transparency, reduces misinformation, and promotes responsible investment practices. Recognising this, the SEC remains steadfast in its commitment to strengthening investor confidence through targeted awareness initiatives.

OUTREACH EVENTS – SEMINARS AND WORKSHOPS

The outreach programs organised by the SEC were carefully crafted to expand the reach of investor education, aiming to empower a diverse audience spanning all age groups and backgrounds. Our goal was to foster a community of informed and confident investors, equipped with the critical knowledge needed to navigate financial landscapes and achieve long-term financial independence and growth.

External Relations and Capital Market Education Team

We offered both digital and in-person learning opportunities throughout the year, ensuring that teachers, investors, students, undergraduates, and the public could easily access valuable financial insights.

SEC and CSE Regional Investor Forums

The SEC, in collaboration with the CSE, conducted a series of regional investor forums under the theme "නැණවත් ආයෝජනයට සවිමත් අත්වැලක් "

This initiative seeks to democratise capital market knowledge and promote informed participation among retail investors throughout Sri Lanka. By extending beyond urban financial centers, these forums addressed regional investment barriers while building financial literacy in previously underserved communities.

In-person educational sessions were conducted across seven key locations: Vavuniya, Nuwara Eliya, Matale, Dambulla, Matara, Gampaha, and Ratnapura.

School Outreach Programs

Early exposure to financial concepts is crucial for developing lifelong economic competencies. Recognising this, we implemented a targeted educational initiative reaching six schools across diverse regions, introducing students to fundamental financial and capital market principles.

University Outreach Programs

The SEC actively engaged with National Universities across Sri Lanka to conduct specialised awareness programs designed to enhance financial literacy among undergraduates and encourage their participation in the securities market.

With a focus on equipping undergraduates with essential financial knowledge, these programs aimed to deepen their understanding of capital market principles while also fostering a future talent pool for the industry. Throughout the year, five university programs were successfully conducted, providing students with valuable insights into investment strategies, market dynamics, and financial decision-making. This initiative not only empowered undergraduates with the skills to navigate the financial landscape but also inspired them to explore career opportunities within the capital market sector.

SEC and CFA Society Sri Lanka Workshops

The SEC, in partnership with CFA Society Sri Lanka, successfully delivered two high-impact educational initiatives designed to address emerging market dynamics and regulatory frameworks.

The first program, "Understanding the Regulatory Framework for Infrastructure Bonds," provided participants with comprehensive insights into the specialised regulatory environment governing infrastructure-focused debt instruments.

During the year under review, we also hosted a virtual program called "Investment Gamification and Its Implications for the Capital Market." This forward-looking session examined how gamification trends are changing investor behaviour, market participation patterns, and regulatory considerations in today's digital landscape.

These collaborative initiatives reflect our commitment to addressing both established market frameworks and emerging trends through targeted professional education.

100 School Clubs Initiative

In a significant step towards promoting financial literacy across Sri Lanka's education system, the SEC, in collaboration with the CSE, the Ministry of Education, and the Presidential Secretariat, launched the "Capital Market Clubs" initiative in 2023. This initiative aims to provide students with essential knowledge about the capital market, empowering them to make informed financial decisions. The first 100 schools were selected based on the Z score in the commerce stream, and these schools were presented with charter certificates for their newly established Capital Market Clubs at provincial ceremonies.

To support the new clubs, we ran teacher training programs to improve teachers' financial knowledge. These programs gave teachers the tools to include capital market concepts in their lessons, helping both teachers and students understand and engage with the capital market.

Furthering this initiative, a quiz competition called "Capital Market Masters" was held across the 100 selected schools. The quiz, conducted in both Sinhala and Tamil, covered diverse topics such as Capital Markets, General Knowledge, the Sri Lankan Economy, Current Affairs, IT and Innovation, Sports, and Entertainment. The competition took place in two stages; Batticaloa, Anuradhapura, Kandy, and Colombo with regional winners advancing to the grand finale, where three ultimate champions were crowned. This phase of the initiative engaged students in a dynamic and interactive way, further enhancing their understanding of financial concepts while fostering a competitive spirit.

SEC Hosted the IOSCO Policy Committee 8 Meeting

The SEC marked a significant milestone in its international engagement by successfully hosting the International Organisation of Securities Commissions' (IOSCO) Committee on Retail Investors (Committee 8) meeting in Colombo from June 26-28, 2024. This prestigious gathering brought together 22 committee members representing regulatory authorities from diverse economies including Australia, Belgium, Brazil, Germany, Spain, Hong Kong, India, Singapore, and Saudi Arabia.

By hosting this international forum, the SEC demonstrated Sri Lanka's commitment to global regulatory cooperation and its active contribution to shaping worldwide standards in securities regulation. The successful organisation of this event positions Sri Lanka as an engaged participant in the international regulatory community and underlines the SEC's dedication to adopting global best practices in investor protection and education.

IOSCO's World Investor Week Campaign

During IOSCO World Investor Week campaign, we ran a programs to increase financial awareness through online engagement and interactive learning activities.

Our social media initiative delivered crucial investor education content across multiple platforms, focusing on three critical themes: investor resilience, sustainable finance, and investor protection.

The highlight of our campaign was the Varsity Battle Inter-University Quiz Competition, which coincided with World Investor Week. This competition brought investing and the capital market closer to Sri Lanka's youth, helping create a more financially aware generation ready to make smart investment decisions and contribute to the country's economic growth.

This combined approach of digital content and hands-on learning shows our commitment to building financial literacy, helping people make smart investment decisions while understanding market integrity and investor protection.

Strategic Digital Engagement: Advancing Financial Literacy in the Digital Age

We have strategically repositioned our investor education initiatives to maximise digital engagement.

Strategic Goal 4

Promote Informed Investment Decision Making and Interest in the Capital Market

This year, we expanded our social media presence beyond established platforms such as Twitter, Facebook, and Instagram with the strategic soft launch of our LinkedIn page, creating a comprehensive digital ecosystem for financial education.

Our digital strategy uses social media campaigns timed with key financial calendar dates like International Women's Day and World Investor Week. These planned initiatives deliver consistent educational content focused on important objectives.

- Identifying and avoiding sophisticated investment fraud schemes
- Building comprehensive understanding of protections established under the new SEC Act
- Providing accessible guidance on stock market participation fundamentals
- Highlighting the SEC's multifaceted investor protection framework

The SEC YouTube channel supports these efforts by providing educational videos covering basic concepts for new investors and detailed market discussions for experienced participants.

By connecting with investors on various digital platforms, we're making financial education more accessible and engaging for different audiences, especially younger, tech-savvy generations who will influence future market participation.

Fostering Sustainable Finance: Forum on Green Bonds

The SEC and the CSE, in partnership with the Asian Development Bank (ADB), hosted a strategic issuer forum titled "Towards a Greener Horizon: Unlocking Opportunities through Sustainability Bonds" in Colombo. This initiative brought together key stakeholders from across the financial ecosystem, including government authorities, state-owned enterprises, potential issuers, investment banks, corporate finance advisors, verification providers, and rating agencies.

The forum served as a catalyst for building Sri Lanka's sustainable bond market by providing participants with comprehensive insights into global green bond trends and practical implementation strategies. Expert-led presentations covered critical aspects of sustainable finance. This collaborative initiative represents a significant step toward positioning Sri Lanka within the growing global sustainable finance landscape while supporting the country's environmental and social development objectives.

Awareness Sessions for Board Secretaries/ Company Secretaries

Two awareness sessions were conducted for Board Secretaries/ Company Secretaries to raise the awareness on the role and responsibilities of Board Secretaries/ Company Secretaries in relation to the revised Corporate Governance Rules of CSE.

Engagement with Approved Auditors

The SEC as part of its continuous engagement process with stakeholders in the capital market landscape, held a meeting with the managing partners and audit partners of audit firms on its list of Approved Auditors in March 2024. The main purpose of this session was to discuss the SEC's expectations on the role of the auditors and some recent concerns that had arisen. It was discussed about the SEC's proactive regulatory approach in regulating Listed Entities and emphasised the importance of audit quality and the duties and obligations of the auditors towards public interest.

International engagement

Engagement with IOSCO

The SEC is an Ordinary Member of IOSCO and a member of the Growth and Emerging Markets Committee (GEMC) and Asia Pacific Regional Committee (APRC). Much of IOSCO's work takes place in its policy committees, and the SEC participates in some of them namely the Committee on Enforcement and the Exchange of Information (Committee 4) and the Committee on Retail Investors (Committee 8). SEC is a signatory to the IOSCO MMoU. SEC attends and actively participates in meetings of the two policy committees and contributes to various work streams through responses to surveys and questionnaires.

SEC has submitted an application to IOSCO to become a signatory to the Enhanced Multilateral Memorandum of Understanding (EMMOU) in July 2023. We have been informed that the preliminary review of the application has been competed by SC Bahamas. Follow up steps were taken with the penholder in this regard to the application of the SEC to become a signatory to the IOSCO EMMOU.

SEC signs landmark MOU with Maldives Capital Market Regulator

The SEC and the Capital Market Development Authority of Maldives (CMDA) signed a landmark MOU in July 2024 in Malé. The scope primarily covers secondary listings by Maldivian companies on the CSE, as well as extends to mutual collaboration, capacity building assistance and regulatory information exchanges between the two capital market regulators to ensure compliance with laws and regulations across both jurisdictions.

Strategic Goal 5

Enhance Institutional Excellence

Our greatest asset is our people. We cultivate a positive and supportive workplace environment that prioritises employee wellbeing, fostering higher engagement and productivity throughout our organisation. Our human resources framework strategically focuses on attracting and developing exceptional talent while nurturing a robust organisational culture that aligns with our core mission and vision. This integrated approach enables our workforce to make meaningful contributions to the regulatory framework governing Sri Lanka's capital markets.

STAFFING AND RECRUITMENT

In 2024, we focused on strengthening the organisation's expertise and capacity through strategic recruitment. We successfully onboarded skilled professionals across various levels to ensure the continued effectiveness of our operations and regulatory activities.

A key addition to the team was the recruitment of a Director, Legal, bringing significant expertise to strengthen our legal and regulatory framework. Additionally, we successfully onboarded 10 Management Trainees, selected through a rigorous screening process, bringing fresh talent and diverse perspectives to the SEC team.

Together, these strategic staffing additions have further enhanced our capabilities, ensuring that we are well-equipped to meet the challenges of an evolving capital market environment. (Figures : 20,21,22,23,24)

Figure 20 : Service Information

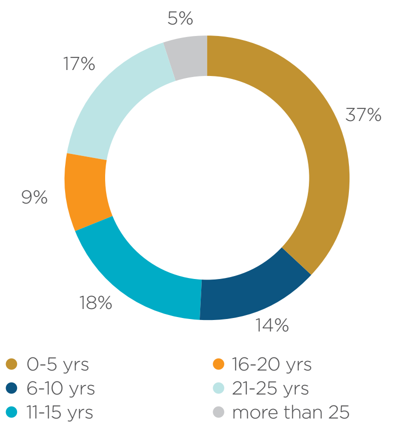


Figure 21 : Age Analysis

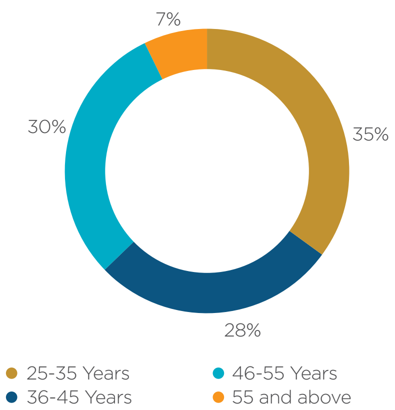


Figure 22: Educational Qualifications

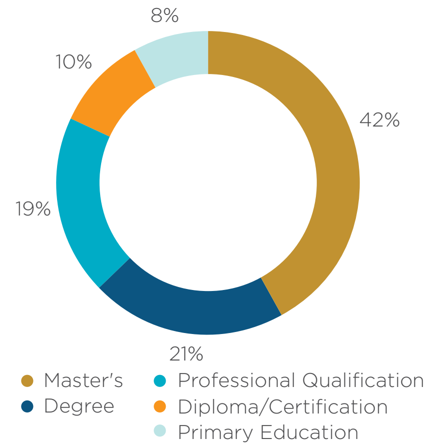


Figure 23 : Existing Cadre

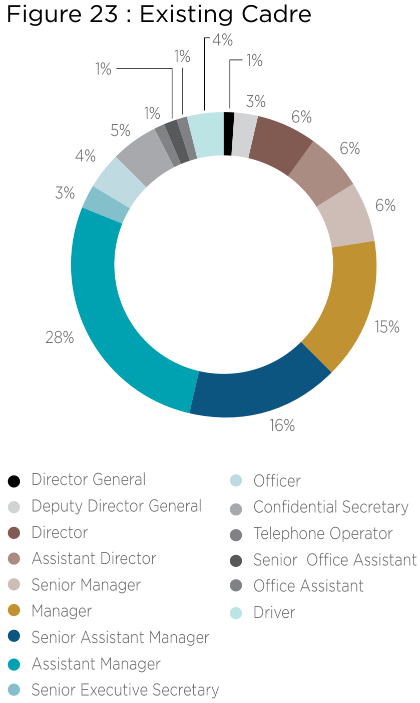
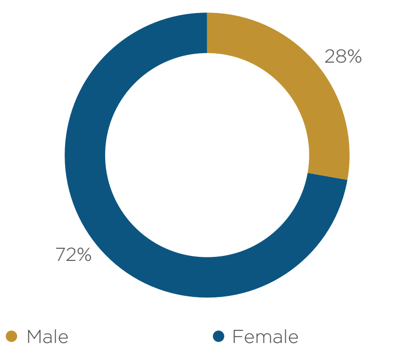


Figure 24 : Gender Analysis



Strategic Goal 5
Enhance Institutional Excellence

INTERNSHIP PROGRAM

In our ongoing commitment to fostering the next generation of capital market professionals, we offered internship opportunities to 20 university undergraduates during 2024. These internships provided valuable hands-on experience, giving the students exposure to real-world capital market operations, regulatory frameworks, and industry best practices. By offering such internships, we aim to bridge the gap between academic learning and professional application, while also creating a pool of talent for potential future recruitment.

RESIGNATION AND EMPLOYEE RETENTION

The organisation experienced a few resignations during the year, resulting in an annual attrition rate of 13%, with a notable impact at the middle-management level. The resignations included 1 Director, 1 Assistant Director, 2 Senior Assistant Managers, 7 Assistant Managers, and 1 Management Trainee. A significant number of these resignations were due to migration opportunities. Efforts to strengthen employee retention are continuously being explored to minimise disruptions and foster long-term employee satisfaction.

STAFF WELFARE AND ENGAGEMENT

Staff welfare remains a cornerstone of our human resources strategy. In 2024, we organised a variety of activities aimed at promoting employee well-being and engagement, fostering a positive and inclusive work environment. A key highlight was the 'Annual Raise a Reader' event, during which staff members' children participated in an educational initiative focused on literacy and learning. This event serves as a part of our broader corporate responsibility to support our employees' families while also contributing to their children's educational development.

Additionally, we hosted a get-together and a sports day for staff members, both of which were successful in encouraging team-building and fostering a sense of community within the organisation. These events provided employees with an opportunity to connect in a relaxed setting, further strengthening the organisational culture.

Furthermore, to invoke blessings upon the workplace and promote spiritual well-being of the SEC staff, a Pirith chanting ceremony was organised during the year. The event was conducted with great devotion and was considered a resounding success by all participants.

Human Resources Team

We successfully facilitated a series of local training programs aimed at enhancing and developing the knowledge of our employees. These programs focused on building both technical expertise and soft skills relevant to their roles within the SEC.

TRAINING AND DEVELOPMENT

In 2024, the SEC facilitated the continuous development of its staff, ensuring they were equipped with the knowledge and skills necessary to thrive in the dynamic capital market regulatory environment.

LOCAL TRAINING

We successfully facilitated a series of local training programs aimed at enhancing and developing the knowledge of our employees. These programs focused on building both technical expertise and soft skills relevant to their roles within the SEC. By providing targeted local training, we ensured that our staff were well-prepared to handle the complexities of capital market regulations and were empowered to contribute effectively to the organisation's objectives.

FOREIGN TRAINING

In addition to local training, the SEC also facilitated foreign training programs to provide our staff with exposure to international capital market regulations. These opportunities allowed our employees to learn about global best practices, explore regulatory frameworks from other countries, and apply those insights to improve the organisation's processes. By investing in these

Management Trainees

international learning experiences, we aimed to broaden the global perspective of our employees and help them adapt to the changing demands of the capital markets.

We extend our sincere appreciation to IOSCO for consistently providing its members with valuable opportunities to discuss the most pressing regulatory issues arising in global securities and futures markets - particularly through the IOSCO Annual Conference, Committee Meetings, and various regulatory workshops. During the year under review, we also thank other regulatory bodies and organisations, including the Asia-Pacific Economic Cooperation (APEC), the International Monetary Fund (IMF), and the Securities Commission Malaysia, for offering relevant training and awareness initiatives that enabled our staff to stay informed on current capital market trends and developments.

Through these training initiatives, the SEC remains committed to fostering a culture of continuous learning, ensuring that our staff is equipped with the expertise needed to navigate both local and international regulatory landscapes.

The Human Resources Division remains committed to creating a supportive and growth-oriented environment for all employees.

Through strategic recruitment, training and developmental opportunities, and a focus on staff welfare, we have made significant strides in enhancing the overall organisational experience. As we look ahead to the coming year, we are confident that our continued efforts in nurturing talent, promoting well-being, and supporting professional growth will contribute significantly to the SEC's continued success and to the development of Sri Lanka's capital market regulatory framework.

INFORMATION TECHNOLOGY

Enhancement of the Intranet and Cloud-Based Collaboration

The SEC's internal communication and collaboration have significantly improved with the upgrade of its Intranet, which now incorporates a cloud-based email and office collaboration platform.

DEVELOPMENT OF INTERNAL APPLICATIONS

Several in-house applications have been developed to enhance operational efficiency. These include a Helpdesk system for streamlined IT support and multiple miniature workflow applications to automate and optimise internal processes.

INTRODUCTION OF A MOBILE COMPUTING POLICY

To align with modern work environments, a Mobile Computing Policy has been introduced. This policy ensures secure access to corporate resources from mobile devices while maintaining data integrity and compliance with regulatory standards.

These initiatives reflect the our commitment to leveraging technology to enhance regulatory efficiency, internal collaboration, and overall digital transformation at the SEC Sri Lanka. Moving forward, the SEC remains dedicated to adopting innovative solutions to support its mission and operational excellence.

Information Technology Team

Additional Information

MARKET INTERMEDIARIES

Licensed as at 31st December 2024 under the SEC Act No. 19 of 2021

Market Intermediaries under the categories of Margin Provider, Investment Manager, Underwriter, Credit Rating Agency, Stock Broker, Stock Dealer and Managing Companies of Collective Investment Schemes (CIS) licensed by the SEC, are set out below;

Licensed Market Intermediaries under the category of Margin Provider;

1. Acuity Partners (Private) Limited
2. Assetline Finance Limited
3. Bansei Securities Capital (Pvt) Limited
4. Capital TRUST Credit (Private) Limited
5. Citizens Development Business Finance PLC
6. Commercial Bank of Ceylon PLC
7. DFCC Bank PLC
8. Dialog Finance PLC
9. Hatton National Bank PLC
10. LOLC Finance PLC
11. Merchant Bank of Sri Lanka & Finance PLC
12. Protege Capital Access Ltd
13. National Development Bank PLC
14. Pan Asia Banking Corporation PLC
15. People's Leasing and Finance PLC
16. PMF Finance PLC
17. RPC Margin Services (Pvt) Limited
18. Sampath Bank PLC
19. Senkadagala Finance PLC
20. Seylan Bank PLC

Licensed Market Intermediaries under the Category of Investment Manager;

1. Asia Securities Wealth Management (Private) Limited
2. Asset Trust Management (Private) Limited
3. Assetline Capital (Private) Limited
4. Bank of Ceylon
5. Capital Alliance Investments Limited
6. Ceybank Asset Management Limited
7. CT CLSA Asset Management (Private) Limited
8. First Capital Asset Management Limited
9. George Steuart Asset Management (Private) Limited
10. Guardian Fund Management Limited
11. Innovest Investments (Private) Limited
12. JB Financial (Private) Limited
13. LYNEAR Wealth Management (Pvt) Limited
14. M Power Capital Securities Limited
15. Merchant Bank of Sri Lanka & Finance PLC
16. National Asset Management Limited
17. NDB Wealth Management Limited
18. Orion Fund Management (Private) Limited
19. Premier Wealth Management Limited
20. Senfin Asset Management (Private) Limited
21. Softlogic Asset Management (Pvt) Limited
22. Waldock Mackenzie Limited

Licensed Market Intermediaries under the Category of Underwriter;

1. Bank of Ceylon
2. Commercial Bank of Ceylon PLC
3. DFCC Bank PLC
4. Hatton National Bank PLC
5. Merchant Bank of Sri Lanka & Finance PLC
6. National Development Bank PLC
7. Sampath Bank PLC
8. Seylan Bank PLC

Licensed Market Intermediaries under the Category of Credit Rating Agency;

1. Fitch Ratings Lanka Limited
2. Lanka Rating Agency Limited

Licensed Market Intermediaries under the Category of Stock Brokers;

1. ACAP Stock Brokers (Pvt) Limited
2. ACS Capital (Pvt) Ltd
3. Acuity Stockbrokers (Private) Limited
4. Almas Equities (Private) Limited
5. Ambeon Securities (Private) Limited
6. Asha Securities Limited
7. Asia Securities (Private) Limited
8. Bartleet Religare Securities (Pvt) Limited
9. Capital Alliance PLC (Debt Securities)
10. Capital Alliance Securities (Private) Limited
11. Capital TRUST Securities (Private) Limited
12. CT CLSA Securities (Pvt) Limited
13. Enterprise Ceylon Capital (Pvt) Limited

14. First Capital Equities (Private) Limited
15. First Guardian Equities (Pvt) Limited
16. JB Securities (Private) Limited
17. John Keells Stock Brokers (Private) Limited
18. Lanka Securities (Private) Limited
19. LOLC Securities Limited
20. NDB Securities (Private) Limited
21. Nestor Stock Brokers (Private) Limited
22. Richard Pieris Securities (Private) Limited
23. SC Securities (Private) Limited
24. Senfin Securities Limited
25. Softlogic Stockbrokers (Pvt) Limited
26. Somerville Stock Brokers (Private) Limited
27. Wealth Trust Securities Limited (Debt Securities)

Licensed Market Intermediaries under the Category of Stock Dealers;

1. ACS Capital (Pvt) Ltd
2. Asia Securities (Private) Limited
3. Bartleet Religare Securities (Pvt) Limited (Debt)
4. Capital Alliance PLC (Debt)
5. Enterprise Ceylon Capital (Pvt) Limited
6. JB Securities (Private) Limited
7. Nestor Stock Brokers (Private) Limited (Debt)
8. SC Securities (Private) Limited
9. Seylan Bank PLC (Debt)
10. Wealth Trust Securities Limited (Debt)

Licensed Market Intermediaries under the Category of Corporate Finance Advisors;

1. Acuity Partners (Pvt) Ltd
2. Atarah Capital (Pvt) Limited
3. Capital Alliance Partners Limited
4. Commercial Bank of Ceylon PLC
5. CT CLSA Capital (Pvt) Ltd
6. M Power Capital Securities Limited
7. Merchant Bank of Sri Lanka & Finance PLC
8. NDB Investment Bank Limited

Licensed Market Intermediaries under the Category of Managing Companies and their CIS;

1. Arpico Ataraxia Asset Management (Private) Limited

I. Arpico Ataraxia Cash Management Trust Fund (CMT)
II. Arpico Ataraxia Equity Income Fund
III. Arpico Ataraxia Repo Investment Fund
IV. Arpico Ataraxia Sri Lanka Bond Fund
V. Arpico Ataraxia USD Fixed Income Fund

2. Asia Securities Wealth Management (Pvt) Limited

I. Asia Securities Money Market Fund
II. Asia Securities Income fund
III. Asia Securities Gilt Fund
IV. Asia Securities Dynamic Gilt Fund
V. Asia Securities Equity Opportunities Fund
VI. Asia Securities Dynamic Income Fund

3. Asset Trust Management (Pvt) Limited

I. Astrue Active Income Fund
II. Astrue Alpha Fund
III. Astrue Money Market Fund

4. Assetline Capital (Pvt) Limited

I. Assetline Income Fund
II. Assetline Income Plus Growth Fund

5. Capital Alliance Investments Limited

I. CAL Balanced Fund
II. CAL Corporate Treasury Fund
III. CAL Fixed Income Opportunities Fund
IV. CAL Gilt Fund
V. CAL Gilt Money Market Fund
VI. CAL Gilt Trading Fund
VII. CAL High Yield Fund
VIII. CAL Income Fund
IX. CAL Investment Grade Fund
X. CAL Medium Risk Debt Fund
XI. CAL Quantitative Equity Fund
XII. CAL Sri Lanka Dollar Fund
XIII. CAL Five Year Optimum Fund
XIV. CAL Five Year Closed End Fund
XV. CAL Ten Year Closed End Fund

6. Ceybank Asset Management Limited

I. Ceybank Century Growth Fund
II. Ceybank Gilt Edged Fund (A Series)
III. Ceybank High Yield Fund
IV. Ceybank Savings Plus Money Market Fund
V. Ceybank Surakum Gilt Edged Fund
VI. Ceybank Unit Trust Fund

7. Ceylon Asset Management Company Limited **

I. Ceylon Dollar Bond Fund
II. Ceylon Financial Sector Fund
III. Ceylon Income Fund
IV. Ceylon Index Fund
V. Ceylon IPO Fund
VI. Ceylon Money Market Fund
VII. Ceylon Tourism Fund
VIII. Ceylon Treasury Income Fund

8. CT CLSA Asset Management (Private) Limited

I. CT CLSA Equity Fund
II. CT CLSA Gilt Edged Fund
III. CT CLSA High Yield Fund
IV. CT CLSA Growth Equity Fund
V. CT CLSA Money Market Fund
VI. CT CLSA Income Fund

Additional Information

9. First Capital Asset Management Limited

I. First Capital Equity Fund
II. First Capital Fixed Income Fund
III. First Capital Gilt Edged Fund
IV. First Capital Money Market Fund
V. First Capital Wealth Fund
VI. First Capital Money Plus Fund

10. J B Financial (Pvt) Limited

I. JB Vantage Money Market Fund
II. JB Vantage Short Term Gilt Fund
III. JB Vantage Value Equity Fund

11. LYNEAR Wealth Management (Pvt) Limited

I. LYNEAR Wealth Dynamic Opportunities Fund
II. LYNEAR Wealth Income Fund
III. LYNEAR Wealth Liquid Money Fund

12. National Asset Management Limited

I. NAMAL Growth Fund
II. NAMAL High Yield Fund
III. NAMAL Income Fund
IV. National Equity Fund

13. NDB Wealth Management Limited

I. NDB Wealth Gilt Edged Fund
II. NDB Wealth Growth & Income Fund
III. NDB Wealth Growth Fund
IV. NDB Wealth Income Fund
V. NDB Wealth Income Plus Fund
VI. NDB Wealth Islamic Money Plus Fund
VII. NDB Wealth Money Fund
VIII. NDB Wealth Money Plus Fund
IX. NDB Wealth Dynamic Treasury Fund
X. NDB Wealth Money Max Fund

14. Premier Wealth Management Limited

I. Premier Growth Fund
II. Premier Money Market Fund

15. Senfin Asset Management (Pvt) Limited

I. Senfin Dynamic Income Fund
II. Senfin Dividend Fund
III. Senfin Growth Fund
IV. Senfin Money Market Fund
V. Senfin Shariah Balanced Fund
VI. Senfin Shariah Income Fund
VII. Senfin Insurance Sector Fund
VIII. Senfin Financial Services Fund
IX. Senfin Consumer Staples Fund

16. Softlogic Asset Management (Pvt) Limited

I. Softlogic Equity Fund
II. Softlogic Money Market Fund

MARKET INSTITUTIONS

Licensed as at 31st December 2024 under the SEC Act No. 19 of 2021

Market Institutions under the categories of Exchange, Central Depository and Clearing House licensed by the SEC are set out below;

Licensed Exchange;

1. Colombo Stock Exchange

Licensed Clearing House;

1. Central Depository Systems (Private) Limited

Licensed Central Depository;

1. Central Depository Systems (Private) Limited

SUPPLEMENTARY SERVICE PROVIDERS

Under the SEC Act, No. 19 of 2021

Trustee of a CIS Scheme

Shall be a bank licensed by the Central Bank of Sri Lanka

Summarised Trading Statistics

	2020	2021	2022	2023	2024
Annual Turnover (Rs Mn) Equity	396,882	1,173,157	686,602	410,629	**537,640**
Domestic (Rs Mn)	318,354	1,112,817	634,426	371,360	**484,387**
Foreign (Rs Mn)	78,527	60,340	52,176	39,270	**53,253**
Market Days (No)	209	240	231	242	**240**
Daily Average Turnover (Rs Mn) Equity	3,217	4,888	2,972	1,697	**2,240**
Shares traded (No Mn) Equity	21,349	59,772	29,048	16,989	**23,250**
Domestic (No Mn)	19,808	57,905	28,142	15,889	**21,378**
Foreign (No Mn)	1,541	1,866	905	1,099	**1,872**
Trades (No) Equity	3,070,021	8,131,508	6,057,233	3,618,960	**3,524,910**
Domestic (No)	2,968,092	8,009,816	5,973,350	3,544,022	**3,445,381**
Foreign (No)	101,929	121,692	83,883	74,938	**78,529**
New Listing (No)	1	17	5	2	**4**
Delisting (No)	7	3	11	1	**10**
Companies Listed	283	296	290	290	**284**
Companies Traded	266	240	283	276	**266**
Market Capitalisation (Rs Bn)	2,960.65	5,489.17	3,847.15	4,248.93	**5,695.56**
Market PER year end (Times)	11.3	13.63	5.0	11.1	**8.9**
Turnover to Market Capitalisation (%)	13.4	21.4	17.8	9.7	**10.8**
Dividend Yield Year End (%)	2.7	2.17	4.1	3.3	**3.6**
Price to Book Value Year End (Times)	1.1	1.67	0.9	0.9	**1.2**
Market Cap. As a % of GDP	19.7%	36.7%	22.9%	17.6%	**23.6%**
Price Indices					
All Share	6,774.22	12,226.01	8,489.66	10,654.16	**15,944.61**
y-o-y Change %	10.5	80.48	(4.65)	25.50	**49.7%**
S&P Sri Lanka 20	2,638.10	4,233.25	2,635.63	3,068.36	**4,862.10**
y-o-y Change %	(10.2)	60.47	(13.05)	16.42	**58.5%**
Total Return Indices					
Total Return Index on ASPI (ASTRI)	9,078.65	16,423.75	11,404.60	14,617.77	**23,067.59**
y-o-y Change %	10.7	80.91	(4.65)	28.17	**35.33**
Total Return Index on S&P SL 20 (S&P SL 20 TRI)	4,332.84	7,241.29	4,749.27	5,710.45	**9,480.90**
y-o-y Change %	(5.9)	67.13	(10.71)	20.24	**41.11**

Additional Information

	2020	2021	2022	2023	2024
Non-National Activity (Foreign) *					
Annual Turnover (Rs Mn)	78,527	60,340	52,176	39,270	53,253
Purchases (Rs. Mn.)	52,889	34,016	67,488	41,451	48,013
Sales (Rs. Mn.)	104,165	86,665	36,863	37,088	58,492
Net Foreign Flow	(51,275.7)	(52,649)	30,625	4,363	(10,479)
Shares Traded (No. Mn.)	1,541	1,866	905	1,099	1,872
Purchases (No. Mn.)	928	1,308	884	945	1,472
Sales (No. Mn.)	2,154	2,425	927	1,254	2,271
Trades	101,929	121,692	83,883	74,938	78,526
Purchases (No.)	42,134	74,172	80,859	80,379	67,508
Sales (No.)	161,725	169,213	86,908	69,498	89,545

* Only Equity

Financial Reports

Catalysts of Strength

SEC's financial reporting reflects our dedication to transparency, accountability, and market integrity. By providing accurate and timely insights into financial performance, we enable informed decisions, foster trust, and uphold confidence in Sri Lanka's capital market.

Securities and Exchange Commission of Sri Lanka

Auditor General's Report

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No. } BAN/G/SEC/FA/24/06 ඔබේ අංකය / உமது இல. / Your No. } දිනය / திகதி / Date } 16 June 2025

Chairman
Securities and Exchange Commission of Sri Lanka

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Securities and Exchange Commission of Sri Lanka for the year ended 31 December 2024 in terms of Section 12 of the National Audit Act, No. 19 of 2018

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1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Securities and Exchange Commission of Sri Lanka (" Commission") for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of Provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Provisions of the National Audit Act, No.19 of 2018 and Finance Act, No. 38 of 1971. My report to Parliament in pursuance of Provisions in Article 154(6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Commission as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
+94 11 2 88 70 28 - 34 +94 11 2 88 72 23 ag@auditorgeneral.gov.lk www.naosl.gov.lk

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1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Commission is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable the annual and periodic financial statements to be prepared of the Commission.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

Securities and Exchange Commission of Sri Lanka

Auditor General's Report

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reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters significant audits findings, including any significant deficiencies in internal control that I identify during my audit.

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2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

2.1.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Commission as per the requirement of Section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained which were limited to matters that are material, nothing has come to my attention;

2.2.1 to state that any member of the governing body of the Commission has any direct or indirect interest in any contract entered into by the Commission which are out of the normal cause of business as per the requirement of Section 12 (d) of the National Audit Act, No. 19 of 2018.

2.2.2 to state that the Commission has not complied with any applicable written law, general and special directions issued by the governing body of the Commission as per the requirement of Section 12 (f) of the National Audit Act, No. 19 of 2018.

2.2.3 to state that the Commission has not performed according to its powers, functions and duties as per the requirement of Section 12 (g) of the National Audit Act, No. 19 of 2018.

2.2.4 to state that the resources of the Commission had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with

Securities and Exchange Commission of Sri Lanka

Auditor General's Report

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the applicable laws as per the requirement of Section 12 (h) of the National Audit Act, No. 19 of 2018.

G.H.D. Dharmapala
Auditor General (Acting)

Statement of Financial Position

As at 31st December 2024	Note	2024 Rs.	2023 Rs.
Assets			
Non Current Assets			
Property, Plant & Equipment	7	39,913,257	43,089,001
Intangible Assets	7.1	15,091,703	24,679,729
Current Assets			
Inventories	8	3,024,276	2,216,963
Receivables	9	241,020,182	197,806,896
Investments in Fixed Deposits	10	670,593	662,333
Deposits, Advances and Prepayments	11	63,945,838	63,454,247
Cash and Cash Equivalents	12	32,653,786	18,112,305
Total Assets		396,319,634	350,021,474
Funds and Liabilities			
Funds Employed and Reserves			
Accumulated Fund	13.1	0	0
Non Current Liabilities			
Deferred Income - Grants received from Cess Fund for Capital Expenditure	14	25,892,374	26,281,828
Deferred Income - Grants received from FSMP for Capital Expenditure	15	22,901,142	35,266,382
Retirement Benefit Obligation	16.1	102,897,077	97,520,914
Current Liabilities			
Income Tax Payable	17	165,913,172	147,384,953
Creditors and Accruals	18	27,263,940	37,721,806
Receipts in Advance		51,451,928	5,845,591
Total Funds and Liabilities		396,319,634	350,021,474

The notes appearing on pages 87 to 102 form an integral part of the financial statements.

The Members of the Securities and Exchange Commission of Sri Lanka are responsible for the preparation and presentation of these financial statements.

FOR AND ON BEHALF OF THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

Nirosha Kodikara
Director Finance & Administration

Chinthaka Mendis
Director General

Prof. D. B. P. H. Dissabandara
Chairman

Colombo
03rd June 2025

Securities and Exchange Commission of Sri Lanka

Statement of Financial Performance

For the year ended 31st December 2024	Note	2024 Rs.	2023 Rs.
Income			
License Fees		25,123,028	4,100,649
Administration Levy		8,080,343	6,522,148
Educational Programmes		12,836,609	11,629,061
Interest Income		672,852	72,280
Other Income		1,118,453	1,126,302
Interest on Staff Loans		1,826,428	944,910
Recognition of Grants received from Cess Fund	14	18,334,230	18,087,517
Recognition of Grants received from FSMP	15	12,365,239	12,365,239
Results Based Funds received from FSMP	19	0	164,073,632
Total Income		80,357,183	218,921,738
Expenditure			
Personnel Costs	20	(431,513,003)	(393,499,169)
Administration & Establishment Expenses	21	(256,769,019)	(236,006,969)
Capital Market Development Expenses	22	(37,907,073)	(36,029,791)
Finance Charges		(98,924)	(48,190)
Total Expenditure		(726,288,019)	(665,584,119)
Excess Income over Expenditure before Taxation		(645,930,836)	(446,662,381)
Income Tax Expense		0	0
Excess Income over Expenditure after Taxation		(645,930,836)	(446,662,381)
Funds transferred from Cess Fund towards Excess of Expenditure over Income		645,930,836	446,662,381

The notes appearing on pages 87 to 102 form an integral part of the financial statements.

Statement of Changes in Net Assets

For the year ended 31st December 2024	Accumulated Fund Rs.	Total Rs.
Balance as at 1st January 2023	0	0
Excess expenditure over income for the year	(446,662,381)	(446,662,381)
Transfer from Cess Fund towards Excess of Expenditure over Income	446,662,381	446,662,381
Balance as at 31st December 2023	0	0
Balance as at 1st January 2024	0	0
Excess expenditure over income for the year	(645,930,836)	(645,930,836)
Transfer from Cess Fund towards Excess of Expenditure over Income	645,930,836	645,930,836
Balance as at 31st December 2024	0	0

The notes appearing on pages 87 to 102 form an integral part of the financial statements.

Securities and Exchange Commission of Sri Lanka

Cash Flow Statement

For the year ended 31st December 2024	Note	2024 Rs.	2023 Rs.
Cash Flows from Operating Activities			
Excess of Income over Expenditure		0	0
Adjustment for			
Depreciation	7 & 7.1	30,708,546	30,442,634
Recognition of Grants received from Cess Fund	14	(18,334,230)	(18,087,517)
Recognition of Grants received from FSMP	15	(12,365,239)	(12,365,238)
Provision for Gratuity	16.1	9,308,152	34,938,816
Profit on disposal of fixed assets		(650,278)	(318,034)
		8,666,951	34,610,661
(Increase)/Decrease of Stocks		(807,312)	1,942,992
(Increase)/Decrease of Receivable		(43,213,286)	67,073,275
(Increase)/Decrease of Deposits Advances & Prepayments		(491,592)	2,382,999
Increase/(Decrease) of Receipt in Advance		45,606,337	(468,107)
Increase/(Decrease) of Tax Payable		18,528,219	(98,434,827)
Increase/(Decrease) of Creditors & Accruals		(10,457,866)	14,936,469
Increase/(Decrease) Payable to Vendors - FSMP		0	(50,122,638)
Cash generated from Operations		17,831,451	(28,079,177)
Gratuity paid during the year	16.1	(3,931,989)	(6,307,108)
Net Cash from Operating Activities		13,899,462	(34,386,285)
Cash Flows from Investing Activities			
Purchase of Property Plant and Equipment	7	(17,944,776)	(4,170,358)
Investments in Fixed Deposits		(8,259)	(8,090)
Proceeds from Sale of Property, Plant & Equipment & Intangible Assets		650,278	318,034
Net Cash used in Investing Activities		(17,302,757)	(3,860,414)
Cash Flows from Financing Activities			
Capital transfer from Cess Fund	14	17,944,776	4,211,858
Net Cash used in Financing Activities		17,944,776	4,211,858
Net Increase/(Decrease) in Cash and Cash Equivalents		14,541,481	(34,034,841)
Cash and Cash Equivalents at the beginning of the period (Note A)		18,112,304	52,147,145
Cash and Cash Equivalents at the end of the period (Note B)		32,653,785	18,112,304
Note A			
Cash and Cash Equivalents at the beginning of the period			
Cash at Bank		18,072,304	52,107,145
Cash in Hand		40,000	40,000
		18,112,304	52,147,145
Note B			
Cash and Cash Equivalents at the end of the period			
Investments in Repo	12	30,000,000	0
Cash at Bank	12	2,613,785	18,072,304
Cash in Hand	12	40,000	40,000
		32,653,786	18,112,304

The notes appearing on pages 87 to 102 form an integral part of the financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

1.1 Reporting Entity

Securities and Exchange Commission of Sri Lanka (SEC) is a nonprofit making statutory board, originally established under the SEC Act No. 36 of 1987 as amended by Act No. 26 of 1991, Act No. 18 of 2003 and Act No. 47 of 2009 which was repealed and replaced by the Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021.

The SEC is domiciled in the Democratic Socialist Republic of Sri Lanka and situated at Level 28 and 29, East Tower - World Trade Center, Echelon Square, Colombo 01.

1.2 Nature of Operations And Principal Activities

According to Section 03 of the SEC Act No. 19 of 2021, the object & purpose of the Act shall be,

(a) To establish the Securities and Exchange Commission of Sri Lanka;

(b) To create, maintain and regulate a fair, orderly, efficient and transparent securities market;

(c) To protect the interest of local and foreign investors; and

(d) To ensure the maintenance of high professional standards in the provision of services in relation to securities market.

1.3 Statement of Compliance

The Securities and Exchange Commission of Sri Lanka prepared its financial statements in accordance with the Sri Lanka Public Sector Accounting Standards (SLPSAS) issued by the Institute of Chartered Accountants of Sri Lanka. The financial statements comprise the statement of financial position, statement of financial performance, Statement of Changes in Net Assets and Cash Flow Statement together with the Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information.

1.4 Responsibility for Financial Statements

The Members of the Commission are responsible for the preparation and presentation of the financial statements.

1.5 Going Concern

When preparing the financial statements the Members of the Commission assessed the ability of the SEC to continue as a going concern. The Members of the Commission have a reasonable expectation that the SEC has adequate resources to continue in operational existence for the foreseeable future. The SEC does not foresee a need for liquidation or cessation of operations, taking into account all available information about the future. Accordingly, the SEC continues to adopt the going concern basis in preparing the financial statements and the accounting policies have been applied consistently throughout the period.

1.6 Basis of Preparation

Based on a recommendation made by the SEC Audit Committee in terms of the provisions of the SEC Act, the Commission decided to prepare separate sets of financial statements for the Cess Fund and the Compensation Fund of the SEC with effect from 01st January 2020. Hence, this set of Financial Statements contains only the Statement of Financial Position, the Statement of Financial Performance, the Statement of Changes in Net Assets and the Cash Flow Statement together with the Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information of the Securities and Exchange Commission of Sri Lanka.

The financial statements of the SEC are presented in Sri Lankan Rupees rounded to the nearest Rupee.

The financial statements are prepared on accrual basis and on the historical cost basis except in the case on the Defined Benefit Obligation where the Net liability is recognised as the present value of the defined benefit obligation. Appropriate adjustments are made in respect of interest cost, current service cost, and gratuity paid/ payable for those who left during the period and actuarial (gain)/ loss in arriving at the Defined Benefit Obligation as at the end of the period. Where appropriate accounting policies are disclosed in succeeding notes.

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

1.7 Use of Estimates And Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is described in the Note on Defined benefit obligation. The cost of defined

Securities and Exchange Commission of Sri Lanka

Notes to the Financial Statements

benefit obligation is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates, etc. Due to the long-term nature of the plan, such estimates are subject to significant uncertainty. Assumptions used in the actuarial valuation are disclosed in Note 15 to the Financial Statements.

1.8 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (LKR), which is the SEC's functional currency. There was no change in the entity's presentation and functional currency during the year under review. Foreign exchange transactions are converted to Sri Lankan Rupees at the rate of exchange prevailing at the time of the transaction.

1.9 Materiality and Aggregation

Each material class of similar item is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

1.10 Offsetting

Assets & liabilities and revenue & expenses are not offset unless required or permitted by a SLPSAS or the offsetting reflects the substance of the transaction or other event, detracts from the ability of users both to understand the transactions, other events and condition that occurred and to assess the SEC's future cash flows.

1.11 Comparative Information

Comparative figures have been adjusted to conform to the changes in presentation in the current financial year.

1.12 Events After the Reporting Date

All material events after the Reporting date are considered and appropriate adjustments or disclosures are made in the financial statements, where necessary.

1.13 Changes In Accounting Policies

The accounting policies adopted are consistent with those of the previous year.

2 ASSETS AND BASES OF THEIR VALUATION

2.1 Property, Plant and Equipment

Owned Property, Plant and Equipment and Intangible Assets

Property, Plant & Equipment (PPE) & Intangible Assets together with any incidental expenses thereon are stated at cost and depreciated/ amortised at their respective useful lives. These assets received as grants, were accounted at cost and depreciation/amortisation thereof is charged against the respective reserve account. Subsequent expenditure on PPE and Intangible assets are capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expenses as incurred.

The depreciation/amortisation is provided on the straight-line basis. The Motor Vehicles, Office Equipment, EDP Equipment including Software and Training Equipment were depreciated/amortised taking into consideration the economic useful lives of the assets applying the following rates.

Motor Vehicles	10.00%
Furniture, Fixtures and Fittings	12.50%
Training Equipment	20.00%
Electronic Data Processing (EDP) Equipment – including Software*	
EDP - Hardware	20.00%
EDP Equipment – Software	20.00 – 33.33%
EDP Equipment - Mobile phones	33.33%
EDP Equipment – Other	20.00 – 25.00%
Intangible assets	20.00 – 33.33%

Depreciation/amortisation is provided for all assets purchased from the date it is available for use. In the year of disposal, depreciation is provided up to the date the asset is derecognised.

* Computer software not integral to computer hardware are shown as intangible assets and recognised at cost. Following initial recognition these intangible assets are carried at cost less any accumulated amortisation.

2.2 Investments

Investments are made in fixed deposits and short-term investments at Licensed Government banks, in Government Treasury bills and Government Treasury Bonds which are stated at cost and interest accrued up to the end of the reporting period.

2.3 Inventories

Inventories are valued at lower of cost and net realisable value. The cost of inventories is valued on First-in First-out (FIFO) basis.

As a policy Library Books are written off since the Capital Market related laws and rules are subject to rapid changes due to the fast-changing market conditions in the world.

2.4 Receivables

Receivables are stated at the estimated realisable value.

3. LIABILITIES & PROVISIONS

3.1.1 Defined Contribution Plans - EPF/ETF

All employees of the SEC are members of the Employees' Provident Fund and Employees' Trust Fund to which the SEC contributes 12% and 3% respectively of such employees' gross emoluments barring the vehicle and fuel allowance.

3.1.2 Defined Benefit Obligation - Gratuity

Gratuity is a post-employment benefit, the SEC is liable to pay to its employees as a post-employment benefit in terms of Gratuity Act No. 12 of 1983. The liability to an employee arises only on completion of five years of continued service. However, in terms of the SLPSAS 19 - 'Employee Benefits' which came in to effect from 01st January 2018, the liability recognised in the statement of financial position is the present value of the defined benefit obligation as at the reporting date. The liability is not externally funded. Unrecognised Actuarial gains or losses and unrecognised past and current service costs are recognised immediately in the Statement of Financial Performance. The net liability for defined benefit obligation will be determined by a qualified actuary as at 31st December 2023 using the Projected Unit Credit method as recommended in the SLPSAS 19.

3.2 Liabilities

Liabilities classified as current liabilities in the Statement of Financial Position are those, which fall due for payment on demand or within one year from the reporting date. The non-current liabilities are those balances that fall due for payment after one year from the reporting date.

All known liabilities have been accounted at cost in preparing the financial statements.

3.3 Grant

Capital expenditure transferred from the Cess Fund is treated as a grant and recognised in the Statement of Financial Performance as revenue on systematic basis over the useful life of the related asset.

4. STATEMENT OF FINANCIAL PERFORMANCE

4.1 Revenue Recognition

SEC revenue consists of license fees, administration levy, sale of publications, income from educational programs, etc. Revenue from the above mentioned services/ fees is recognised in the period in which the related services are performed.

4.2 Interest Income And Expenses

Interest Income on investments and interest expenses are recognised in the Statement of Financial Position on an accrual basis.

4.3 Other Revenue

Other income is recognised on an accrual basis.

4.4 Profit Or Loss On Disposal Of Property, Plant And Equipment

Profit or loss arising from the disposal of Property, Plant and Equipment are accounted in the Statement of Financial Performance as the excess of the proceeds on disposal after deducting the carrying amount of the assets and related selling cost.

5. EXPENDITURE RECOGNITION

All expenditure incurred in maintaining the SEC has been recognised on accrual basis and charged to revenue in ascertaining the financial performance.

6. CASH FLOW STATEMENT

For the purpose of the Cash Flow Statement, Cash and Cash Equivalents consist of cash in hand, cash at bank and REPO investments with a maturity of less than three months at banks.

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Notes to the Financial Statements

7 PROPERTY, PLANT & EQUIPMENT

Description	Motor Vehicles	Furniture, Fixtures & Fittings	Office Equipments & EDP Equipments	EDP Equipments (FSMP)	Training Equipments	Total
Cost						
Balance as at 01.01.2024	45,165,786	54,006,134	167,326,062	13,886,059	3,618,348	284,002,390
Additions during the year	0	1,436,705	16,508,070	0	0	17,944,776
Disposals during the year	0	(224,863)	(5,044,533)	0	(731,807)	(6,001,203)
Balance as at 31.12.2024	45,165,786	55,217,977	178,789,599	13,886,059	2,886,541	295,945,962
Accumulated Depreciation						
Balance as at 01.01.2024	37,708,472	44,059,771	152,236,468	3,299,407	3,618,348	240,922,467
Depreciation charge for the year	2,481,345	2,994,717	12,858,168	2,777,212	0	21,111,442
Accumulated depreciation on disposals	0	(224,863)	(5,044,533)	0	(731,807)	(6,001,203)
Balance as at 31.12.2024	40,189,817	46,829,626	160,050,103	6,076,619	2,886,541	256,032,705
W.D.V. as at 31.12.2024	4,975,969	8,388,351	18,739,497	7,809,440	0	39,913,257
W.D.V. as at 31.12.2023	7,457,314	9,955,441	15,089,594	10,586,652	0	43,089,001
Cost of the Fully Depreciated Assets as at 31.12.2024 (included in the above mentioned cost)	23,100,786	38,867,519	146,820,957	0	2,886,541	211,675,804
Useful Life Time (No. of Years)	10	8	3-5	3-5	5	

7.1 Intangible Assets

Description	Computer Software
Cost	
Balance as at 01.01.2024	34,324,005
Additions during the year	0
Disposals during the year	0
Balance as at 31.12.2024	34,324,005
Accumulated Depreciation	
Balance as at 01.01.2024	9,644,275
Depreciation charge for the year	9,588,027
Accumulated depreciation on disposals	0
Balance as at 31.12.2024	19,232,302
W.D.V. as at 31.12.2024	15,091,703
W.D.V. as at 31.12.2023	24,679,729
Useful Life Time (No. of Years)	3-5

8 INVENTORIES

	2024 Rs.	2023 Rs.
Stock of Stationery, Stamp & EDP Consumables	3,024,276	2,216,963
Total	3,024,276	2,216,963

9 RECEIVABLES

	2024 Rs.	2023 Rs.
Sundry Debtors	806,375	632,846
Festival Advances	1,395,000	1,525,000
Interest Receivable on Repo & Fixed Deposits	5,275	0
Staff Loans	47,836,172	38,902,866
Receivable from CESS Fund	170,782,210	114,232,537
Receivable from Compensation Fund	20,195,150	26,047,222
Receivable from Settlement Guarantee Fund	0	11,262,760
Receivable from an Interdicted Employee	0	5,212,815
Total	241,020,182	197,806,896

10 INVESTMENTS IN FIXED DEPOSITS

	2024 Rs.	2023 Rs.
Fixed Deposit with BOC	670,593	662,333
Total	670,593	662,333

Amount reported under investments in fixed deposits represents the value of fixed deposits under lien to the Bank of Ceylon by the SEC for operational matters.

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Notes to the Financial Statements

11 DEPOSITS, ADVANCES & PRE-PAYMENTS

	2024 Rs.	2023 Rs.
Fuel Deposit	400,000	156,000
Mobitel - Corporate Data Packages	15,000	15,000
Mobitel - Post paid Wingles	12,000	12,000
Deposits with Telecom Ltd	23,125	23,125
Deposits with Dialog	8,500	8,500
Frosty - Hot & Cold Water Dispensers	12,899	12,899
DHL Courier Service	30,000	30,000
ORCL - Rent Deposit	42,985,944	44,522,736
ORCL - Electricity Deposit	60,000	
Advances to Suppliers	20,398,370	18,673,987
Total	63,945,838	63,454,247

12 CASH AND CASH EQUIVALENTS

	2024 Rs.	2023 Rs.
Investment in Repo	30,000,000	0
Cash at Bank	2,613,785	18,072,304
Cash in Hand	40,000	40,000
Total	32,653,786	18,112,304

13.1 Accumulated Fund

	2024 Rs.	2023 Rs.
Balance at the beginning of the year	0	0
Excess expenditure over income for the year	(645,930,836)	(446,662,381)
Transfer from Cess Fund towards Excess of Expenditure over Income	645,930,836	446,662,381
Balance at the end of the year	0	0

13.2 Accumulated Fund balances of the Cess Fund, a Fund managed by the SEC as per the provisions specified in the SEC Act, No. 19 of 2021, were Rs. 5,706,707,597/- and Rs. 5,237,847,551/- as at 31st December 2024 and 31st December 2023 respectively. A separate set of financial statements is prepared for the Cess Fund and as shown in the statement of financial position of the Cess Fund, investments had been made in treasury bonds, treasury bills and repo as Rs. 725,538,606/- Rs. 4,386,381,119/- and Rs. 536,037,212/- respectively as at 31st December 2024. Monies lying to the credit of the Cess Fund shall only be utilised for the purposes listed under Section 156 (2) of the SEC Act, No. 19 of 2021.

13.3 Accumulated Fund balances of the Compensation Fund, a Fund managed by the SEC as per the provisions specified in the SEC Act, No. 19 of 2021, were Rs. 764,840,966/- and Rs. 687,591,834 /- as at 31st December 2024 and 31st December 2023 respectively. A separate set of financial statements is prepared for the Compensation Fund and as shown in the statement of financial position of the Compensation Fund, investments had been made in treasury bonds, treasury bills and repo as Rs. 254,321,001/- Rs. 464,783,947/- and Rs. 53,000,000/- respectively as at 31st December 2024. Compensation Fund has been established for the purpose given in Section 158 (1) of the SEC Act, No. 19 of 2021.

14 DEFERRED INCOME - GRANTS RECEIVED FROM CESS FUND FOR CAPITAL EXPENDITURE

	2024 Rs.	2023 Rs.
Balance at the beginning of the Year	26,281,828	40,157,488
Transfer from Cess Fund for Capital Expenditure	17,944,776	4,211,858
Recognition of Grants	(18,334,230)	(18,087,517)
Balance at the end of the Year	25,892,374	26,281,828
The Grant is recognised as income at the following rates annually		
Motor Vehicles	10%	10%
Furniture, Fixtures & Fittings	12.5%	12.5%
Office Equipment - Electronic Data Processing & Others	20% - 33.33%	20% - 33.33%
Training Equipment	20%	20%

15 DEFERRED INCOME - GRANTS RECEIVED FROM FSMP FOR CAPITAL EXPENDITURE

	Note	2024 Rs.	2023 Rs.
Balance at the beginning of the Year		35,266,381	47,631,620
Recognition of Grants	19.2	(12,365,239)	(12,365,239)
Balance at the end of the Year		22,901,142	35,266,381
The Grant is recognised as income at the following rate annually			
Office Equipment - Electronic Data Processing		20% - 33.33%	20% - 33.33%

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Notes to the Financial Statements

16 RETIREMENT BENEFIT OBLIGATION

16.1 Retirement Benefit Obligation

	2024 Rs.	2023 Rs.
Balance at the beginning of the Year	97,520,914	68,889,206
Interest Cost	12,677,719	12,400,057
Current Service Cost	7,129,417	6,254,212
Net actuarial (gain)/ loss	(10,498,984)	16,284,547
Gratuity paid during the Year	(3,931,989)	(6,307,108)
Balance at the end of the Year	102,897,077	97,520,914

16.2 Gratuity Expense for the Year

	2024 Rs.	2023 Rs.
Interest Cost	12,677,719	12,400,057
Current Service Cost	7,129,417	6,254,212
Net actuarial (gain)/ loss	(10,498,984)	16,284,547
Total	9,308,152	34,938,816

The Retirement Benefit Obligation is based on the acturial valuation performed by making assumptions on discount rates, future salary increment rates, mortality rate, etc. Due to the long term nature of the plan, such assumptions are subject to significant uncertainty. All assumptions will be reviewed at each reporting date.

The principle assumptions used in determining the cost of employee benefits were;

	2024	2023
Retirement Age	60 years	60 years
Discount Rate	10.5% p.a	13% p.a
Future Salary Increment Rate	8% p.a.	10% p.a.

Sensitivity of Assumptions Used

A one percentage change in the assumptions would result in liability as follows.

	Discount Rate	Future Salary Increment Rate Rs.
1% Increase	98,381,195	108,396,005
1% Decrease	107,829,890	97,783,287

An actuarial valuation of the retirement gratuity obligation was carried out as at December 31, 2024 by a professional Actuary, M/S Actuarial and Management Consultants (Pvt) Ltd. The valuation method used by the Actuary to value the liability is the “Projected Unit Credit Method (PUC)”, a method recommended by the Sri Lanka Public Sector Accounting Standard - SLPSAS 19 on “Employee Benefit”.

17 INCOME TAX PAYABLE

	2024 Rs.	2023 Rs.
Balance at the beginning of the Year	147,384,953	245,819,782
Income tax provision for prior period/s	(927,032)	(462,344)
Income tax provision for the current period	243,300,542	287,878,656
Income tax payments for the prior period/s	(149,367,378)	(248,266,895)
Income tax payments for the current period	(74,477,913)	(137,584,246)
Balance at the end of the Year	165,913,172	147,384,953
Income tax payable for the Y/A 2020/21	(2,909,457)	(2,909,457)
Income tax payable for the Y/A 2023/24	0	150,294,410
Income tax payable for the Y/A 2024/25	168,822,629	0
Total	165,913,172	147,384,953

Reference to the Income Tax receivable for the Y/A 2020/21, a tax assessment had been issued by the Inland Revenue Department (IRD), mainly due to disallowing a transfer to the Consolidated Fund which SEC has considered as a qualifying payment. The SEC requested an administrative review against the assessment and final decision is yet to be issued by the IRD.

18 CREDITORS AND ACCRUALS

	2024 Rs.	2023 Rs.
E-Communication,Telephone & Internet	886,523	784,000
Rent & Electricity	31,138	1,650,006
Staff Related Expenses	5,742,989	5,236,710
Entertainment & Gifts	10,051	0
Air Fair Payable	1,727,300	0
External Audit Fees	750,000	600,000
Internal Audit Fees	3,055,930	3,905,930
Legal and Professional Charges	106,600	82,600
Public Awareness and Seminar Expenses	7,437,694	11,150,881
Travelling - Local	327,744	199,762
Rent Deposit Payable	0	1,536,792
EPF & ETF Payable	4,299,676	4,176,927
Repair & Maintenance	1,059,116	354,314
Interns Allowance	447,417	190,833
Motor Vehicles related expenses	0	21,850
Stationery, Newspaper & Courier Charges	57,333	170,440
Staff welfare and Office upkeep	7,881	351,920
Consultant Allowance	0	237,500
Commission Members' Meeting Fees	0	40,000
Other Payable	35,177	27,794
VAT Payable	1,055,553	0
SSCL Payable	157,693	0
Stamp Duty Payable	68,125	21,075
WHT Payable	0	12,500
APIT Payable	0	6,964,972
Trade Tax	0	5,000
Total	27,263,940	37,721,806

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Notes to the Financial Statements

19 RESULTS BASED FUNDS RECEIVED FROM FINANCIAL SECTOR MODERNISATION PROJECT (FSMP) OF THE WORLD BANK

	Note	2024 Rs.	2023 Rs.
Results Based Funds received from FSMP	19.1	0	164,073,632
Total		0	164,073,632

The SEC received funds from Financial Sector Modernisation Project (FSMP) of the World Bank under two components as follows.

19.1 Component I - Results Based Financing Component

Upon successful completion of identified policy reforms set forth by the World Bank as Disbursement-Linked Results (DLRs), the allocated funds were disbursed to the SEC. Accordingly, the SEC successfully completed all the policy action items stated under component I and, received the allocated funds amounting to a total of USD 2 Million (equivalent to LKR 533,396,869.32 of which final payment of LKR 164,073,632.20 was received by the SEC on 24.03.2023)

19.2 Component II - Investment Based Financing Component

Under component II of the FSMP, funding was made available to the Secretariat to procure identified goods and consultancy services and for staff capacity building. As at project closure, the World Bank has disbursed an amount of USD 519,059.54 (equivalent to LKR 163,324,066.66) to the SEC under component II. Funds received to procure goods was considered as a grant and shown in the statement of financial position as a deferred income by amortising the same over its useful life time.

20 PERSONNEL COSTS

	Note	2024 Rs.	2023 Rs.
Staff Salaries		250,388,053	202,907,059
Chairman's Allowance		1,200,000	1,053,333
Reimbursements to the Attorney General's Department		6,196,595	2,261,652
Commission Members' Meeting Fees		980,000	1,290,000
Consultants Allowance		2,900,000	3,900,000
Staff Welfare and Other Staff Related Payments		48,640,932	49,696,830
EPF & ETF		37,873,255	30,147,948
Staff Gratuity	16.2	9,308,152	34,938,816
Staff Medical Expenses & Insurance		16,612,068	16,974,080
Staff Housing Loan Interest Subsidy		1,638,630	1,846,995
Staff Vehicle Allowance		30,296,133	25,291,778
Overseas Training and Travelling		15,805,723	13,522,257
Staff Training - Local		2,099,712	2,319,608
Subscription of Membership		1,924,550	2,003,525
Sponsorship for Studies		187,379	142,123
Advertising-Recruitment		1,603,155	2,441,499
Interns Allowance		3,858,667	2,761,667
Total		431,513,003	393,499,169

* Sponsorship for higher studies amounting to a maximum of Rs. 250,000/- is granted to confirmed employees once in three years subject to terms and conditions including a bond to serve SEC for a period of two years upon successful completion of the examination. The cost incurred by the SEC should be reimbursed by the employee in full in the event the employee fails to complete the study course for whatever reason or resignation. Upon successful completion of the examination if the employee fails to serve the bonded period in full the cost incurred by the SEC should be reimbursed by the employee proportionately for the remaining bonded period.

21 ADMINISTRATION & ESTABLISHMENT EXPENSES

	Note	2024 Rs.	2023 Rs.
Rent & Car Park Rental		135,228,165	140,069,454
Electricity Charges		8,943,735	8,624,452
Office Upkeep		619,729	344,650
Office Equipment Maintenance & Insurance		1,934,299	1,891,059
Software Renewal & Maintenance		17,329,882	15,202,944
Telephone, Internet, E-Communication and Data processing & Protection		11,777,991	10,338,868
Motor Vehicle Fuel, Maintenance, License & Insurance		8,920,077	10,165,435
Professional Fees		451,272	291,367
Meeting Expenses		1,773,235	1,813,913
News Papers, Periodicals and Library Books		844,080	720,190
Printing & Stationery		5,828,368	6,194,704
Travelling Local		3,914,005	2,591,423
Insurance- All Risk , Public Liability, Cash in Transit &Fire		346,798	288,409
Postage, Stamp Duty and Courier Charges		1,385,197	1,136,528
Legal Expenses		3,960,015	3,368,860
Audit Fees - Internal		3,504,200	1,850,000
Audit Fees - External		684,000	564,100
General Expenses		1,832,608	0
VAT Expense		14,846,924	0
SSCL Expense		1,616,162	0
Trade Tax		5,000	5,000
Entertainments & Gifts		323,807	102,978
Depreciation	7 & 7.1	30,699,469	30,442,634
Total		256,769,019	236,006,969

22 CAPITAL MARKET DEVELOPMENT, EXTERNAL RELATION, CAPITAL MARKET EDUCATION, SURVEILLANCE AND INVESTIGATION EXPENSES

	2024 Rs.	2023 Rs.
Public Awareness Programmes and Capital Market Development	17,641,893	21,773,762
Educational Programmes	5,028,430	1,959,364
International Membership Fees - IOSCO	7,050,360	7,000,543
Publicity and Advertising	802,755	0
Market Surveillance Cost	7,381,635	5,278,991
Investigation and Inspection Expenses	2,000	17,131
Total	37,907,073	36,029,791

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24 COMPARISON OF ACTUAL INCOME AND EXPENDITURE AGAINST THE BUDGET

	Actual 2024 Rs.	Budget 2024 Rs.	Variance Rs.
Income			
License Fees	25,123,028	3,305,000	21,818,028
Administration Levy	8,080,343	1,864,720	6,215,623
Educational Programmes	12,836,609	14,640,000	(1,803,391)
Interest Income	672,852	0	672,852
Other Income	1,118,453	13,300,000	(12,181,547)
Interest on Staff Loans	1,826,428	3,360,000	(1,533,572)
Recognition of Grants received from Cess Fund	18,334,230	19,350,111	(1,015,881)
Recognition of Grants received from FSMP	12,365,239	12,195,852	169,387
Total Income generated by SEC	80,357,183	68,015,683	12,341,499
Expenditure			
Personnel costs	(431,513,003)	(492,536,996)	61,023,993
Administration & establishment Expenses	(256,769,019)	(273,722,134)	16,953,115
Capital market development Expenses	(37,907,073)	(81,051,599)	43,144,526
Financial charges	(98,924)	(73,373)	(25,551)
Total Revenue Expenditure	(726,288,019)	(847,384,102)	121,096,083
Income Tax Expense	0	0	0
Excess of Revenue Expenditure over Income	(645,930,836)	(779,368,419)	133,437,583

25. CAPITAL COMMITMENTS

There were no capital commitments as at 31.12.2024.

26. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31.12.2024.

27. EVENTS AFTER THE REPORTING DATE

No material events have occurred after the balance sheet date necessitating any adjustments to the financial statements.

28. RELATED PARTY DISCLOSURES

The Chairman and the Members of the Commission as at 31.12.2024 were as follows.

- Prof. D. B. P. H. Dissabandara, Chairman, an Appointed Member with effect from 04th October 2024.
- Mr. Heshana Kuruppu, an Ex-Officio Member by virtue of him holding office as the President of the Institute of Chartered Accountants of Sri Lanka with effect from 18th December 2023.
- Ms. Aravindi De Silva, an Ex-Officio Member by virtue of him holding office as the Registrar General of Companies of the Department of the Registrar of Companies with effect from 30th December 2024.
- Mr. H. D. C. L. Silva, a Nominated Member by virtue of him holding office as Deputy Secretary to the Treasury with effect from 29th November 2024.
- Ms. Nelumani Daulagala, a Nominated Member by virtue of him holding office as Deputy Governor of the Central Bank of Sri Lanka with effect from 10th July 2024.
- Mr. Laknath Jayawickrama, an Appointed Member with effect from 12th December 2024.
- Mr. Neranjith Gamage, an Appointed Member with effect from 27th December 2024.

The following Members of the Commission ceased to hold office during the year 2024.

- Mr. Faizal Salieh, Chairman, an Appointed Member, ceased to hold office with effect from 01st October 2024.
- Mr. Sujeewa Mudalige an Appointed Member, ceased to hold office during the year 2024.

- Mr. Manil Jayasinghe, an Appointed Member, ceased to hold office with effect from 14th October 2024.
- Mrs. A. Nilanthi Jayaki De Alwis, an Appointed Member, ceased to hold office with effect from 14th October 2024.
- Mr. Anton Godfrey, an Appointed Member, ceased to hold office with effect from 09th October 2024.
- Mr. R. M. P. Rathnayake, a Nominated Member by virtue of him holding office as Deputy Secretary to the Treasury, ceased to hold office with effect from 06th November 2024.
- Ms. Yvette Fernando, a Nominated Member by virtue of him holding office as Senior Deputy Governor of the Central Bank of Sri Lanka, ceased to hold office with effect from 20th June 2024.
- Mr. Sanjeewa Dissanayake, an Ex-Officio Member by virtue of him holding office as the Registrar General of Companies of the Department of the Registrar of Companies, ceased to hold office with effect from 08th July 2024.

The following table depicts the relationships held by the Members of the Commission who held office as at 31. 12. 2024.

Name	Name of the Related Institution	Relationship	Shareholding, if any
Prof. D. B. P. H. Dissabandara	The Sri Lanka Finance Association	President from December 2022	Nil
	Human Rights Defense Council	Board Member from 2023	Nil
	Settlement Guarantee Fund	Trustee from 01.10.2024	Nil
Mr. Heshana Kuruppu	David Pieris Holdings (Private) Limited	Group Finance Director from 20.01.2023	Nil
	David Pieris Motor Company (Private) Limited	Group Finance Director from 16.01.2019	Nil
	David Pieris Automobiles (Private) Limited	Group Finance Director from 16.01.2019 to 13.02.2024	Nil
	David Pieris Motor Company (Lanka) Limited	Group Finance Director from 16.01.2019	Nil
	DP Infotech (Private) Limited	Non-Executive Director from 14.05.2020	Nil
	Affiniti Innovations (Private) Limited	Non-Executive Chairman from 26.08.2021 to 04.04.2024	Nil
	Electrozen Distributors (Private) Limited	Non-Executive Director from 23.06.2021	Nil
	Electrozen Global (Private) Limited	Non-Executive Director from 31.07.2021	Nil
	Dynamic Global Ventures (Pvt) Ltd	Director from 16.05.2024	Nil
	Institute of Chartered Account-ants of Sri Lanka	President from 17.12.2021	Nil
	South Asian Federation of Accountants	President from 01.01.2023 to 31.12.2024	Nil
	Sri Lanka Accounting & Auditing Standards Monitoring Board	Board Member from 14.03.2024	Nil
Ms. Aravindi De Silva	The Department of the Registrar of Companies	Registrar General of Companies from 30.12.2024	Nil
	Employees' Trust Fund	Director from 2022	Nil
	Insurance Regulatory Commission of Sri Lanka	Ex-officio Member from 30.12.2024	Nil
	Sri Lanka Accounting & Auditing Standards Monitoring Board	Ex-officio Member from 30.12.2024	Nil
	Accounting Standards Committee of the Institute of Chartered Accountants of Sri Lanka	Ex-officio Member from 30.12.2024	Nil

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Name	Name of the Related Institution	Relationship	Shareholding, if any
Mr. H. D. C. L. Silva	General Treasury	Deputy Secretary	Nil
	Settlement Guarantee Fund	Trustee from 29.11.2024	Nil
	State Mortgage and Investment Bank (SMIB)	Director from 11.01.2020	Nil
	Insurance Regulatory Commission of Sri Lanka (IRCSL)	Director from 07.11.2024	Nil
Ms. Nelumani Daulagala	Sri Lanka Accounting & Auditing Standards Monitoring Board	Chairperson from 14.03.2024	Nil
	Central Bank of Sri	Deputy Governor	Nil
Mr. Laknath Jayawickrama	Siyapatha Finance PLC	Independent Non-Executive Director	Nil
	Institute of Chartered Account-ants of Sri Lanka	Council Member from 2022	Nil
Mr. Neranjith Gamage	Winstay Private Limited	Director from 11.08.2021	1
	Perstaff Holding (Pvt) Ltd	CFO/ Consultant - Finance & Operations from 01.02.2022	Nil

The following table depicts the relationships held by the Members of the Commission who ceased to hold office during the year 2024.

Name	Name of the Related Institution	Relationship	Shareholding, if any
Mr. Faizal Salieh	The Sri Lanka Institute of Directors	Immediate Past Chairman from June 2023	Nil
	Settlement Guarantee Fund	Trustee up to 01.10.2024	Nil
Mr. Sujeewa Mudalige	CIC Feeds Pvt Ltd	Independent Non-Executive Director	Nil
	NSBM Green University	Independent Non-Executive Director	Nil
	Link Natural Products Ltd	Independent Non-Executive Director	Nil
	CIC Holdings PLC	Independent Non-Executive Director	Nil
	Mahindra Ideal Finance Limited	Independent Non-Executive Director	Nil
	Cargo Boat Development PLC	Independent Non-Executive Director	Nil
	Maliban Biscuit Manufactories (Private) Limited	Independent Non-Executive Director	Nil
	NDB Bank PLC	Independent Non-Executive Director	Nil
	Ambeon Capital PLC	Chairman / Director of the following Committee	9 million shares (1%)
	Ambeon Holdings PLC	Chairman / Director of the following Committee	Nil
	Millennium IT ESP Pvt Ltd	Chairman / Director of the following Committee	Nil
	Sherwood Capital Pvt Ltd	Chairman / Director of the following Committee	1.5 million shares (2.5%)
	The Ceylon Chamber of Commerce (CCC)	Committee / Board Member	Nil
	National Medicines Regulatory Authority (NMRA)	Committee / Board Member	Nil
	Board of Investment of Sri Lanka (BOI)	Committee / Board Member	Nil
	Mercantile Services Provident Society (MSPS)	Chairman of the following Committee	Nil

Name	Name of the Related Institution	Relationship	Shareholding, if any
Mr. Manil Jayasinghe	Ceylon Hospitals PLC	Director	Nil
	C W Mackie PLC	Director	Nil
	Lanka Milk Foods (CWE) PLC	Director	Nil
	JKH PLC	Director	Nil
	Lanka Diaries Pvt Ltd	Director	Nil
	Sahasya Investments Ltd	Director	Nil
	NMJ Leisure Pvt Ltd	Director	Nil
Mrs. A. Nilanthi Jayaki De Alwis	Nil	Nil	Nil
Mr. Anton Godfrey	Nil	Nil	Nil
Mr. R. M. P. Rathnayake	General Treasury	Deputy Secretary	Nil
	Settlement Guarantee Fund	Trustee up to 06.11.2024	Nil
	Bank of Ceylon	Ex-officio Member	Nil
	Lotus Tower Management Company (Pvt) Limited	Director up to 06.11.2024	Nil
	Credit Guarantee Institution Limited	Chairman up to 06.11.2024	Nil
Ms. Yvette Fernando	Central Bank of Sri Lanka	Senior Deputy Governor up to 22.06.2024	Nil
	Credit Information Bureau of Sri Lanka	Chairperson up to 20.06.2024	Nil
	Institute of Bankers of Sri Lanka	Chairperson up to 20.06.2024	Nil
	Api Wenuwen Api Fund	Member of Board of Management up to 20.06.2024	Nil
	Insurance Regulatory Commission of Sri Lanka	Commissioner up to 20.06.2024	Nil
Mr. Sanjeewa Dissanayake	The Department of the Registrar of Companies	Registrar General of Companies up to 08.07.2024	Nil
	Insurance Regulatory Commission of Sri Lanka	Ex-officio Member up to 08.07.2024	Nil
	Sri Lanka Accounting & Auditing Standards Monitoring Board	Ex-officio Member up to 08.07.2024	Nil
	Accounting Standards Committee of the Institute of Chartered Accountants of Sri Lanka	Ex-officio Member up to 08.07.2024	Nil

Securities and Exchange Commission of Sri Lanka

Notes to the Financial Statements

Other than the following transactions in the ordinary course of business at market rates, no transactions were recorded with the aforementioned institutions during the year under review.

The SEC maintains the following three current accounts at Bank of Ceylon (BOC) and the bank balances are tabulated below.

Name of the Current Account	Account Number	Balance as at 31.12.2024 Rs.	Balance as at 31.12.2023 Rs.
Securities and Exchange Commission of Sri Lanka	0000001694	1,850,422	17,569,804
Securities and Exchange Commission of Sri Lanka	0009919753	763,363	506,000
Securities and Exchange Commission of Sri Lanka	0083810081	0	(3,500)

The following investments were channel through BOC during the year 2024.

Investment Type	Investments made in BOC during the year 2024 (Rs.)	Investment Balance in BOC as at 31.12.2024 (Rs.)
Investments in Repo	290,000,000	30,000,000
Fixed Deposits	0	670,593

In addition, the following table depicts the other transactions taken place during the year 2024 with the entities in which the Members of the Commission held positions.

Payee	Description of the Payment	Amount paid Rs.
The Institute of Chartered Accountants of Sri Lanka	Membership renewals, National Conference 2024 and Training Programs	1,008,500
Center for Banking Studies - Central Bank of Sri Lanka	Training Programs	249,000

CESS Fund of the Securities and Exchange Commission of Sri Lanka

Auditor General's Report

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No.	BAN/G/CESS/FA/24/08	ඔබේ අංකය / உமது இல. / Your No.	දිනය / திகதி / Date: 16 June 2025

Chairman

Securities and Exchange Commission of Sri Lanka

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the CESS Fund of the Securities and Exchange Commission of Sri Lanka for the year ended 31 December 2024 in terms of Section 11 (1) of the National Audit Act, No. 19 of 2018

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1. Financial Statements

1.1 Opinion

The audit of the financial statements of the CESS Fund of the Securities and Exchange Commission of Sri Lanka (" Fund") for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, and the statement of financial performance, statement of changes in CESS Fund and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of Provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Provisions of the National Audit Act, No.19 of 2018. My report to Parliament in pursuance of Provisions in Article 154(6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
+94 11 2 88 70 28 - 34 +94 11 2 88 72 23 ag@auditorgeneral.gov.lk www.naosl.gov.lk

CESS Fund of the Securities and Exchange Commission of Sri Lanka
Auditor General's Report

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Fund is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable the annual and periodic financial statements to be prepared of the Fund.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters significant audits findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

The National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

CESS Fund of the Securities and Exchange Commission of Sri Lanka

Auditor General's Report

NAOSL
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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

2.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Fund as per the requirement of Section 12 (a) of the National Audit Act, No. 19 of 2018.

2.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.3 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

G.H.D. Dharmapala
Auditor General (Acting)

Statement of Financial Position

As at 31st December 2024	Note	2024 Rs.	2023 Rs.
Assets			
Non Current Assets			
Investment in Treasury Bonds		725,538,606	48,022,800
Current Assets			
Investment in Treasury Bonds		0	2,917,881,550
Investment in Treasury Bills		4,386,381,119	2,181,865,396
Interest Receivable		185,343,902	148,991,107
Cess Receivable		42,770,902	1,871,698
Cash and Cash Equivalents	7	538,020,457	53,711,537
Total Assets		5,878,054,987	5,352,344,088
Funds and Liabilities			
Funds Employed and Reserves			
Accumulated Fund		5,706,707,597	5,237,847,551
Current Liabilities			
Payable to SEC		170,782,210	114,232,537
Audit Fees Payable		565,180	264,000
Total Funds and Liabilities		5,878,054,987	5,352,344,088

The notes appearing on pages 110 to 116 form an integral part of the financial statements.

The Members of the Securities and Exchange Commission of Sri Lanka are responsible for the preparation and presentation of the financial statements of the Cess Fund.

FOR AND ON BEHALF OF THE CESS FUND OF THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

Nirosha Kodikara
Director Finance & Administration

Chinthaka Mendis
Director General

Prof. D. B. P. H. Dissabandara
Chairman

Colombo
03rd June 2025

CESS Fund of the Securities and Exchange Commission of Sri Lanka

Statement of Financial Performance

For the year ended 31st December 2024	Note	2024 Rs.	2023 Rs.
Income			
Cess Received during the year		748,586,108	555,368,722
Interest on Treasury Bonds		135,463,436	282,231,921
Interest on Treasury Bills		444,822,365	363,364,864
Interest on Repo		14,283,722	68,042,515
Total Income		1,343,155,631	1,269,008,022
Expenditure			
Funds transferred to the SEC for Operational & Capital Expenses		(663,875,611)	(450,883,659)
Audit Fees		(570,220)	(286,200)
Bank Charges		(588,756)	(371,122)
Total Expenditure		(665,034,587)	(451,540,980)
Excess of Income over Expenditure before Taxation		678,121,044	817,467,041
Income Tax Expense	8	(209,260,998)	(253,877,766)
Excess of Income over Expenditure after Taxation		468,860,046	563,589,275

The notes appearing on pages 111 to 116 form an integral part of the financial statements.

Statement of Changes in CESS Fund

For the year ended 31st December 2024	2024 Rs.	2023 Rs.
Accumulated Fund		
Balance at the beginning of the year	5,237,847,551	4,674,258,276
Excess of Income over Expenditure for the year	468,860,046	563,589,275
Balance as at the end of the year	5,706,707,597	5,237,847,551

The notes appearing on pages 111 to 116 form an integral part of the financial statements.

CESS Fund of the Securities and Exchange Commission of Sri Lanka

Cash Flow Statement

For the year ended 31st December 2024	Note	2024 Rs.	2023 Rs.
Cash Flows from Operating Activities			
Excess of Income over Expenditure after Taxation		468,860,046	563,589,275
Adjustments for:			
(Increase)/ Decrease of Cess Receivable		(40,899,204)	4,183,835
(Increase)/ Decrease of Interest Receivable		(36,352,796)	(8,534,243)
Increase/ (Decrease) of Payables		56,850,854	(45,467,419)
Net Cash from Operating Activities		448,458,900	513,771,448
Cash Flows from Investing Activities			
Investment in Treasury Bonds		2,240,365,744	193,295,259
Investment in Treasury Bills		(2,204,515,723)	(728,500,635)
Net Cash used in Investing Activities		35,850,021	(535,205,376)
Net Increase/ (Decrease) in Cash and Cash Equivalents		484,308,920	(21,433,929)
Cash and Cash Equivalents at the beginning of the period (Note A)		53,711,537	75,145,466
Cash and Cash Equivalents at the end of the period (Note B)		538,020,457	53,711,537
Note A			
Cash and Cash Equivalents at the beginning of the period			
Investments in Repo		51,917,248	73,757,104
Cash at Bank		1,794,289	1,388,362
		53,711,537	75,145,466
Note B			
Cash and Cash Equivalents at the end of the period			
Investments in Repo	7	536,037,212	51,917,248
Cash at Bank	7	1,983,245	1,794,289
		538,020,457	53,711,537

The notes appearing on pages 111 to 116 form an integral part of the financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

1.1 Reporting Entity

Cess Fund of the Securities and Exchange Commission of Sri Lanka was originally established under the Section 14B (1) of the SEC Act No. 36 of 1987 as amended by Act No. 26 of 1991, Act No. 18 of 2003 and Act No. 47 of 2009, which was repealed and replaced by the section 156(1) of the Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021.

Section 156 (1) of the SEC Act No. 19 of 2021 reads as 'There shall be established a fund called the "Cess Fund" to be administrated by the Commission to which shall be credited the proceeds of the Cess imposed under Section 155.'

The Cess Fund is domiciled in the Democratic Socialist Republic of Sri Lanka and situated at Level 28 and 29, East Tower – World Trade Center, Echelon Square, Colombo 01.

1.2 Nature of Operations And Principal Activities

According to Section 156 (2) of the SEC Act No. 19 of 2021 the monies lying to the credit of the Cess Fund shall only be utilised for the purpose of:

(a) developing the securities market;

(b) enhancing monies lying to the credit of the Compensation Fund or the Fund of the Commission established under this part;

(c) meeting all expenditure incurred by the Commission in the management, administration, and operation of the Commission in the exercise, performance and discharge of its duties and functions;

(d) granting loans for housing, educational, health and transport purposes to the staff of the Commission as the Commission deems appropriate;

(e) to make contributions to pension and provident funds and other schemes established for the benefit of the Director General and its officers and servants and their dependents and nominees; and

(f) to defray the cost of the study, in Sri Lanka or abroad of the officers and servants of the Commission who are of proven merit as determined by the Commission.

Further, in terms of the Section 156 (3) of the SEC Act, any excess money lying to the credit of the Cess Fund may be invested by the Commission in such manner as may be determined by the Commission for the purpose of developing the Cess Fund.

1.3 Statement Of Compliance

Cess Fund of the Securities and Exchange Commission of Sri Lanka prepared its financial statements in accordance with the Sri Lanka Public Sector Accounting Standards (SLPSAS) issued by the Institute of Chartered Accountants of Sri Lanka. The financial statements comprise the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Cess Fund and Cash Flow Statement together with the Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information.

1.4 Responsibility For Financial Statements

The Members of the Commission of the Securities and Exchange Commission of Sri Lanka are responsible for the preparation and presentation of the financial statements.

1.5 Going Concern

When preparing the financial statements the Members of the Commission assessed the ability of the Cess Fund to continue as a going concern. The Members of the Commission have a reasonable expectation that the Cess Fund has adequate resources to continue in operational existence for the foreseeable future. The Cess Fund does not foresee a need for liquidation or cessation of operations, taking into account all available information about the future. Accordingly, the Cess Fund continues to adopt the going concern basis in preparing the financial statements and the accounting policies have been applied consistently throughout the period.

1.6 Basis Of Preparation

Based on a recommendation made by the SEC Audit Committee in terms of the provisions of the Old SEC Act, with effect from 01st January 2020 the Commission of the Securities and Exchange Commission of Sri Lanka decided to prepare a separate set of financial statements for the Cess Fund of the SEC. Hence, this set of Financial Statements contains the Statement of Financial Position, the Statement of Financial Performance, the Statement of Changes in Cess Fund and the Cash Flow Statement together with the Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information of the Cess Fund of the SEC.

The financial statements of the Cess Fund are presented in Sri Lankan Rupees rounded to the nearest Rupee.

The financial statements are prepared on accrual basis and on the historical cost basis. Where appropriate accounting policies are disclosed in succeeding notes.

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

CESS Fund of the Securities and Exchange Commission of Sri Lanka

Notes to the Financial Statements

1.7 Use Of Estimates And Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

1.8 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Cess Fund's functional currency. There was no change in the entity's presentation and functional currency during the year under review. Foreign exchange transactions, if any are converted to Sri Lankan Rupees at the rate of exchange prevailing at the time of the transaction.

1.9 Materiality and Aggregation

Each material class of similar item is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

1.10 Offsetting

Assets & liabilities and revenue & expenses are not offset unless required or permitted by a SLPSAS or the offsetting reflects the substance of the transaction or other event, detracts from the ability of users both to understand the transactions, other events and condition that occurred and to assess the Cess Fund's future cash flows.

1.11 Comparative Information

Comparative figures have been adjusted to conform to the changes in presentation in the current financial year.

1.12 Events After The Reporting Date

All material events after the reporting date are considered and appropriate adjustments or disclosures are made in the financial statements, where necessary.

1.13 Changes In Accounting Policies

The accounting policies adopted are consistent with those of the previous year.

2 ASSETS AND BASES OF THEIR VALUATION

2.1 Investments

Investments are made in fixed deposits and short-term investments at Licensed Government banks, in Government Treasury bills and Government Treasury Bonds which are stated at cost and interest accrued up to the end of the reporting period.

2.2 Receivables

Receivables are stated at the estimated realisable value.

3 LIABILITIES & PROVISIONS

3.1 Liabilities

Liabilities classified as current liabilities in the Statement of Financial Position are those, which fall due for payment on demand or within one year from the reporting date. The non-current liabilities are those balances that fall due for payment after one year from the reporting date.

All known liabilities have been accounted at cost in preparing the financial statements.

4 STATEMENT OF FINANCIAL PERFORMANCE

4.1 Interest Income

Interest Income on investments are recognised in the Statement of Financial Performance on an accrual basis.

4.2 Other Income

Other income, if any is recognised on an accrual basis.

5 EXPENDITURE RECOGNITION

All expenditure of the Cess Fund is recognised on accrual basis and charged to revenue in ascertaining the financial performance.

6 CASH FLOW STATEMENT

For the purpose of the Cash Flow Statement, Cash and Cash Equivalents consist of cash in hand, cash at bank and REPO investments with a maturity of less than three months at banks.

7 CASH AND CASH EQUIVALENTS

For the year ended 31st December 2024	2024 Rs.	2023 Rs.
Investments in Repo	536,037,212	51,917,248
Cash at Bank	1,983,245	1,794,289
Total	538,020,457	53,711,537

8 INCOME TAX EXPENSE

For the year ended 31st December 2024	2024 Rs.	2023 Rs.
Income Tax Expense for the Y/A 2022/2023	0	(514,193)
Income Tax Expense for the Y/A 2023/2024	(931,050)	254,391,959
Income Tax Expense for the Y/A 2024/2025	210,192,049	0
Total	209,260,998	253,877,766

The liability for the income tax is computed in terms of the Inland Revenue Act No. 24 of 2017, as amended.

9 CAPITAL COMMITMENTS

There were no capital commitments as at 31.12.2024.

10 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31.12.2024.

11 EVENTS AFTER THE REPORTING DATE

No material events have occurred after the balance sheet date necessitating any adjustments to the financial statements.

12 RELATED PARTY DISCLOSURES

The Cess Fund is managed by the Members of the Commission of the Securities and Exchange Commission of Sri Lanka.

The Chairman and the Members of the Commission as at 31.12.2024 were as follows.

- Prof. D. B. P. H. Dissabandara, Chairman, an Appointed Member with effect from 04th October 2024.
- Mr. Heshana Kuruppu, an Ex-Officio Member by virtue of him holding office as the President of the Institute of Chartered Accountants of Sri Lanka with effect from 18th December 2023.
- Ms. Aravindi De Silva, an Ex-Officio Member by virtue of him holding office as the Registrar General of Companies of the Department of the Registrar of Companies with effect from 30th December 2024.
- Mr. H. D. C. L. Silva, a Nominated Member by virtue of him holding office as Deputy Secretary to the Treasury with effect from 29th November 2024.
- Ms. Nelumani Daulagala, a Nominated Member by virtue of him holding office as Deputy Governor of the Central Bank of Sri Lanka with effect from 10th July 2024.
- Mr. Laknath Jayawickrama, an Appointed Member with effect from 12th December 2024.
- Mr. Neranjith Gamage, an Appointed Member with effect from 27th December 2024.

The following Members of the Commission ceased to hold office during the year 2024.

- Mr. Faizal Salieh, Chairman, an Appointed Member, ceased to hold office with effect from 01st October 2024.
- Mr. Sujeewa Mudalige an Appointed Member, ceased to hold office during the year 2024.
- Mr. Manil Jayasinghe, an Appointed Member, ceased to hold office with effect from 14th October 2024.
- Mrs. A. Nilanthi Jayaki De Alwis, an Appointed Member, ceased to hold office with effect from 14th October 2024.
- Mr. Anton Godfrey, an Appointed Member, ceased to hold office with effect from 09th October 2024.
- Mr. R. M. P. Rathnayake, a Nominated Member by virtue of him holding office as Deputy Secretary to the Treasury, ceased to hold office with effect from 06th November 2024.
- Ms. Yvette Fernando, a Nominated Member by virtue of him holding office as Senior Deputy Governor of the Central Bank of Sri Lanka, ceased to hold office with effect from 20th June 2024.
- Mr. Sanjeewa Dissanayake, an Ex-Officio Member by virtue of him holding office as the Registrar General of Companies of the Department of the Registrar of Companies, ceased to hold office with effect from 08th July 2024.

CESS Fund of the Securities and Exchange Commission of Sri Lanka

Notes to the Financial Statements

The following table depicts the relationships held by the Members of the Commission who held office as at 31.12.2024.

Name	Name of the Related Institution	Relationship	Shareholding, if any
Prof. D. B. P. H. Dissabandara	The Sri Lanka Finance Association	President from December 2022	Nil
	Human Rights Defense Council	Board Member from 2023	Nil
	Settlement Guarantee Fund	Trustee from 01.10.2024	Nil
Mr. Heshana Kuruppu	David Pieris Holdings (Private) Limited	Group Finance Director from 20.01.2023	Nil
	David Pieris Motor Company (Private) Limited	Group Finance Director from 16.01.2019	Nil
	David Pieris Automobiles (Private) Limited	Group Finance Director from 16.01.2019 to 13.02.2024	Nil
	David Pieris Motor Company (Lanka) Limited	Group Finance Director from 16.01.2019	Nil
	DP Infotech (Private) Limited	Non-Executive Director from 14.05.2020	Nil
	Affiniti Innovations (Private) Limited	Non-Executive Chairman from 26.08.2021 to 04.04.2024	Nil
	Electrozen Distributors (Private) Limited	Non-Executive Director from 23.06.2021	Nil
	Electrozen Global (Private) Limited	Non-Executive Director from 31.07.2021	Nil
	Dynamic Global Ventures (Pvt) Ltd	Director from 16.05.2024	Nil
	Institute of Chartered Accountants of Sri Lanka	President from 17.12.2021	Nil
	South Asian Federation of Accountants	President from 01.01.2023 to 31.12.2024	Nil
	Sri Lanka Accounting & Auditing Standards Monitoring Board	Board Member from 14.03.2024	Nil
Ms. Aravindi De Silva	The Department of the Registrar of Companies	Registrar General of Companies from 30.12.2024	Nil
	Employees' Trust Fund	Director from 2022	Nil
	Insurance Regulatory Commission of Sri Lanka	Ex-officio Member from 30.12.2024	Nil
	Sri Lanka Accounting & Auditing Standards Monitoring Board	Ex-officio Member from 30.12.2024	Nil
	Accounting Standards Committee of the Institute of Chartered Accountants of Sri Lanka	Ex-officio Member from 30.12.2024	Nil
Mr. H. D. C. L. Silva	General Treasury	Deputy Secretary	Nil
	Settlement Guarantee Fund	Trustee from 29.11.2024	Nil
	State Mortgage and Investment Bank (SMIB)	Director from 11.01.2020	Nil
	Insurance Regulatory Commission of Sri Lanka (IRCSL)	Director from 07.11.2024	Nil
Ms. Nelumani Daulagala	Sri Lanka Accounting & Auditing Standards Monitoring Board	Chairperson from 14.03.2024	Nil
	Central Bank of Sri Lanka	Deputy Governor	Nil
Mr. Laknath Jayawickrama	Siyapatha Finance PLC	Independent Non-Executive Director	Nil
	Institute of Chartered Accountants of Sri Lanka	Council Member from 2022	Nil
Mr. Neranjith Gamage	Winstay Private Limited	Director from 11.08.2021	1
	Perstaff Holding (Pvt) Ltd	CFO/ Consultant - Finance & Operations from 01.02.2022	Nil

The following table depicts the relationships held by the Members of the Commission who ceased to hold office during the year 2024.

Name	Name of the Related Institution	Relationship	Shareholding, if any
Mr. Faizal Salieh	The Sri Lanka Institute of Directors	Immediate Past Chairman from June 2023	Nil
	Settlement Guarantee Fund	Trustee up to 01.10.2024	Nil
Mr. Sujeewa Mudalige	CIC Feeds Pvt Ltd	Independent Non-Executive Director	Nil
	NSBM Green University	Independent Non-Executive Director	Nil
	Link Natural Products Ltd	Independent Non-Executive Director	Nil
	CIC Holdings PLC	Independent Non-Executive Director	Nil
	Mahindra Ideal Finance Limited	Independent Non-Executive Director	Nil
	Cargo Boat Development PLC	Independent Non-Executive Director	Nil
	Maliban Biscuit Manufactories (Private) Limited	Independent Non-Executive Director	Nil
	NDB Bank PLC	Independent Non-Executive Director	Nil
	Ambeon Capital PLC	Chairman / Director of the following Committee	9 million shares (1%)
	Ambeon Holdings PLC	Chairman / Director of the following Committee	Nil
	Millennium IT ESP Pvt Ltd	Chairman / Director of the following Committee	Nil
	Sherwood Capital Pvt Ltd	Chairman / Director of the following Committee	1.5 million shares (2.5%)
	The Ceylon Chamber of Commerce (CCC)	Committee / Board Member	Nil
	National Medicines Regulatory Authority (NMRA)	Committee / Board Member	Nil
	Board of Investment of Sri Lanka (BOI)	Committee / Board Member	Nil
	Mercantile Services Provident Society (MSPS)	Chairman of the following Committee	Nil
Mr. Manil Jayasinghe	Ceylon Hospitals PLC	Director	Nil
	C W Mackie PLC	Director	Nil
	Lanka Milk Foods (CWE) PLC	Director	Nil
	JKH PLC	Director	Nil
	Lanka Diaries Pvt Ltd	Director	Nil
	Sahasya Investments Ltd	Director	Nil
	NMJ Leisure Pvt Ltd	Director	Nil
Mrs. A. Nilanthi Jayaki De Alwis	Nil	Nil	Nil
Mr. Anton Godfrey	Nil	Nil	Nil
Mr. R. M. P. Rathnayake	General Treasury	Deputy Secretary	Nil
	Settlement Guarantee Fund	Trustee up to 06.11.2024	Nil
	Bank of Ceylon	Ex-officio Member	Nil
	Lotus Tower Management Company (Pvt) Limited	Director up to 06.11.2024	Nil
	Credit Guarantee Institution Limited	Chairman up to 06.11.2024	Nil

CESS Fund of the Securities and Exchange Commission of Sri Lanka

Notes to the Financial Statements

Name	Name of the Related Institution	Relationship	Shareholding, if any
Ms. Yvette Fernando	Central Bank of Sri Lanka	Senior Deputy Governor up to 22.06.2024	Nil
	Credit Information Bureau of Sri Lanka	Chairperson up to 20.06.2024	Nil
	Institute of Bankers of Sri Lanka	Chairperson up to 20.06.2024	Nil
	Api Wenuwen Api Fund	Member of Board of Management up to 20.06.2024	Nil
	Insurance Regulatory Commission of Sri Lanka	Commissioner up to 20.06.2024	Nil
Mr. Sanjeewa Dissanayake	The Department of the Registrar of Companies	Registrar General of Companies up to 08.07.2024	Nil
	Insurance Regulatory Commission of Sri Lanka	Ex-officio Member up to 08.07.2024	Nil
	Sri Lanka Accounting & Auditing Standards Monitoring Board	Ex-officio Member up to 08.07.2024	Nil
	Accounting Standards Committee of the Institute of Chartered Accountants of Sri Lanka	Ex-officio Member up to 08.07.2024	Nil

Other than the following transactions in the ordinary course of business at market rates, no transactions were recorded with the aforementioned institutions during the year under review.

The Cess Fund of the SEC maintains the following current account at Bank of Ceylon (BOC) and the bank balance is tabulated below.

Name of the Current Account	Account Number	Balance as at 31.12.2024 Rs.	Balance as at 31.12.2023 Rs.
Cess Fund of the Securities and Exchange Commission of Sri Lanka	0009834430	957,698	758,577

The following investments were channel through BOC during the year 2024.

Investment Type	Investments made in BOC during the year 2024 (Rs.)	Investment Balance in BOC as at 31.12.2024 (Rs.)
Treasury Bonds	692,999,942	741,022,742
Treasury Bills	6,722,210,098	4,386,381,119
Investments in Repo	8,373,000,000	522,000,000

Compensation Fund of the Securities and Exchange Commission of Sri Lanka

Auditor General's Report

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No.	BAN/G/COM/FA/24/09	ඔබේ අංකය / உமது இல. / Your No.		දිනය / திகதி / Date	16 June 2025

Chairman

Securities and Exchange Commission of Sri Lanka

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Compensation Fund of the Securities and Exchange Commission of Sri Lanka for the year ended 31 December 2024 in terms of Section 11 (1) of the National Audit Act, No. 19 of 2018

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1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Compensation Fund of the Securities and Exchange Commission of Sri Lanka (" Fund") for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, and the statement of financial performance, statement of changes in Compensation Fund and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of Provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Provisions of the National Audit Act, No.19 of 2018. My report to Parliament in pursuance of Provisions in Article 154(6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
+94 11 2 88 70 28 - 34 +94 11 2 88 72 23 ag@auditorgeneral.gov.lk www.naosl.gov.lk

Compensation Fund of the Securities and Exchange Commission of Sri Lanka
Auditor General's Report

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NATIONAL AUDIT OFFICE
NAOSL

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Fund is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable the annual and periodic financial statements to be prepared of the Fund.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters significant audits findings, including any significant deficiencies in internal control that I identify during my audit.

Compensation Fund of the Securities and Exchange Commission of Sri Lanka

Auditor General's Report

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

2. Report on Other Legal and Regulatory Requirements

The National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

2.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Fund as per the requirement of Section 12 (a) of the National Audit Act, No. 19 of 2018.

2.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.3 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

G.H.D. Dharmapala
Auditor General (Acting)

Statement of Financial Position

As at 31st December 2024	Note	2024 Rs.	2023 Rs.
Assets			
Non Current Assets			
Investments in Treasury Bonds		254,321,001	0
Current Assets			
Investments in Treasury Bonds		0	364,797,021
Investments in Treasury Bills		464,783,947	316,298,243
Interest Receivable		12,557,111	30,949,350
Cash and Cash Equivalents	7	53,629,549	1,792,442
Total Assets		785,291,608	713,837,055
Funds and Liabilities			
Funds Employed and Reserves			
Accumulated Fund		764,840,966	687,591,834
Current Liabilities			
Payable to SEC		20,195,150	26,047,221
Audit Fees Payable		255,492	198,000
Total Funds and Liabilities		785,291,608	713,837,055

The notes appearing on pages 125 to 130 form an integral part of the financial statements.

The Members of the Securities and Exchange Commission of Sri Lanka are responsible for the preparation and presentation of the financial statements of the Compensation Fund.

FOR AND ON BEHALF OF COMPENSATION FUND OF THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

Nirosha Kodikara
Director Finance & Administration

Chinthaka Mendis
Director General

Prof. D. B. P. H. Dissabandara
Chairman

Colombo
03rd June 2025

Compensation Fund of the Securities and Exchange Commission of Sri Lanka

Statement of Financial Performance

For the year ended 31st December 2024	Note	2024 Rs.	2023 Rs.
Income			
Interest on Treasury Bonds		35,304,039	34,993,991
Interest on Treasury Bills		45,730,289	53,151,838
Interest on Repo		1,297,310	6,051,914
Compounded Fines received during the year		28,732,781	17,900,000
Total Income		111,064,418	112,097,744
Expenditure			
Audit Fees		(291,132)	(223,700)
Bank Charges		(411,642)	(252,622)
Total Expenditure		(702,774)	(476,322)
Excess of Income over Expenditure before Taxation		110,361,644	111,621,422
Income Tax Expense	8	(33,112,513)	(33,538,275)
Excess of Income over Expenditure after Taxation		77,249,132	78,083,147

The notes appearing on pages 125 to 130 form an integral part of the financial statements.

Statement of Changes in Compensation Fund

For the year ended 31st December 2024	2024 Rs.	2023 Rs.
Accumulated Fund		
Balance at the beginning of the Year	687,591,834	609,508,687
Excess of Income over Expenditure	77,249,132	78,083,147
Balance at the end of the Year	764,840,966	687,591,834

The notes appearing on pages 125 to 130 form an integral part of the financial statements.

Compensation Fund of the Securities and Exchange Commission of Sri Lanka

Cash Flow Statement

For the year ended 31st December 2024	Note	2024 Rs.	2023 Rs.
Cash Flows from Operating Activities			
Excess of Income over Expenditure after Taxation		77,249,132	78,083,147
Adjustments for:			
(Increase)/ Decrease of Interest Receivable		18,392,238	(10,468,344)
Increase/ (Decrease) of Payable to SEC		(5,852,070)	10,483,926
Increase/ (Decrease) of Other Payables		57,492	(4,000)
Net Cash from Operating Activities		89,846,791	78,094,729
Cash Flows into Investing Activities			
Investment in Treasury Bonds		110,476,020	29,443,357
Investment in Treasury Bills		(148,485,704)	(114,361,332)
Net Cash used in Investing Activities		(38,009,684)	(84,917,975)
Net Increase/ (Decrease) in Cash and Cash Equivalents		51,837,107	(6,823,245)
Cash and Cash Equivalents at the beginning of the period (Note A)		1,792,442	8,615,687
Cash and Cash Equivalents at the end of the period (Note B)		53,629,549	1,792,442
Note A			
Cash and Cash Equivalents at the beginning of the period			
Investments in Repo		1,200,000	8,000,000
Cash at Bank		592,442	615,687
		1,792,442	8,615,687
Note B			
Cash and Cash Equivalents at the end of the period			
Investments in Repo	7	53,000,000	1,200,000
Cash at Bank	7	629,549	592,442
		53,629,549	1,792,442

The notes appearing on pages 125 to 130 form an integral part of the financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

1.1 Reporting Entity

Compensation Fund of the Securities and Exchange Commission of Sri Lanka was established under the Section 38 (1) of the SEC act No. 36 of 1987 as amended by Act No. 26 of 1991, Act No. 18 of 2003 and Act No. 47 of 2009, which was repealed and replaced by the section 158(1) of the Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021.

Section 158 (1) of the SEC Act. 19 of 2021 reads as 'There shall be established a fund called the "Compensation Fund", by the Commission for the purpose of granting limited compensation to any investor who suffers pecuniary loss as a result of any licensed stockbroker or licensed stock dealer being found by the Commission as being incapable of meeting his contractual obligations'.

The Compensation Fund is domiciled in the Democratic Socialist Republic of Sri Lanka and situated at Level 28 and 29, East Tower - World Trade Center, Echelon Square, Colombo 01.

1.2 Nature of Operations and Principal Activities

According to the Section 158 (1) of the SEC Act No.19 of 2021, the purpose of establishing the Compensation Fund is to grant limited compensation to any investor who suffers pecuniary loss as a result of any licensed stockbroker or licensed stock dealer being found by the Commission as being incapable of meeting its contractual obligations.

Further, the Section 158 (2) of the SEC Act stated that the Compensation Fund shall consist of;

(a) such sums of money as may be voted upon by Parliament;

(b) such sums of money as may be credited to the Fund under the provisions of this Act; and

(c) such sums of money as may be credited from the Cess Fund as approved by the Commission.

In addition, in terms of the Section 158 (3) of the SEC Act, monies belonging to the Compensation Fund may be invested by the Commission in such manner as may be determined by the Commission.

1.3 Statement of Compliance

Compensation Fund of the Securities and Exchange Commission of Sri Lanka prepared its financial statements in accordance with the Sri Lanka Public Sector Accounting Standards (SLPSAS) issued by the Institute of Chartered Accountants of Sri Lanka. The financial statements comprise the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Reserves and Cash Flow Statement together with the Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information.

1.4 Responsibility for Financial Statements

The Members of the Commission of the Securities and Exchange Commission of Sri Lanka are responsible for the preparation and presentation of the financial statements.

1.5 Going Concern

When preparing the financial statements the Members of the Commission assessed the ability of the Compensation Fund to continue as a going concern. The Members of the Commission have a reasonable expectation that the Compensation Fund has adequate resources to continue in operational existence for the foreseeable future. The Compensation Fund does not foresee a need for liquidation or cessation of operations, taking into account all available information about the future. Accordingly, the Compensation Fund continues

to adopt the going concern basis in preparing the financial statements and the accounting policies have been applied consistently throughout the period.

1.6 Basis of Preparation

Based on a recommendation made by the SEC Audit Committee in terms of the provisions of the SEC Act, with effect from 01st January 2020 the Commission of the Securities and Exchange Commission of Sri Lanka decided to prepare a separate set of financial statements for the Compensation Fund of the SEC. Hence, this set of Financial Statements contains the Statement of Financial Position, the Statement of Financial Performance, the Statement of Changes in Compensation Fund and the Cash Flow Statement together with the Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information of the Compensation Fund of the SEC.

The financial statements of the Compensation Fund are presented in Sri Lankan Rupees rounded to the nearest Rupee.

The financial statements are prepared on accrual basis and on the historical cost basis. Where appropriate accounting policies are disclosed in succeeding notes.

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

Compensation Fund of the Securities and Exchange Commission of Sri Lanka

Notes to the Financial Statements

1.7 Use of Estimates and Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

1.8 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Compensation Fund's functional currency. There was no change in the entity's presentation and functional currency during the year under review. Foreign exchange transactions, if any are converted to Sri Lankan Rupees at the rate of exchange prevailing at the time of the transaction.

1.9 Materiality and Aggregation

Each material class of similar item is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

1.10 Offsetting

Assets & liabilities and revenue & expenses are not offset unless required or permitted by a SLPSAS or the offsetting reflects the substance of the transaction or other event, detracts from the ability of users both to understand the transactions, other events and condition that occurred and to assess the Compensation Fund's future cash flows.

1.11 Comparative Information

Comparative figures have been adjusted to conform to the changes in presentation in the current financial year.

1.12 Events After the Reporting Date

All material events after the reporting date are considered and appropriate adjustments or disclosures are made in the financial statements, where necessary.

1.13 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year.

2 ASSETS AND BASES OF THEIR VALUATION

2.1 Investments

Investments are made in fixed deposits and short-term investments at Licensed Government banks, in Government Treasury bills and Government Treasury Bonds which are stated at cost and interest accrued up to the end of the reporting period.

2.2 Receivables

Receivables are stated at the estimated realisable value.

3 LIABILITIES & PROVISIONS

3.1 Liabilities

Liabilities classified as current liabilities in the Statement of Financial Position are those, which fall due for payment on demand or within one year from the reporting date. The non-current liabilities are those balances that fall due for payment after one year from the reporting date.

All known liabilities have been accounted at cost in preparing the financial statements.

4 STATEMENT OF FINANCIAL PERFORMANCE

4.1 Interest Income

Interest Income on investments are recognised in the Statement of Financial Performance on an accrual basis.

4.2 Fine Received

Fine received to the Compensation Fund in terms of the provisions of the SEC Act is recognised on cash basis.

4.3 Other Income

Other income, if any is recognised on an accrual basis.

5 EXPENDITURE RECOGNITION

All expenditure of the Compensation Fund is recognised on accrual basis and charged to revenue in ascertaining the financial performance.

6 CASH FLOW STATEMENT

For the purpose of the Cash Flow Statement, Cash and Cash Equivalents consist of cash in hand, cash at bank and REPO investments with a maturity of less than three months at banks.

7 CASH AND CASH EQUIVALENTS

For the year ended 31st December 2023	2024 Rs.	2023 Rs.
Investments in Repo	53,000,000	1,200,000
Cash at Bank	629,549	592,442
Total	53,629,549	1,792,442

8 INCOME TAX EXPENSE

For the year ended 31st December 2023	2024 Rs.	2023 Rs.
Income Tax Expense for the Y/A 2022/2023	0	51,849
Income Tax Expense for the Y/A 2023/2024	4,019	33,486,426
Income Tax Expense for the Y/A 2024/2025	33,108,493	0
Total	33,112,513	33,538,275

The liability for the income tax is computed in terms of the Inland Revenue Act No. 24 of 2017, as amended.

9 CAPITAL COMMITMENTS

There were no capital commitments as at 31.12.2024.

10 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31.12.2024.

11 EVENTS AFTER THE REPORTING DATE

No material events have occurred after the balance sheet date necessitating any adjustments to the financial statements.

12 RELATED PARTY DISCLOSURES

The Compensation Fund is managed by the Members of the Commission of the Securities and Exchange Commission of Sri Lanka.

The Chairman and the Members of the Commission as at 31.12.2024 were as follows.

- Prof. D. B. P. H. Dissabandara, Chairman, an Appointed Member with effect from 04th October 2024.
- Mr. Heshana Kuruppu, an Ex-Officio Member by virtue of him holding office as the President of the Institute of Chartered Accountants of Sri Lanka with effect from 18th December 2023.
- Ms. Aravindi De Silva, an Ex-Officio Member by virtue of him holding office as the Registrar General of Companies of the Department of the Registrar of Companies with effect from 30th December 2024.
- Mr. H. D. C. L. Silva, a Nominated Member by virtue of him holding office as Deputy Secretary to the Treasury with effect from 29th November 2024.
- Ms. Nelumani Daulagala, a Nominated Member by virtue of him holding office as Deputy Governor of the Central Bank of Sri Lanka with effect from 10th July 2024.
- Mr. Laknath Jayawickrama, an Appointed Member with effect from 12th December 2024.
- Mr. Neranjith Gamage, an Appointed Member with effect from 27th December 2024.

The following Members of the Commission ceased to hold office during the year 2024.

- Mr. Faizal Salieh, Chairman, an Appointed Member, ceased to hold office with effect from 01st October 2024.
- Mr. Sujeewa Mudalige an Appointed Member, ceased to hold office during the year 2024.
- Mr. Manil Jayasinghe, an Appointed Member, ceased to hold office with effect from 14th October 2024.
- Mrs. A. Nilanthi Jayaki De Alwis, an Appointed Member, ceased to hold office with effect from 14th October 2024.
- Mr. Anton Godfrey, an Appointed Member, ceased to hold office with effect from 09th October 2024.
- Mr. R. M. P. Rathnayake, a Nominated Member by virtue of him holding office as Deputy Secretary to the Treasury, ceased to hold office with effect from 06th November 2024.
- Ms. Yvette Fernando, a Nominated Member by virtue of him holding office as Senior Deputy Governor of the Central Bank of Sri Lanka, ceased to hold office with effect from 20th June 2024.
- Mr. Sanjeewa Dissanayake, an Ex-Officio Member by virtue of him holding office as the Registrar General of Companies of the Department of the Registrar of Companies, ceased to hold office with effect from 08th July 2024.

Compensation Fund of the Securities and Exchange Commission of Sri Lanka

Notes to the Financial Statements

The following table depicts the relationship held by the Members of the Commission who held office as at 31.12.2024.

Name	Name of the Related Institution	Relationship	Shareholding, if any
Prof. D. B. P. H. Dissabandara	The Sri Lanka Finance Association	President from December 2022	Nil
	Human Rights Defense Council	Board Member from 2023	Nil
	Settlement Guarantee Fund	Trustee from 01.10.2024	Nil
Mr. Heshana Kuruppu	David Pieris Holdings (Private) Limited	Group Finance Director from 20.01.2023	Nil
	David Pieris Motor Company (Private) Limited	Group Finance Director from 16.01.2019	Nil
	David Pieris Automobiles (Private) Limited	Group Finance Director from 16.01.2019 to 13.02.2024	Nil
	David Pieris Motor Company (Lanka) Limited	Group Finance Director from 16.01.2019	Nil
	DP Infotech (Private) Limited	Non-Executive Director from 14.05.2020	Nil
	Affiniti Innovations (Private) Limited	Non-Executive Chairman from 26.08.2021 to 04.04.2024	Nil
	Electrozen Distributors (Private) Limited	Non-Executive Director from 23.06.2021	Nil
	Electrozen Global (Private) Limited	Non-Executive Director from 31.07.2021	Nil
	Dynamic Global Ventures (Pvt) Ltd	Director from 16.05.2024	Nil
	Institute of Chartered Accountants of Sri Lanka	President from 17.12.2021	Nil
	South Asian Federation of Accountants	President from 01.01.2023 to 31.12.2024	Nil
	Sri Lanka Accounting & Auditing Standards Monitoring Board	Board Member from 14.03.2024	Nil
Ms. Aravindi De Silva	The Department of the Registrar of Companies	Registrar General of Companies from 30.12.2024	Nil
	Employees' Trust Fund	Director from 2022	Nil
	Insurance Regulatory Commission of Sri Lanka	Ex-officio Member from 30.12.2024	Nil
	Sri Lanka Accounting & Auditing Standards Monitoring Board	Ex-officio Member from 30.12.2024	Nil
	Accounting Standards Committee of the Institute of Chartered Accountants of Sri Lanka	Ex-officio Member from 30.12.2024	Nil
Mr. H. D. C. L. Silva	General Treasury	Deputy Secretary	Nil
	Settlement Guarantee Fund	Trustee from 29.11.2024	Nil
	State Mortgage and Investment Bank (SMIB)	Director from 11.01.2020	Nil
	Insurance Regulatory Commission of Sri Lanka (IRCSL)	Director from 07.11.2024	Nil
Ms. Nelumani Daulagala	Sri Lanka Accounting & Auditing Standards Monitoring Board	Chairperson from 14.03.2024	Nil
	Central Bank of Sri Lanka	Deputy Governor	Nil
Mr. Laknath Jayawickrama	Siyapatha Finance PLC	Independent Non-Executive Director	Nil
	Institute of Chartered Accountants of Sri Lanka	Council Member from 2022	Nil
Mr. Neranjith Gamage	Winstay Private Limited	Director from 11.08.2021	1
	Perstaff Holding (Pvt) Ltd	CFO/ Consultant - Finance & Operations from 01.02.2022	Nil

The following table depicts the relationships held by the Members of the Commission who ceased to hold office during the year 2024.

Name	Name of the Related Institution	Relationship	Shareholding, if any
Mr. Faizal Salieh	The Sri Lanka Institute of Directors	Immediate Past Chairman from June 2023	Nil
	Settlement Guarantee Fund	Trustee up to 01.10.2024	Nil
Mr. Sujeewa Mudalige	CIC Feeds Pvt Ltd	Independent Non-Executive Director	Nil
	NSBM Green University	Independent Non-Executive Director	Nil
	Link Natural Products Ltd	Independent Non-Executive Director	Nil
	CIC Holdings PLC	Independent Non-Executive Director	Nil
	Mahindra Ideal Finance Limited	Independent Non-Executive Director	Nil
	Cargo Boat Development PLC	Independent Non-Executive Director	Nil
	Maliban Biscuit Manufactories (Private) Limited	Independent Non-Executive Director	Nil
	NDB Bank PLC	Independent Non-Executive Director	Nil
	Ambeon Capital PLC	Chairman / Director of the following Committee	9 million shares (1%)
	Ambeon Holdings PLC	Chairman / Director of the following Committee	Nil
	Millennium IT ESP Pvt Ltd	Chairman / Director of the following Committee	Nil
	Sherwood Capital Pvt Ltd	Chairman / Director of the following Committee	1.5 million shares (2.5%)
	The Ceylon Chamber of Commerce (CCC)	Committee / Board Member	Nil
	National Medicines Regulatory Authority (NMRA)	Committee / Board Member	Nil
	Board of Investment of Sri Lanka (BOI)	Committee / Board Member	Nil
	Mercantile Services Provident Society (MSPS)	Chairman of the following Committee	Nil
Mr. Manil Jayasinghe	Ceylon Hospitals PLC	Director	Nil
	C W Mackie PLC	Director	Nil
	Lanka Milk Foods (CWE) PLC	Director	Nil
	JKH PLC	Director	Nil
	Lanka Diaries Pvt Ltd	Director	Nil
	Sahasya Investments Ltd	Director	Nil
	NMJ Leisure Pvt Ltd	Director	Nil
Mrs. A. Nilanthi Jayaki De Alwis	Nil	Nil	Nil
Mr. Anton Godfrey	Nil	Nil	Nil
Mr. R. M. P. Rathnayake	General Treasury	Deputy Secretary	Nil
	Settlement Guarantee Fund	Trustee up to 06.11.2024	Nil
	Bank of Ceylon	Ex-officio Member	Nil
	Lotus Tower Management Company (Pvt) Limited	Director up to 06.11.2024	Nil
	Credit Guarantee Institution Limited	Chairman up to 06.11.2024	Nil

Compensation Fund of the Securities and Exchange Commission of Sri Lanka

Notes to the Financial Statements

Name	Name of the Related Institution	Relationship	Shareholding, if any
Ms. Yvette Fernando	Central Bank of Sri Lanka	Senior Deputy Governor up to 22.06.2024	Nil
	Credit Information Bureau of Sri Lanka	Chairperson up to 20.06.2024	Nil
	Institute of Bankers of Sri Lanka	Chairperson up to 20.06.2024	Nil
	Api Wenuwen Api Fund	Member of Board of Management up to 20.06.2024	Nil
	Insurance Regulatory Commission of Sri Lanka	Commissioner up to 20.06.2024	Nil
Mr. Sanjeewa Dissanayake	The Department of the Registrar of Companies	Registrar General of Companies up to 08.07.2024	Nil
	Insurance Regulatory Commission of Sri Lanka	Ex-officio Member up to 08.07.2024	Nil
	Sri Lanka Accounting & Auditing Standards Monitoring Board	Ex-officio Member up to 08.07.2024	Nil
	Accounting Standards Committee of the Institute of Chartered Accountants of Sri Lanka	Ex-officio Member up to 08.07.2024	Nil

Other than the following transactions in the ordinary course of business at market rates, no transactions were recorded with the aforementioned institutions during the year under review.

The Compensation Fund of the SEC maintains the following current account at Bank of Ceylon (BOC) and the bank balance is tabulated below.

Name of the Current Account	Account Number	Balance as at 31.12.2024 Rs.	Balance as at 31.12.2023 Rs.
Compensation Fund of the Securities and Exchange Commission of Sri Lanka	75433985	629,549	592,442

The following investments were channel through BOC during the year 2024.

Investment Type	Investments made in BOC during the year 2024 (Rs.)	Investment Balance in BOC as at 31.12.2024 BOC (Rs.)
Treasury Bonds	259,999,954	259,999,954
Treasury Bills	713,439,690	464,783,947
Investments in Repo	818,200,000	53,000,000

Settlement Guarantee Fund of the Securities and Exchange Commission of Sri Lanka

Auditor General's Report

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No. } BAN/G/SGF/FA/24/07 ඔබේ අංකය / உமது இல. / Your No. } දිනය / திகதி / Date } 16 June 2025

Chairman

Securities and Exchange Commission of Sri Lanka

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Settlement Guarantee Fund of the Securities and Exchange Commission of Sri Lanka for the year ended 31 December 2024 in terms of Section 11 (1) of the National Audit Act, No. 19 of 2018

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1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Settlement Guarantee Fund of the Securities and Exchange Commission of Sri Lanka("Fund") for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of Provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Provisions of the National Audit Act, No.19 of 2018 and paragraph 11 (d) of the Deed of Trust No. 1376 dated 21/22 May 1998 relating to establishment of the Fund as a proposed in the budget presented for the year 1998. My report to Parliament in pursuance of Provisions in Article 154(6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

අංක 306/72, පොල්දුව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
+94 11 2 88 70 28 - 34 +94 11 2 88 72 23 ag@auditorgeneral.gov.lk www.naosl.gov.lk

Settlement Guarantee Fund of the Securities and Exchange Commission of Sri Lanka

Auditor General's Report

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE
NAOSL

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Fund is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable the annual and periodic financial statements to be prepared of the Fund.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters significant audits findings, including any significant deficiencies in internal control that I identify during my audit.

Settlement Guarantee Fund of the Securities and Exchange Commission of Sri Lanka

Auditor General's Report

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE
NAOSL

2. Report on Other Legal and Regulatory Requirements

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

2.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Fund as per the requirement of Section 12 (a) of the National Audit Act, No. 19 of 2018.

2.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.3 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

G.H.D. Dharmapala
Auditor General (Acting)

Statement of Financial Position

As at 31st December 2024	Note	2024 Rs.	2023 Rs.
Assets			
Non Current Assets			
Investments in Treasury Bonds		7,756,754	0
Current Assets			
Investments in Treasury Bonds		0	90,631,135
Investments in Treasury Bills		1,268,883,107	1,146,692,978
Interest Receivable		34,361,758	81,658,124
Cash and Cash Equivalents	5	98,915,156	3,783,399
Total Assets		1,409,916,775	1,322,765,636
Funds and Liabilities			
Funds Employed and Reserves			
Grant - Treasury		50,000,000	50,000,000
Grant - Cess Fund		100,000,000	100,000,000
Grant - Colombo Stock Exchange		100,000,000	100,000,000
Accumulated Fund		1,139,016,304	1,028,305,407
Current Liabilities			
Income Tax Payable	6	20,637,544	32,999,470
Payable to SEC		0	11,262,760
Audit Fees Payable		262,927	198,000
Total Funds and Liabilities		1,409,916,775	1,322,765,636

The notes appearing on pages 139 to 142 form an integral part of the financial statements.

The Trustees of the Settlement Guarantee Fund are responsible for the preparation of these financial statements.

FOR AND ON BEHALF OF THE SETTLEMENT GUARANTEE FUND

Nirosha Kodikara
Director Finance & Administration

Chinthaka Mendis
Director General

Prof. D. B. P. H. Dissabandara
Chairman

Colombo
03rd June 2025

Settlement Guarantee Fund of the Securities and Exchange Commission of Sri Lanka

Statement of Financial Performance

For the year ended 31st December 2024	Note	2024 Rs.	2023 Rs.
Income			
Interest on Treasury Bonds		6,601,897	11,612,198
Interest on Treasury Bills		150,285,855	153,122,103
Interest on Fixed Deposits		0	13,054,518
Interest on Repo		1,988,941	18,650,158
Total Income		158,876,693	196,438,976
Expenditure			
Audit Fees		(294,067)	(225,700)
Bank Charges		(424,200)	(292,036)
Total Expenditure		(718,267)	(517,736)
Excess of Income over Expenditure before Taxation		158,158,426	195,921,240
Income Tax Expense	7	(47,447,529)	(58,788,983)
Excess of Income over Expenditure after Taxation		110,710,897	137,132,257

The notes appearing on pages 139 to 142 form an integral part of the financial statements.

Statement of Changes in Net Assets

For the year ended 31st December 2024	2024 Rs.	2023 Rs.
Accumulated Fund		
Balance at the beginning of the year	1,028,305,407	891,173,149
Excess of Income over Expenditure for the year	110,710,897	137,132,257
Balance at the end of the year	1,139,016,304	1,028,305,407

The notes appearing on pages 139 to 142 form an integral part of the financial statements.

Settlement Guarantee Fund of the Securities and Exchange Commission of Sri Lanka

Cash Flow Statement

For the year ended 31st December 2024	Note	2024 Rs.	2023 Rs.
Cash Flow from Operating Activities			
Excess of Income over Expenditure after Taxation		110,710,897	137,132,257
Adjustments for:			
(Increase)/ Decrease of Other Receivables		47,296,367	21,228,948
Increase/ (Decrease) of Payables		(23,559,759)	23,289,477
Net Cash from Operating Activities		134,447,505	181,650,682
Cash Flow from Investing Activities			
Investments in Treasury Bonds		82,874,381	104,229,240
Investments in Fixed Deposits		0	300,000,000
Investments in Treasury Bills		(122,190,129)	(591,509,090)
Net Cash used in Investing Activities		(39,315,748)	(187,279,850)
Net Increase/ (Decrease) in Cash and Cash Equivalents		95,131,757	(5,629,168)
Cash & Cash Equivalents at the beginning of the period (Note A)		3,783,399	9,412,567
Cash & Cash Equivalents at the end of the period (Note B)		98,915,156	3,783,399
Note A			
Cash & Cash Equivalents at the beginning of the period			
Investments in Repo		3,200,001	9,000,001
Cash at Bank		583,398	412,566
Total		3,783,399	9,412,567
Note B			
Cash & Cash Equivalents at the end of the period			
Investments in Repo	5	98,000,001	3,200,001
Cash at Bank	5	915,156	583,398
Total		98,915,156	3,783,399

The notes appearing on pages 139 to 142 form an integral part of the financial statements.

Notes to the Financial Statements

1. GENERAL INFORMATION

1.1 Statement Of Compliance

The Settlement Guarantee Fund (SGF) of the Securities and Exchange Commission of Sri Lanka is a nonprofit making Trust established in 1998 by virtue of the Deed of Trust No. 1376, as amended. Its financial statements are prepared in accordance with the Sri Lanka Public Sector Accounting Standards.

1.2 Responsibility for Financial Statements

The Board of Trustees of the SGF is responsible for the preparation and presentation of the financial statements.

1.3 Basis of Preparation

The financial statements of the SGF are presented in Sri Lankan Rupees rounded to the nearest Rupee. The financial statements are prepared on accrual basis under the historical cost convention. Where appropriate accounting policies are disclosed in succeeding notes.

1.4 Events after the Reporting Date

All material events after the reporting date are considered and appropriate adjustments or disclosures are made in the financial statements, where necessary.

1.5 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year.

1.6 Comparative Figures

Comparative figures have been adjusted to conform to the changes in presentation in the current financial year.

2. ASSETS AND BASES OF THEIR VALUATION

2.1 Investments

Investments are made in Government Treasury Bonds, Fixed Deposits and REPO investments at Licensed Government banks which are stated at cost and interest accrued up to the end of the reporting period.

2.2 Receivables

Receivables are stated at the estimated realisable value.

3. LIABILITIES & PROVISIONS

3.1 Retirement Benefit

Retiring gratuities payable in terms of Gratuity Act No. 12 of 1983 do not arise since the SGF is administered by the Trustees and there are no staff employed by the SGF.

3.2 Accounts Payable

Payables are stated at cost.

4. STATEMENT OF FINANCIAL PERFORMANCE

4.1 Revenue Recognition

Interest on investments is recognised on an accrual basis.

4.2 Expenditure Recognition

All expenditure incurred in maintaining the SGF has been recognised on accrual basis and charged to revenue in ascertaining the financial performance.

4.3 Cash Flow Statement

For the purpose of the Cash Flow Statement, Cash and Cash Equivalents consist of cash in hand, cash at bank and REPO investments with a maturity of less than three months at banks.

5. CASH AND CASH EQUIVALENTS

For the year ended 31st December 2024	2024 Rs.	2023 Rs.
Investments in Repo	98,000,001	3,200,001
Cash at Bank	915,156	583,398
Total	98,915,156	3,783,399

6. INCOME TAX PAYABLE

For the year ended 31st December 2024	2024 Rs.	2023 Rs.
Income Tax Payable for the Y/A 2021/2022	(101,382)	(101,382)
Income Tax Payable for the Y/A 2023/2024	0	33,100,852
Income Tax Payable for the Y/A 2024/2025	20,738,926	0
Total	20,637,544	32,999,470

Settlement Guarantee Fund of the Securities and Exchange Commission of Sri Lanka

Notes to the Financial Statements

7. INCOME TAX EXPENSE

For the year ended 31st December 2024	2024 Rs.	2023 Rs.
Income Tax Expense for the Y/A 2022/2023	0	12,611
Income Tax Expense for the Y/A 2023/2024	1	58,776,372
Income Tax Expense for the Y/A 2024/2025	47,447,528	0
Total	47,447,529	58,788,983

The liability for the income tax is computed in terms of the Inland Revenue Act No. 24 of 2017, as amended.

8. CAPITAL COMMITMENTS

There were no capital commitments as at 31st December 2024.

9. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31st December 2024.

10. EVENTS AFTER THE REPORTING DATE

The Trustees monitor events closely and where necessary adjustments or disclosures are made in the current financial statements in respect of material post balance sheet events as appropriate.

11. RELATED PARTY DISCLOSURE

The trustees of the Fund consist of the Chairman and the Director General of the Securities and Exchange Commission of Sri Lanka (SEC), the Chairman and the Chief Executive Officer of the Colombo Stock Exchange (CSE) and the Deputy Secretary to the Treasury who serves as the Commission Member of the SEC.

The following trustees of the SGF held office as at 31.12.2024.

- Prof. D. B. P. H. Dissabandara, Chairman of the SEC with effect from 04th October 2024
- Mr. Chinthaka Mendis, Director General of the SEC
- Mr. Dilshan Wirasekara, Chairman of the CSE
- Mr. Rajeeva Bandaranaike, Chief Executive Officer of the CSE
- Mr. H. D. C. L. Silva, a Commission Member of the SEC with effect from 29th November 2024 and a Deputy Secretary to the Treasury

The following trustees ceased to hold office during the year 2024.

- Mr. Faizal Salieh, Chairman of the SEC, ceased to hold office with effect from 01st October 2024.
- Mr. R. M. P. Rathnayake, a Commission Member of the SEC and a Deputy Secretary to the Treasury ceased to hold office with effect from 06th November 2024.

The following table depicts the relationship held by the trustees of the SGF as at 31.12.2024.

Name	Name of the Related Institution	Relationship	Shareholding, if any
Prof. D. B. P. H. Dissabandara	Securities and Exchange Commission of Sri Lanka	Chairman from 04th October 2024	Nil
	The Sri Lanka Finance Association	President from December 2022	Nil
	Human Rights Defense Council	Board Member from 2023	Nil
Mr. Chinthaka Mendis	Securities and Exchange Commission of Sri Lanka	Director General	Nil
	Sri Lanka Accounting and Auditing Standards Monitoring Board	Ex-officio Member	Nil
	Construction Guarantee Fund	Trustee	Nil
Mr. Rajeeva Bandaranaike	Colombo Stock Exchange	Chief executive Officer	Nil
	Lanka Financial Services Bureau Limited	Director	Nil

Name	Name of the Related Institution	Relationship	Shareholding, if any
Mr. Dilshan Wirasekara	Colombo Stock Exchange	Chairman from June 2022	Nil
	First Capital Limited	Managing Director from May 2017	Nil
	First Capital Treasuries PLC	Non-Executive Director from May 2017	Nil
	First Capital Advisory Services (Pvt) Ltd	Managing Director from September 2023	Nil
	First Capital Holding PLC	Managing Director/ CEO from May 2017	Nil
	First Capital Asset Management Ltd	Managing Director from May 2017	Nil
	First Capital Market Limited	Managing Director/CEO from May 2017	Nil
	First Capital Equities (Pvt) Ltd	Managing Director from May 2017	Nil
	First Capital Trustee Services (Pvt) Ltd	Managing Director/CEO from May 2017	Nil
Mr. H. D. C. L. Silva	Securities and Exchange Commission of Sri Lanka	Commission Member from 29.11.2024	Nil
	General Treasury	Deputy Secretary	Nil
	State Mortgage and Investment Bank (SMIB)	Director from 11.01.2020	Nil
	Insurance Regulatory Commission of Sri Lanka (IRCSL)	Director from 07.11.2024	Nil

The following table depicts the relationships held by the trustees of the SGF who ceased to hold office during the year 2024.

Name	Name of the Related Institution	Relationship	Shareholding, if any
Mr. Faizal Salieh	Securities and Exchange Commission of Sri Lanka	Chairman up to 01.10.2024	Nil
	The Sri Lanka Institute of Directors	Immediate Past Chairman from June 2023	Nil
Mr. R. M. P. Rathnayake	Securities and Exchange Commission of Sri Lanka	Commission Member up to 06.11.2024	Nil
	General Treasury	Deputy Secretary	Nil
	Bank of Ceylon	Ex-officio Member	Nil
	Lotus Tower Management Company (Pvt) Limited	Director up to 06.11.2024	Nil
	Credit Guarantee Institution Limited	Chairman up to 06.11.2024	Nil

Settlement Guarantee Fund of the Securities and Exchange Commission of Sri Lanka

Notes to the Financial Statements

Other than the following transactions in the ordinary course of business at market rates, no transactions were recorded with the aforementioned institutions during the year under review.

The Settlement Guarantee Fund of the SEC maintains the following current account at Bank of Ceylon (BOC) and the bank balance is tabulated below.

Name of the Current Account	Account Number	Balance as at 31.12.2024 Rs.	Balance as at 31.12.2023 Rs.
Settlement Guarantee Fund of the Securities and Exchange Commission of Sri Lanka	1833	915,156	583,398

The following investments were channel through BOC during the year 2024.

Investment Type	Investments made in BOC during the year 2024 (Rs.)	Investment Balance in BOC as at 31.12.2024 BOC (Rs.)
Treasury Bonds	7,999,945	7,999,945
Treasury Bills	1,921,465,419	1,268,883,107
Investments in Repo	1,291,650,000	98,000,000

Notes

Notes

Corporate Information

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Sri Lanka

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E-mail

mail@sec.gov.lk

Web

www.sec.gov.lk

Accounting Year

Year ended 31st December 2024

Auditors

The Auditor General

Bankers

Bank of Ceylon
Sampath Bank PLC
Commercial Bank of Ceylon PLC
Hatton National Bank PLC

Designed & produced by
emagewise
Digital Plates & Printing by Softwave Printing and Packaging (Pvt) Ltd

SEC SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA