

FOSTER GROWTH



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FOSTER GROWTH

A viable securities market carves a pathway for economic growth and development by mobilising savings from investors and channeling them into productive investments. The Securities and Exchange Commission of Sri Lanka (SEC) has put in place a regulatory framework designed to strengthen and protect the integrity and soundness of the securities market, thereby ensuring professional standards that meet the aspirations and expectations of our stakeholders. Our visionary goal is to transform the capital market to the preferred choice for long-term fundraising. At SEC, we foster growth.

ABOUT US

Our Vision

To become the benchmark regulator in the region for effective, efficient and proactive capital market regulation

Our Mission

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

About Us

The SEC, was established by Act of Parliament No. 36 of 1987 and is now repealed and replaced by the SEC Act No. 19 of 2021. The SEC is statutorily empowered to regulate and facilitate the development of the capital market and comes under the purview of the Ministry of Finance, Economic Stabilization & National Policies (MOF).



A stylized illustration of a city skyline in white and light blue, featuring various skyscrapers and a prominent green tower with a purple top. The skyline is positioned behind the main title text.

FOSTER TRANSPARENCY

EXECUTIVE REVIEWS

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CHAIRMAN'S REVIEW



“Accurate, timely and reliable disclosures build investor confidence and are a cornerstone of a robust and efficient capital market. Through our continuous disclosure review program, we remained committed to ensuring that Listed Companies are compliant with financial reporting standards and disclosure regulations.”

YEAR IN REVIEW

I am pleased to present this annual report for the year ended 2022, following my appointment as Chairman of the SEC in February 2023. As most countries gradually rebounded from the COVID-19 pandemic in the year 2022, Sri Lanka grappled with its worst economic crisis which came about from a confluence of factors and resulted in contraction of output, soaring inflation and acute foreign exchange scarcity which led to shortages in essential commodities, high interest rates and difficulties in servicing external debt. These were some of the challenges against which, the SEC pursued its regulatory and development mandate in 2022. Despite these challenges, we were committed to facilitating capital formation and protecting investors by reducing the regulatory burden, ensuring compliance, strengthening enforcement and enhancing financial literacy, the key highlights of which are provided in this annual report.

RAISING THE BAR FOR LISTED COMPANY CONDUCT

Accurate, timely and reliable disclosures build investor confidence and are a cornerstone of a robust and efficient capital market. Through our continuous disclosure review program, we remained committed to ensuring that Listed Companies are compliant with financial reporting standards and disclosure regulations. Significant deficiencies and misleading disclosures were communicated to the companies in order that they resolve the issues and improve the quality of disclosures; and in some instances of non-compliance we undertook rigorous enforcement action. We engaged with companies and external auditors to ensure that investors receive accurate, transparent and timely information especially during uncertain and volatile conditions which impacted cash flows, operations, financial performance and business prospects. With the increased focus on sustainable finance, we will make concerted efforts with our stakeholders towards creating awareness and facilitating the implementation of sustainability disclosures by listed entities.

HEIGHTENED OVERSIGHT FOR REGULATED ENTITIES

As a consequence of the enactment of the new SEC Act in 2021, we introduced new Rules pertaining to Market Institutions, Market Intermediaries, and a Code for Collective Investment Schemes (CIS) to build trust and resilience in our market by encouraging good conduct, the promotion of responsible business, enhancing governance standards as well as cultivating self-regulation and a compliance culture. The SEC adopted a robust process to develop the Rules and incorporate feedback from regulated entities, minimise the regulatory burden and protect investors. The effective supervision of regulated entities is central to the SEC's regulatory role. In order to mitigate any systemic risk arising from regulated entities to the capital market, we strengthened the supervision of regulated entities through an effective risk – based supervision framework for both on-site and off-site supervision. During the year under

“We introduced new Rules pertaining to Market Institutions, Market Intermediaries, and a Code for Collective Investment Schemes (CIS) to build trust and resilience in our market by encouraging good conduct, the promotion of responsible business, enhancing governance standards as well as cultivating self-regulation and a compliance culture.”

review, the key measures that enabled regulated entities to remain operationally resilient despite the many significant disruptions, included robust systems, effective governance arrangements, information security and effective business continuity plans.

DIGITALIZATION AND RETAIL MARKET CONDUCT

The digitalization of the stock market culminated in a surge of retail investors to the CSE. In 2022, a significant increase was observed in the number of retail investors, particularly amongst investors below the age of 40 who turned to social media platforms to learn about investing and obtain investment guidance. As these new channels have emerged, so have concerns about the credibility of information. During the year, we took steps to identify and take enforcement action against potential market misconduct carried out through social media posts. We continued to deliver investor education programs to ensure that investors have proper access to financial education and are able to verify and understand the information generated by various channels and make informed investment decisions.

ROLE OF TECHNOLOGY FOR MARKET SURVEILLANCE

Amidst market volatility, we heightened the monitoring of market activities to ensure timely detection of trading irregularities in order to enhance investor protection and build investor confidence. Over the years, as a consequence of the extensive use of internet and digital media, the speed at which non-public information can be transmitted and misused has notably increased. The SEC endeavoured to put a check on such fraudulent stock tips circulated through social media and initiate timely and proportionate enforcement action. Rapidly changing technology poses novel challenges and data has become the backbone of surveillance. In continuation of our efforts to unearth complex market misconduct, we adopted various innovative techniques such as pattern recognition and data analytics using a web-based platform with robust tools for analysis. Where breaches were identified, the SEC deployed a range of enforcement tools under its administrative, civil and

CHAIRMAN'S REVIEW

criminal powers. The future of surveillance will entail further deployment of technology to detect and curb more complex and evolving market manipulation techniques.

FACILITATING NEW CAPITAL-RAISING OPTIONS

On the development front, the SEC continued to facilitate the introduction of new products and platforms to add depth to our market and provide options to a wide range of investors with different trading strategies, risk appetites and investment horizons. Supporting the development of green and sustainable finance is a key focus for the SEC. As part of this effort, in collaboration with the CSE we are spearheading the introduction of Environmental, Social and Governance (ESG) based products and an ESG Index to generate a positive impact to the economy, community, and environment. Other products which are to be introduced in the foreseeable future include stock borrowing and lending, regulated short selling, Islamic Capital Market Products, Gold Exchange Traded Funds (ETFs), Infrastructure Bonds, OTC Platform to carry out REPO transactions, etc.

ENHANCED INVESTOR EDUCATION

The Financial Literacy Survey conducted by the Central Bank of Sri Lanka (CBSL) in 2021 revealed that 57.9 % of adults are financially literate in Sri Lanka. Despite this, there is still a wide scope to improve the financial knowledge of Sri Lankans. Financial literacy is a life skill and it is critical that we impart financial knowledge from a young age. We are hopeful that an appropriate capital market content will be included in the subject "Entrepreneurship and Financial Literacy" from Grade Six onwards in the revised school curriculum in 2023. It is also imperative that we reach the new generation of investors who are comfortable trading on smartphones and automated devices, and are likely to seek inputs on investment decisions from online sources. For this reason, our efforts included imparting investment knowledge by way of social media postings on Facebook, Youtube, and Twitter on a regular basis in a fun and interactive way. We cautioned investors to avoid becoming victims to potential scams and advised them to exercise utmost caution when making investment decisions. While our online efforts reached a significant number of individuals in a cost-effective manner, the SEC recognised the impact of in - person events and in collaboration with the CSE conducted many outreach programs throughout the country.

STAKEHOLDER ENGAGEMENTS AS A CORNERSTONE

The SEC continued to pursue regular, timely and proactive engagements with a wide range of stakeholders using multiple channels, including speaking engagements, consultations, industry briefings, circulars, publications, press releases and annual reports to increase two-way communication. These engagements were conducted to provide updates on our regulatory expectations and development initiatives and provide opportunities to stakeholders to express their concerns and views in relation to policies and regulations. Continuous dialogue

with market participants enables the SEC to gauge the pulse of the market and keep abreast in relation to new policy and regulatory development in the securities market.

As a member of the International Organisation of Securities Commissions (IOSCO) with representations in two of its policy committees, namely the Committee on Enforcement and the Exchange of Information (Committee 4) and the Committee on Retail Investors (Committee 8), the SEC continues to contribute to international standard setting initiatives and thought leadership. In the wake of the COVID-19 pandemic and IOSCO's decision to hold frequent virtual meetings, the SEC participated in several work streams of IOSCO and was able to share and learn from experiences and good practices of various other international jurisdictions.

MOVING FORWARD

The capital market's performance is severely constrained by the prevalent economic crisis situation. However, we do remain positive and hopeful of its recovery and growth as the economic situation eases and changes for the better. Now is the time to re-build investor trust and confidence in the market through relevant and effective regulation, operational efficiencies and the introduction of new and attractive products.

A key challenge for the SEC in 2023, amidst the external economic crisis, will be building the necessary internal capacity to enhance the effectiveness and efficiency of its regulatory role and responsibilities under the new SEC Act. In this context, there are critical issues that need to be expeditiously addressed in the HR and Technology spaces of our operations, particularly the acquisition and retention of good talent and the commissioning of appropriate technological support systems relevant to a specialist standards-setting and regulatory institution in the capital market. The new Act provides extensive coverage for capital market expansion and effective regulation. In order to deliver enhanced performance under the Act, the SEC needs to attract and invest in people with relevant specialist skills. This will be a key focus area for the Commission.

In conclusion, I would like to thank our Commission Members for their insightful contributions, support and guidance to the SEC, and the Director General and staff of the Secretariat for their commitment and tireless work. I am grateful to the President Hon. Ranil Wickremesinghe and the officials of the Finance Ministry for placing their confidence in me and the new Commission Members.



Faizal Salieh
Chairman

15th March 2023

DIRECTOR GENERAL'S REVIEW



“Dollar earning listed companies are able to play a significant role in driving the recovery of Sri Lanka’s economy. It is time to pick the winners from our dollar earning listed companies by looking at their potential, drive and commitment. We also need to incentivise and nurture such winners and free such winning companies to go out and compete with global giants to make headway in economic development, which would change the whole complexion of our country; it will convert us to a dynamic entrepreneurial state and will help the country to realise its true potential.”

DIRECTOR GENERAL'S REVIEW

It is with much satisfaction that I review the work completed by the SEC in the year 2022.

It could be said that 2022 has been a year of extraordinary challenge for the country as the economy faced severe constraints. To live up to the challenge and overcome this financial and economic predicament, it is critically important to understand what needs to be done and how it can be done to avert further weakening.

Looking back, mismanagement of the monetary policy and insufficient foreign reserves coupled with a loss of access to international capital markets and a decision to default on debt without much analysis are among several factors that contributed to the economic collapse and in turn the country to experience unprecedented shortages of food, fuel, and medicine. The inflation rapidly escalated and hovered over 60% during the latter half of the year. This resulted in the CBSL tightening its policy rates.

However, the increase of policy rates in turn resulted in higher bank rates, which steered companies to halt their business activities and investors to channel their investments from the stock market to the fixed income investments. That led the All Share Price Index (ASPI) to plummet by 30.5% to end the year at 8489.66. Further, S&P SL20 index witnessed similar sentiments with the index declined by 38% to end the year at 2635.63.

On a positive note, daily average turnover stood at Rs. 2.97 Bn in 2022. The foreign investor contribution to the total turnover increased to 7.6% in 2022 compared to 5.2% in 2021. The renewed interest among foreign investors helped the market to record a net foreign inflow of Rs. 30.6 Bn. This was the first time in which the market witnessed a net foreign inflow after four years of consecutive outflows. The local investors remained active in the market similar to that of the year 2021. Local investor contribution was recorded at 92.4% for the year 2022. A total of Rs. 44.73 Bn capital was raised in the market in the year under review. The market price to earnings (PER) ratio remained at a modest level of 4.95x. Further, dividend yield of the market increased substantially to 4.1% in 2022 from 2.2% recorded in year 2021.

At SEC during the year, we embarked on a program of reform intended to enable the country to emerge as an internationally competitive middle market. Development of deep and liquid capital markets should be and has been recognised as a priority by the Government. Our market capitalization and the value of market turnover have fluctuated between 15% and 25% of GDP in recent years, which is significantly less than other markets in the region.

“The capital market plays a pivotal role as a source of financing for businesses to meet their capital requirements while creating investment avenues for investors.”

Thus, we at the SEC continue to engage in robust regulation and market development activities with a view to enhance the capital market footprint in the country. The key to building a deep and liquid market is building investor trust and confidence in the market. It is important to understand that the capital market plays a pivotal role as a source of financing for businesses to meet their capital requirements while creating investment avenues for investors.

Dollar earning listed companies are able to play a significant role in driving the recovery of Sri Lanka's economy. It is time to pick the winners from our dollar earning listed companies by looking at their potential, drive and commitment. We also need to incentivise and nurture such winners and free such winning companies to go out and compete with global giants to make headway in economic development, which would change the whole complexion of our country; it will convert us to a dynamic entrepreneurial state and will help the country to realise its true potential.

The world economic forum's global competitiveness report ranked Sri Lanka 51st based on its series of parameters that addressed trust and confidence and efficiency in emerging markets. Malaysia is 9th. Thailand is 31st. In the present context, we have a huge trust deficit. Some of the IMF recommendations are about the trustworthiness and confidence of the systems. It talks at length about the legislative framework required in the context of those recommendations. They have been highlighting all the time shortcomings in the system. We have heard all the time that our legislative and regulatory framework is outdated. Without providing concrete and clear guidance to our regulated community, we cannot get anywhere.

Thus with the introduction of the new regulatory framework we have put all that to rest. The regulatory remit of the SEC was extended and augmented as a matter of priority during the year 2022.

PROACTIVE MEASURES

In fact, from the SEC standpoint, we wanted to revise the market and bring more clarity, consistency and predictability to the way the market runs while addressing market misconduct matters swiftly and decisively.

Though, I do not consider the number of enforcement actions taken to be an appropriate basis for measuring the success of a regulator, over the last year the SEC took the highest ever number of enforcement actions. The enforcement record comprises several prosecution decisions, compounding and other enforcement measures. Further, during the past year, the surveillance, supervision, and investigations divisions were strengthened where enforcement were taken through a lens of pro-action, prevention and prudence. For instance, surveillance and investigation flagged around 100 instances on day-to-day trading and took enforcement action ranging from including warnings, informing the compliance officers or a higher authority, issuing warnings to investment advisors, suspension of online trading facilities, calling parties to show cause and instituting criminal suits or proceedings. Such pro-active measures proved to be highly effective as it significantly reduced the market misconduct during the year.

FORMULATION OF RULES

With the enactment of the SEC Act No.19 of 2021, it became pertinent that the SEC draft the required Rules, Regulations and Standards to give effect to the Act in an expeditious manner particularly to ensure that the provisions found in the new Act are enforced in an effective manner.

Therefore, we at the SEC developed and drafted the Rules applicable to an Exchange, a Clearing House, a Central Depository (collectively known as Market Institutions) and Rules applicable for Market Intermediaries namely Investment Managers, Credit Rating Agencies, Margin Providers, Managing Companies, Corporate Finance Advisors, Underwriters, Stock Brokers and Stock Dealers. We took steps to publish them in the Government Gazette and I am eternally grateful to the former Chairman, Mr. Viraj Dayaratne for giving leadership to this all-important process.

Further, Unit Trust Code of 2011 was replaced with the new CIS Code and published it in the Government Gazette. The CIS Rules provide avenues to setup a wider array of collective investment schemes that will benefit both the investors and issuers.

These Rules were published after carrying out necessary stakeholder consultations and review. The SEC believes that adopting a consultative approach in formulating rules helped to develop inclusivity among capital market stakeholders.

Moreover, the SEC took steps to publish Guidelines applicable for Supplementary Service Providers i.e. Custodians, Actuaries, Auditors, Trustees, Valuers who provide services to a Market Institution, Market Intermediary, Listed Public Company or to a CIS.

“The digitalization initiative has facilitated the market to benefit from enhanced convenience and efficiency and is paving the way for a new era in the stock market. I wish to thank both the SEC and CSE joint committee members for their relentless efforts made in making this initiative a success.”

It must be said that these Rules and Guidelines have been introduced to ensure fair business conduct, to protect and safeguard the interest of investors and to mitigate systemic risk in the securities market. It is expected that these progressive Rules and Guidelines will ensure that all market participants have the confidence and the necessary environment to engage in their activities.

DIGITALIZING THE END TO END OPERATIONS OF THE MARKET

The strict lockdown imposed in Sri Lanka as a result of the COVID- 19 pandemic led to the stock market to stay closed for 52 days in the year 2020. This was mainly due to the inability of the stock market to conduct certain core activities digitally. This prompted the SEC to spearhead the digitalization of the end-to-end operations of the CSE. The end-to-end digitalization of the stock market was divided into three phases. First two phases were successfully completed and during the year under review, the SEC-CSE joint committee on digitalization completed its third and final phase of the initiative.

I am pleased to say that this initiative has transformed the market into a new height. One of the key milestones of the digitalization was the introduction of the CSE mobile application (App). This has brought the market to the fingertips of the investors. Increased efficiency in information dissemination and the reach has resulted in expansion of the investor base at the CSE.

Some of the key milestones reached in the third phase was the onboarding of foreign individuals (via stockbroker firms) through the mobile app and its ability to request to open Inward Investment Accounts from a licensed commercial bank, e-Offers/ Repurchase, e-Initial Public Offering (IPO) web portal, Margin account openings etc. These new features have created a vast array of investment opportunities to investors and is helping them to channel their investments in a swift manner.

DIRECTOR GENERAL'S REVIEW

The digitalization initiative has facilitated the market to benefit from enhanced convenience and efficiency and is paving the way for a new era in the stock market. I wish to thank both the SEC and CSE joint committee members for their relentless efforts made in making this initiative a success.

IMPLEMENTATION OF A CENTRAL COUNTERPARTY (CCP) MECHANISM AT THE CSE

I am pleased to state that we have made significant headway in implementing a CCP to the local stock market. The CCP will ensure that counterparty risk is mitigated while creating a conducive environment to introduce new products such as derivatives.

The SEC together with the CSE established a joint committee to fast track the implementation of the CCP to the local stock market. The SEC- CSE joint committee developed a policy framework to introduce a CCP mechanism. The CSE held industry consultations prior to finalising the framework. Subsequently, the Commission approved the framework and CSE is now in the process of finalising system specifications with the vendor. We are hopeful that the system will be up and running by the end of year 2023.

UNVEILING OF NEW PRODUCTS

It is paramount that we create new investment avenues for the investors that will in turn provide opportunities for the issuers to raise much needed capital for their investments. The SEC took steps to establish a joint committee in collaboration with the CSE to fast track the initiative.

The joint committee has categorised introduction of new products into phases. Under phase 1 of the initiative, it is envisaged to introduce a number of new products such as implementation of Regulated Short Selling through Securities Borrowing and Lending, introduction of Green/Blue Bonds introduction of an ESG index, introduction of an OTC platform to carry out REPO transactions on listed corporate debentures, listing of perpetual bonds, expanding the listing framework to facilitate the listing of debt/equity securities issued by state owned enterprises (SOEs), listing and trading of foreign currency denominated debt securities issued by entities incorporated in Sri Lanka, trading of High-Yield corporate debt securities on the OTC platform and the implementation of a XBRL-based reporting platform.

The SEC places emphasis on developing a sustainable market that will cater to both the present and future needs of the investor community. Therefore, it is pertinent that steps are taken to develop the supply side of the spectrum with products that would generate sustainability.

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Today, the importance of ESG investing is felt more than ever before. Investors are pursuing ESG related investment strategies. As such, policy framework and the CSE draft Rules in relation to operationalising Green Bonds was finalised with the assistance of Asian Development Bank (ADB). Policy framework for Blue Bonds which is generally considered as a sub set of Green Bonds was also finalised. This would open up avenues for corporates to raise funds for green initiatives.

COOPERATION FOR THE BETTERMENT

It is important to promote ESG related practices among listed companies. As such, the SEC, CSE and the Institute of Chartered Accountants of Sri Lanka (ICASL) entered in to a Memorandum of Understanding (MoU) on 24th August 2022 to promote such practices. The MoU is designed to deliver joint awareness in the areas of Integrated Reporting, Corporate Governance, Sustainability, and any other related areas that would be beneficial for corporates and to the users of financial reports/corporate reports.

In furtherance, another MoU was signed between the SEC, CSE and the Chartered Financial Analysts (CFA) Society on 17th June 2022. The MoU encompasses various salient features. Some of the features include establishing a collaborative relationship to promote awareness of ESG among Sri Lankan investors to enhance investor protection, to encourage capital market practitioners to introduce ESG into their investment research and valuation process and to ensure that the professional standards and integrity are maintained in the Sri Lankan capital market.

COLLABORATION WITH MULTILATERAL DEVELOPMENT BANKS

The Capital Market Development Program (CMDP) was a policy based loan and technical assistance program given to the Government of Sri Lanka by the ADB. Under the CMDP program, the SEC received technical assistance for a number of areas such as drafting regulatory and policy framework to

introduce Green Bonds, Equity Crowdfunding and introduction of CIS Code etc. The CMDP concluded during the year under review and I am pleased to state that the CMDP yielded multiple benefits to market participants.

The SEC secured funding from the World Bank under the Financial Sector Modernization Project (FSMP) for several key regulatory and developmental initiatives. The project concluded during the year under review. The project paved the way for many regulatory and development reforms in the market and helped to develop institutional excellence.

I wish to thank the ADB, the World Bank, and our focal point at the Ministry of Finance, Mr. Priyantha Ratnayake, Deputy Secretary to the Treasury for the utmost support given to us in successfully completing these projects. The SEC looks forward to working closely with these multilateral development agencies in the future as well to uplift the standard of the capital market.

RAISING AWARENESS

Financial literacy is an essential component in developing an investment mindset among the people. The SEC continuously strives to enhance and develop the financial literacy among the investing public. The SEC is working closely with the National Institute of Education (NIE) to include capital market content to the student curriculum. The effort has become fruitful as by the year 2023, it is expected that the capital market content will be included to the national school curriculum from Grade 6 to Grade 9 students. The SEC considers this as a major breakthrough in developing stock market education.

MOVING FORWARD

Moving forward, I think it is time we give serious consideration to achieve concrete outcomes on several important fronts by defining realistic timelines.

“SEC as a whole, would continue to be committed towards ensuring the betterment and the sustenance of the country’s securities market.”

We are indeed fortunate to enjoy the support and encouragement from the Government. The policy stability and the will of the Government has made our achievements possible. Their support for our operational independence has never faltered. Thus, my sincere gratitude is extended to His Excellency the President and the Secretary to the Treasury, Mr. Mahinda Siriwardena for all the support and the confidence placed on us.

My gratitude is extended to the outgoing Chairman Mr. Viraj Dayaratne PC, and the Commission for their unfailing support and guidance extended at all times. I thank them sincerely on behalf of everyone at the Secretariat and on a personal level for the confidence and trust placed on us.

As an eminent professional, Chairman Mr. Faizal Salieh's wise counsel and unfailing support is most valuable in every step of our work. I thank him sincerely on behalf of the Secretariat. I would also like to thank the eminent Members of the Commission for their unfailing support, sound advice and collective expertise, at times sacrificing their personal and professional time in the process.

I firmly believe in maintaining a high level of staff engagement, performance and confidence which will be the pillars of achieving the mandate of the SEC. Therefore, I will continue to develop the human capital of the SEC. Finally, let me pay a big vote of thanks to my Directors, Senior Management and Staff, as I am most fortunate to observe their full support to make things happen.

At present, I witness a renewed enthusiasm and rapid movement in the right direction after the unprecedented economic downfall. As Wordsworth said of the enthusiasts who were present at the beginning of the French Revolution, “Bliss was it in the dawn to be alive”. I look forward to build on our successes as I intend to continually review and re-calibrate our approach in regulating our market.



Chinthaka Mendis
Director General

15th March 2023

MEMBERS OF THE COMMISSION



Mr. Faizal Salieh
Chairman



Mr. Manil Jayasinghe



Mr. Sujeewa Mudalige



Mr. Anthony Shanil Fernando



Mr. Anton Godfrey



Mr. R.M.P Rathnayake



Mrs. Yvette Fernando



Mr. Sanjeewa Dissanayake



Mr. Sanjaya Bandara

Mr. Faizal Salieh

Chairman

Mr. Faizal Salieh assumed office as Chairman on 15 February 2023. He is a veteran retired banker with long and extensive experience in commercial and development banking both in Sri Lanka and overseas. He has held top management positions in global and local banks such as Grindlays Bank, ANZ Bank, NDB and Amana Bank. His diverse experience as Board director includes several companies in the business of banking, finance, insurance, fund management, stockbroking, manufacturing, trading and education.

He has also served on State University Boards, and several Government and Non-Governmental Committees in the fields of finance, economic affairs, housing development, construction and tertiary education; and on the Board of Directors of The Ceylon Chamber of Commerce, the Institute of Bankers of Sri Lanka, and Lanka Clear (Pvt) Limited.

Mr. Salieh is a First Class Honours University Graduate in Economics with specialization in Banking & Finance, MBA and FCPM. His Corporate Sector experience exceeds 40 years, including over 20 years at Senior Management level, 14 years at MD/CEO level and over 30 years at Board level. He has held Executive, Non-Executive and Senior Independent Director Board positions in various companies.

He played an outstanding strategic and operational leadership role in initiating, developing and furthering the practice of interest-free banking in Sri Lanka based on the profit and loss sharing banking model and establishing Amana Bank, as the first interest-free licensed commercial bank in Sri Lanka, in which he was the founding Managing Director and CEO.

He is currently the Chairman of the Sri Lanka Institute of Directors; is an IFC certified trainer in Board Leadership and Governance and has extensive experience in teaching Business Strategy at State Universities at the PostGraduate level.

Mr. Manil Jayasinghe

Mr. Manil Jayasinghe is a Fellow Member of the Chartered Institute of Management Accountants (UK), Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a member of The Chartered Institute of Public Finance & Accountancy.

He functions as the Country Managing Partner and Head of Assurance and in charge of Banking and Financial Services practice of Ernst & Young, Sri Lanka and Maldives, counting over 40 years of extensive experience.

He presently serves as:-

- The Immediate Past President and a council member of the Institute of Chartered Accountants of Sri Lanka.
- The Chairman of the Statutory Accounting Standards Committee, Member of the Statutory Auditing Committee and serves in many other committees.
- The Chairman of the Accounting Standards Committee of the South Asian Federation of Accountants (SAFA).
- Member of the Board of Sri Lanka Accounting & Auditing Standards Monitoring Board.
- A Council member of CMA Sri Lanka.
- Consultant to the Audit Committees of the Listed Companies.

He has served as the Chairman of the Examination Committee of CA Sri Lanka, Alternate Chairman of the Statutory Accounting Standards Committee over the past year, Member of the Board of International Accounting Education Standards Board of International Federation of Accountants, and Member of the Council of the University of Moratuwa.

Mr. Sujeewa Mudalige

Mr. Mudalige counts over 30 years of experience as a Chartered Accountant. His qualifications are FCA (ICA - SL), FCMA (CIMA - UK), FCCA (ACCA - UK) and FCPA (CPA - Australia).

He is the Managing Partner of PwC, Sri Lanka and Non-Executive Chairman of Mercantile Services Provident Society (MSPS). He is also an Independent Non-Executive Director at NDB Bank PLC, CIC Holdings PLC, CIC Feeds group, NSBM Green University, Link Natural Products Limited, Sherwood Capital and Ideal Finance Ltd. He is also a Committee Member of the Ceylon Chamber of Commerce.

Mr. Mudalige has vast experience as an Audit Committee Chairman in both public and private sector organisations. He is a past President of ICASL and Confederation of Asia & Pacific Accountants (CAPA) and has been a Member of the Council of ICASL and of the Governing Board of CIMA UK - Sri Lanka Division, a Commission Member of the Securities and Exchange Commission of Sri Lanka (2010-2011) and held several such other positions locally and globally during the span of his career.

He was a Non-Executive Independent Director of Hatton National Bank PLC (HNB) from 2012 to 2019. He was also the Deputy Chairman of the Financial System Stability Consultative Committee of the CBSL and a Member of the Advisory Committee to advise the National Economic Council and the Advisory Committee for Revival of Failed Licensed Finance Companies.

MEMBERS OF THE COMMISSION

Mr. Anthony Shanil Fernando

Mr. Fernando is the Chairman of the International Chamber of Commerce (ICC Sri Lanka). Chairing Sustainable Development financing ICC-UNESCAP initiative, Chairman of Asian Logistics Park Pvt Ltd, a BOI approved third party (3PL) warehousing supply chain management company, owning and managing, five BOI approved warehouses in 3 locations for Multinational Companies. Chairman of World Express (CMB) (Pvt) Limited, International Freight Forwarding NVOCC and trucking Company Handling Supply Chain Management for Local and Multinational Companies Gold Card Customs House agent.

Chairman of AFA Corporate Services (Pvt) Limited. Company Secretaries firm servicing local and foreign owned companies and Chairman of Air & Sea Logistics (Pvt) Ltd.

He is a Lawyer, Arbitrator, Notary Public, Commissioner of Oaths and Registered Trade Mark Agent and Company Secretary/ Independent Director. Partner at Anton Fernando Associates Law firm. He obtained a First Class Honours, and a Prize in Commercial Law at the Sri Lanka Law College, was a Mahapola Merit Scholar. He also has completed his Solicitors (England & Wales) exams. Mr. Fernando has obtained a Master of Business Administration (MBA) from Postgraduate Institute of Management (PIM) University of Sri Jayewardenepura and his research studies on "The Use of Electronic Data Interchange for the Facilitation of Trade and Transport". He followed Postgraduate at the Queen Mary College, University of London, in Corporate Law, on a Commonwealth Scholarship (now called Chevening), and the University of Texas, USA, and the University of Prince Edward Island Canada and in Japan.

He was a recipient of the Achieves Award by the Postgraduate Institute of Management Professional Association University of Sri Jayewardenepura and is a Trustee of the PIM Professional Association Foundation. Mr. Fernando is member of the Singapore Institute of Arbitrators (MSiArb) and a Diploma holder in Arbitration.

He has also appeared in ICC Paris conducted Arbitrations in Sri Lanka. Mr. Fernando has followed training courses in International Contracts and Arbitration at ICC Academy in Paris. He is a certified trainer on Corporate Governance and was trained by Commonwealth Association for Corporate Governance London. Shanil was also trained by UNESCAP as a Trainer's, Trainer on International Trade and Multimodal Transport Facilitation to be a resource person.

He is also a partly qualified Accountant, has completed some parts of the Chartered Institute of Management Accountants CIMA London Exams. He is a Task Force Member, of the ICC Commission on Arbitration and ADR. He has been a panelist on many ICC, international conferences and workshops overseas. He was also awarded the AOTS fellowship to follow training in South Asian Corporate Management in Tokyo Japan.

Former Independent nominated Director of the Colombo Stock Exchange and the Chairman of the Arbitration and Disciplinary Committee, was a member of the Dispute Resolutions Committee, Risk and Audit, Marketing and Rules Committee. Former Independent nominated Director of Central Depository Systems Ltd (CDS) of the Colombo Stock Exchange, Former Independent Director National Wealth Corporation Ltd. He was a former, member of the Board of Urban Development Authority (UDA), and Paliyagoda Warehousing Co Ltd, He was also a nominated member of the Investment committee of the Government owned Employees Trust Fund (ETF) of Sri Lanka.

Mr. Fernando is a life member of the Bar Association of Sri Lanka (BASL), the Corporate Lawyers Association and the Organization of Professional Associations (OPA) and, a Member of the Sri Lanka Institute of Directors (SLID). He also serves as a visiting resource person in the area of Corporate Law, Arbitration, Corporate Compliance, Negotiations and Conflict Resolution and Supply Chain Management. Mr. Fernando was the past President of the Postgraduate Institute of Management Professional Association Alumni of the Postgraduate Institute of Management (PIM) of the University of Sri Jayewardenepura.

Mr. Anton Godfrey

Founder/Executive Chairman of agxa – AG International, distinguished entrepreneur with business acumen, who has been the impetus behind the expanding frontiers of the global business initiative of the company. Upholds highest standards of professionalism and maintains responsibility towards all stakeholders. Is achievement oriented, focused on innovation and committed towards inspiring further extension of the existing business networks. As due to his vision and innovative spirit, agxa Global with an outreach, which represents some of the world's leading brands in the resources Trade, Energy, Chemicals, Pulp and Paper, Technology, Corporate Consumer Services and Outsourcing Sectors. Subsidiaries are located in Sri Lanka, India, Singapore and Australia whilst principal networks spanning over Asia, Europe, North America and Africa. The joint ventures including Fonte Resources, Fusionex, are with external overseas public listings. In recognition of his accomplishments, Mr. Godfrey received the Outstanding Asia Pacific Entrepreneurship Award at APEA 2013. He is a Chartered Marketer affiliated to CIM UK and Fellow of Chartered Institute of Marketing UK and the Australian Institute of Management. He also holds an MBA from the University of Leicester UK. Mr. Anton Godfrey has been actively involved in International Trade Council's including the Chamber Of Commerce in Sri Lanka and Australia. He is the past president of the Vietnam Sri Lanka Business Council, Indonesia Sri Lanka Business Council of the Ceylon Chamber of Commerce and the Rotary Club of Colombo Uptown, also served on the Board of Colombo Stock Exchange between 2015-2019.

Mr. R.M.P Rathnayake

Mr. R.M.P. Rathnayake is a Special Grade officer of the Sri Lanka Planning Service and currently working as the Deputy Secretary to the Treasury, Ministry of Finance. He has been in the public service for almost 29 years in various important positions. Mr. Rathnayake holds a Master's Degree from Agriculture University of Norway and B.Sc. (Special) Degree from University of Peradeniya

Mr. Rathnayake joined the public service in 1994 and has been working in the General Treasury holding number of positions in the Department of National Planning and Department of External Resources (ERD). He has extensive experience in development planning and budgeting. As the Director General of the ERD he was responsible for working with development partners, international financial institutions and capital market to develop country specific development programs and mobilize foreign financing, leading bilateral negotiations and facilitate timely disbursement of foreign financing for multilateral and bilateral programs and projects.

Apart from his duties as the Deputy Secretary to the Treasury, Mr. Rathnayake serves as a Director of the Asian Infrastructure Investment Bank (AIIB), Bank of Ceylon and the Securities and Exchange Commission of Sri Lanka. He has also held several other important leadership posts as the Chairman of National Savings Bank, Director of the People's Bank, Member of the Board of Management of the Post Graduate Institute of Medicine (PGIM), Member of the Board of Directors of the State Pharmaceuticals Corporation of Sri Lanka (SPC), Director of Civil Aviation Authority of Sri Lanka, Director of Sri Lanka Institute of Tourism & Hotel Management, Member of National Medicine Regulatory Authority.

Mrs. Yvette Fernando

Mrs. Yvette Fernando currently serves as the Senior Deputy Governor at the Central Bank of Sri Lanka and is in charge of the financial system stability cluster. She possesses over 30 years of service at the Central Bank in the areas of supervision and regulation of banks and non-bank financial institutions, financial system stability, foreign exchange management, currency management, payments and settlements, etc. During this period, Mrs. Fernando has served as the Director of Bank Supervision and the Controller of Exchange and has played a vital role in contributing to the financial system stability by providing leadership to implement a strong regulatory framework for banks in line with international standards and best practices. At present, she is in-charge of the departments of Bank Supervision, Non-bank Supervision, Payments & Settlements, Currency, Foreign Exchange, Finance, Regional Development and Employees' Provident Fund.

Mrs. Fernando currently functions as the Chairperson of the Financial System Stability Committee, Steering Committee on Implementation of the Road Map for Sustainable Finance in Sri Lanka and National Payments Council of the Central Bank of Sri Lanka, Institute of Bankers of Sri Lanka and Credit Information Bureau of Sri Lanka, and as a member of the Insurance Regulatory Commission of Sri Lanka.

Mrs. Fernando holds a Master of Financial Economics degree from the University of Colombo and a Bachelor of Commerce (Special) degree from the University of Sri Jayewardenepura.

Mr. Sanjeewa Dissanayake

Mr. Sanjeewa Dissanayake was admitted and enrolled as an Attorney-at-Law of the Supreme Court of Sri Lanka in December 1997. He holds a Master's Degree in Human Rights (LL.M) from the University of Hong Kong. He is a Deputy Solicitor General attached to the Attorney General's Department of Sri Lanka and presently released by the Public Service Commission (PSC) to take up duties as the Registrar General of Companies.

Mr. Sanjeewa Dissanayake has experience both in the Criminal and Civil Divisions of the Attorney General's Department and has worked as a prosecutor of the Fiji Independent Commission against Corruption from February 2010 to July 2011. He is an ex-officio member of the Accounting Standards Committee, the Insurance Regulatory Commission of Sri Lanka, the Securities and Exchange Commission of Sri Lanka and, the Sri Lanka Accounting and Auditing Standards Monitoring Board.

Mr. Sanjaya Bandara

FCA, MBA (Col.) B.Sc Accountancy and Financial Management (USJP)

Mr. Bandara, the President of the Institute of Chartered Accountants of Sri Lanka and also a Board Member of the Confederation of Asian Pacific Accountants (CAPA), South Asian Federation of Accountants (SAFA) and Sri Lanka Accounting and Auditing Standards Monitoring Board.

He is a partner of B.R De Silva & Co, Chartered Accountants (Member firm of Nexia International) and counts over 24 years of experience in practice specializing in Assurance Services and financial reporting.

DIRECTORS AND ASSISTANT DIRECTORS



Left to right standing: G. H. Nirosha Kodikara – Director, Finance and Administration, Tushara Jayaratne – Director, External Relations and Capital Market Education and Acting Director, Human Resources, Jude Nanayakkara – Director, Legal & Enforcement, Prabash Wanigatunge – Director, Surveillance and Acting Director, Capital Market Development, Suneth Perera – Assistant Director, Supervision, Dilum Mahawatte – Director, Supervision, Madhugayanie Balapitiya – Assistant Director, Investigations and Information Technology

Left to right seated: Chinthaka Mendis – Director General, Manuri Weerasinghe – Acting Director, Corporate Affairs, D.M.G. Priyantha – Assistant Director, Investigations

Absent: Dhammika Perera – Deputy Director General

SENIOR MANAGERS



Left to right: Ranmini Jayathilake - Senior Manager, Information Technology, Sharmila Panditaratne - Senior Manager, Legal and Enforcement, Saumi Kodippily- Senior Manager, Supervision, Sajeevani Bakmedeniya – Senior Manager, Capital Market Education

MANAGERS



Left to right standing: Sheena Goonaratna- Manager, External Relations, Thakshila Francis - Manager, Capital Market Development, Mekhala Jayapala- Manager, Corporate Affairs, P. M. Niroshika Udayanganie – Manager, Legal and Enforcement, Nimal Kumarasinghe- Manager, External Relations, Anula Wijesinghe - Manager, Investigations

Left to right seated: Lakshmi Wickramanayake – Manager, Finance and Administration, R. K. Wasantha Sunimal- Manager Investigations, Ashoka K. Dayarathne- Manager Human Resources

Absent: Manjula Chandraratne – Manager, Supervision

STAFF MEMBERS

Office of the Chairman and Director General



Left to right: Krishanthi Muthuthanthrige, Shamilka Karunanayake, Chinthaka Mendis, Rasika Walpitagama, S. A. K. Radha G. Prathibha , Kaveesha Kumbukage

Absent: Nishoka Jayathunga

Capital Market Development Division



Left to right standing: Nimthara D. Amarasekara , D. K. I. Malshani Dahanayaka, Olivi Solangaarachchi

Left to right seated: Prabash Wanigatunge, Thakshila Francis

Corporate Affairs Division



Left to right standing: Samanthi Gunawardana, Marian Glenda Sandanam, K. A. A. D. Semini Dianika, Lakshmi Atapattu

Left to right seated: Shanika Gunasinghe, Manuri Weerasinghe, Mekhala Jayapala

Absent: Thanishka Tillekeratne

External Relations and Capital Market Education Division



Left to right standing: Ravisha Devindi De Silva, Nimal Kumarasinghe, Sheena Goonaratna, Julie Allegakoen, M. G. Hansani Madhusa

Left to right seated: Tushara Jayaratne, K. V. Ushani N. Samarawickrama, M. Imran Ahamed, Sajeevani Bakmedeniya

STAFF MEMBERS

Finance and Administration Division



Left to right standing: S. D. Dharmasiri, Sakunthala Devi, M. A. Sandaruwan Wijerathne, Chandran Nagendran, W. Ariyaratna, Dulari Muhandiram, Wasana Sanjeevani Cooray, A. C. Dias, D. Pathum Niroshana, P.W.L. Piyatissa

Left to right seated: Anne Chrishanthi Fernando, G. H. Nirosha Kodikara, Preenika Nilakshi Perera, Lakshmi Wickramanayake

Absent: Y. D. Sandamali, Buddika Balapitiya, Samith Premaratne

Human Resources Division



Left to right standing: J. K. Priyadarshini, Tushara Jayaratne

Left to right seated: Ashoka K. Dayarathne, Dhanesha Rajapura

Legal and Enforcement Division



Left to right standing: Udani K. Wickramarathna, Minoli Piyumika Ratnayake, Buddhinee Herath, T. Ravindi De Silva, C. Erandathie Waidyasekara

Left to right seated: P. M. Niroshika Udayanganie, Jude Nanayakkara, Sharmila Panditaratne

Absent: Kumari Siriwardane

Surveillance Division



Left to right standing: H. M. P. Navodya Dissanayake, Prabash Wanigatunge, Dashanka Warnakulasooriya, Randika Silva

Left to right seated: Nilanchana Sivaji, Ganga De Costa

STAFF MEMBERS

Investigations Division



Left to right standing: Priyantha Herath, R. K. Wasantha Sunimal, W. Anushka C. Perera , W. W. M. Radheeka
H. Weerakoon, G. D. Kapila Kumara

Left to right seated: Anula Wijesinghe, Madhugayanie Balapitiya, D. M. G. Priyantha

Absent: P.G.N. Ashani Fonseka, Maneesha Seneratharachchi

Information Technology Division



Left to right: Ranmini Jayathilake, Chamith Wijethunga, Madhugayanie Balapitiya

Supervision Division



Left to right standing: Dilum Mahawatte, Dinushi Udakumbura, Nomaanie Seneviratne, Pooni Weerasekara, Rasangi Dissanayake, Kaushalya Gunawardana

Left to right seated: Sachitra Warusevitane, Saumi Kodippily, Suneth Perera

Absent: Manjula Chandraratne, Sudara Weerakkody, Chamila S. Karunarathne

EVENT GALLERY



A special market opening ceremony to mark the third phase of digitalization of the Sri Lankan Capital Market



Ring the bell for financial literacy



Engagement with officials of the Financial Conduct Authority UK



Engagement with the Omani business delegation from the Oman Chamber of Commerce and Industry



Galle Investor Forum



Jaffna Investor Forum



Investor forum at the London Stock Exchange Group for foreign fund managers



Investor forum at the Sri Lankan High Commission in UK for Sri Lankan expat community



School Seminar

EVENT GALLERY



Teacher Training Program at the Moneragala Zonal Office



Undergraduate Program at the University of Kelaniya



School Seminar



Kurunegala Investor Forum



Undergraduate Program at the University of Sri Jayewardenepura

FOSTER DEVELOPMENT



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OPERATIONAL REVIEW

“In terms of the regulatory requirements introduced by the SEC Act No. 19 of 2021, licensing is a two-stage process. Applicants may first apply for granting of approval in principle and having obtained such approval and upon satisfying further requirements, apply for final approval for grant of licence to engage in regulated capital market activities.”

REGULATION

The regulatory approach of the SEC aims to protect investors by shaping market behaviour with adequate regulations, while on the other hand it allows enough impetus to promote development and innovation.

Licensing

In terms of the regulatory requirements introduced by the SEC Act No. 19 of 2021, licensing is a two-stage process. Applicants may first apply for granting of approval in principle and having obtained such approval and upon satisfying further requirements, apply for final approval for grant of licence to engage in regulated capital market activities. Entities are subjected to further review annually for assessment of suitability for renewal for a further one-year period to operate within the licences granted.

The SEC reviews fitness and propriety affidavits of the key management personnel and persons dealing with clients or making investment decisions on behalf of clients appointed by entities, initially at the point of granting a license, prior to any new appointments and at renewal. This instils investor confidence with regard to key management persons responsible for carrying out important functions within entities and their professional conduct to protect the interest of their clients and help preserve the integrity of the market.

New licences granted to entities during the year under review and the total number of licence holders as at 31st December 2022 are as follows: (Figure 01)

Figure 01: Licensing of Entities in 2022

Type of regulated entity	Total number of new licences granted during the period 1st January 2022 to 31st December 2022	Total number of licensed entities as at 31st December 2022
Stock Exchanges	-	01
Stock Broking Companies	-	28
Stock Dealing Companies	02	12
Managing Companies	08	*17
Investment Managers	-	24
Margin Providers	-	20
Underwriters	-	08
Credit Rating Agencies	-	03
Clearing Houses	01	01
Central Depositories	01	01

*includes all existing Managing Companies

In addition, during the year under review, approval was granted to six collective investment schemes in the form of unit trusts having assessed their suitability with the requirements. (Figure 02)

Figure 02: Total Number of Licensed Entities in 2022

Type of regulated entity	Total number of licensed entities as at 31st December 2021	Total number of licensed entities as at 31st December 2022
Stock Exchanges	01	01
Stock Broking Companies	29	28
Stock Dealing Companies	12	12
Unit Trust Managing Companies	16	17
Unit Trust Funds	76	81
Investment Managers	24	24
Margin Providers	20	20
Underwriters	08	08
Credit Rating Agencies	03	03
Clearing Houses	01	01

Policy Initiatives

Imposition of Regulatory Fees on Market Institutions and Market Intermediaries

The SEC Act No. 19 of 2021 has re-categorised the exchange, clearing house and the central depository as Market Institutions and the rest as Market Intermediaries. In that respect, it is necessary to make Regulations prescribing the licence fees payable by such Market Institutions and Market Intermediaries providing financial services to the Capital Market of Sri Lanka. The SEC drafted the necessary Regulations and submitted same to the MOF in order for same to be Gazetted.

Proposed Mechanism to handle Investor Complaints

The SEC together with the CSE is intending to introduce the establishment of an Independent Tribunal to resolve disputes arising between stock brokers and their clients, disputes between clients as well as stock brokers and margin providers. The concept paper has been completed and the Rules are being finalised.

Regulatory Interventions to Protect the Interests of Investors

Approvals

Country, Regional and Global Funds

Upon the recommendation of the Central Depository Systems (Pvt) Ltd (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, Financial Transactions Reporting Act No. 06 of 2006 and the Laws relating to securities in Sri Lanka.

During the year 2022, the SEC approved 47 global, regional and country funds to invest in listed securities in Sri Lanka and noted 67 name changes.

Revision of the CDS Rules

In concurrence with the CSE, the CDS Rules were revamped to be in line with the SEC Act No. 19 of 2021 and was approved by the Members of the Commission.

Shareholding of the CDS

The Members of the Commission granted approval to the CSE in terms of Section 66 of the SEC Act No. 19 of 2021, to maintain the current shareholding held by the CSE in the CDS at 100% until the CSE is able to divest the shares of the CDS held by the CSE after the proposed business plan is implemented subject to:

- The CSE submitting to the SEC its business plan as to how it will comply with the requirement imposed under Section 66 of the SEC Act within a period of 6 months; and
- Be able to divest the said shares within a period of one year.

Revision of the Trading Participant Rules of the CSE

In concurrence with the CSE, the entirety of the Trading Participant Rules (formerly known as the Stock Broker Rules of the CSE) were revamped and approved by the Members of the Commission. This revision was done, in order that the Trading Participant Rules of the CSE are synchronised with the provisions of the SEC Act No. 19 of 2021; as well as to be on par with the IOSCO standards and international best practices.

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.

OPERATIONAL REVIEW

Facilitation of the Digitalization of Core Functions of the CSE

The SEC and the CSE embarked on a progressive national initiative to enable the digitalization of the end-to-end operations of the CSE and facilitated the CSE to operate without any interruption during any national emergency. This initiative is in line with the Government's initiative to digitalize all core activities of institutions providing public services.

The CSE and its fully owned subsidiary the CDS, with the direction, guidance and concurrence of the SEC, introduced a platform for prospective CDS Account Holders to open CDS Accounts digitally without having to physically complete a paper application form and visit a branch office of a stock broker (Digital CDS account opening facility). Steps were taken to facilitate the approval of amendments to the relevant Rules of the CSE.

The end-to-end digitalization of the core functions of the CSE led to the following landmark achievements such as inter alia:

- Onboarding of foreign individuals (via stock broker firms) through the mobile app and the ability to open IIAs from licensed commercial banks;
- The facilitation of the CSE website to function in all three languages;
- Introduction of an Application Programming Interface (API) for individual stockbroker firms to connect to the CSE Mobile App;
- Facilitation of the E-IPO web portal;
- Introduction of the corporate action events calendar;
- Onboarding of customers to invest in Unit Trusts via the Mobile App;
- Facilitation of the Deceased and Nominations Repository where any person over the age of eighteen years can nominate another person to be entitled to receive any shares in a company;
- The addition of a voice facility/voice button to the Research Portal;
- The introduction of stock broker rankings based on "response efficiency";
- The setting of price alerts, traded volume etc on the CSE Mobile App which enables an in-app message to be sent to the subscriber.

Revision of the Listing Rules

The Listing Rules in its entirety have been amended by the CSE in accordance with the SEC Act No. 19 of 2021, and the proposed Rules are under review by the SEC.

De-listings

During the period under review the following companies were de-listed from the official list of the CSE mandatorily in terms of Rules 4(2) and 4(3) of the SEC Rules;

- Adam Investments PLC
- Adam Capital PLC
- Ceylon and Foreign Trades PLC
- Commercial Leasing and Finance PLC
- Swarnamahahal Financial Services PLC
- Prime Finance PLC
- MTD Walkers PLC
- Lucky Lanka Milk Processing Company PLC

In addition approval was granted to Property Development PLC to voluntarily delist its securities from the official list of the CSE in terms of Rule 5 of the SEC Rules.

Amendments to the Trading Rules of the CSE

During the year under review, amendments proposed by the CSE to the Trading Rules governing REPO and Perpetual Debt Securities were approved by the Commission.

Waivers in terms of Rule 5.4 (b) of the Listing Rules of the CSE

The SEC processes applications made by Public Listed Companies (PLCs) seeking waivers in terms of Rule 5.4(b) of the Listing Rules of the CSE, to issue new shares of PLC's by way of a private placement, which exceeds 20% of the shares in issue, immediately subsequent to such share issue.

During the year under review, the Commission granted approval to two applications made by such PLC's.

New Rules issued under the SEC Act No. 19 of 2021

During the year under review, the Commission acting under the provisions of the SEC Act No. 19 of 2021 issued Rules to be followed by Market Institutions, certain categories of Market Intermediaries and the Collective Investment Scheme Code.

The Rules issued under the category of Market Institutions include the following:

- Rules applicable to an Exchange
- Rules applicable to a Clearing House
- Rules applicable to a Central Depository

The Rules issued under the category of Market institutions are as follows:

- Rules applicable to Investment Managers
- Rules applicable to Credit Rating Agencies
- Rules applicable to Margin Providers
- Rules applicable to Managing Companies
- Rules applicable to Corporate Finance Advisors
- Rules applicable to Underwriters
- Rules applicable to Stock Brokers
- Rules applicable to Stock Dealers

Enforcement Action for Non-Compliance with the Public Holding Requirements

The Commission granted approval to the proposed enforcement action in relation to listed companies that are non-compliant with the minimum public holding requirement of the CSE.

Deferment of Enforcement Rules of CSE

The SEC reviewed 5 matters during the year relating to deferment from suspending the trading of securities in CSE. Deferment was pertaining to the following companies.

- Blue Diamonds Jewellery Worldwide PLC (02 deferments)
- Multi Finance PLC
- Serendib Engineering Group PLC
- Nation Lanka Finance PLC

Administration of the Take-overs and Mergers Code

Prior to administering these takeovers, the SEC reviewed seven Independent Advisors' Reports and provided regulatory observations to enhance disclosure content. The following takeover offers were administered during the year 2022 in terms of the Company Takeovers and Mergers Code (TOM Code) 1995 (as amended). (Figure 03)

A mandatory offer made to a PLC Company was discontinued due to its inability to satisfy the Commission as to its financial capacity to implement the offer in full, and the Commission acting under Rule 31 (1A) (2) of the TOM Code directed the acquirer to divest the ordinary shares acquired in excess of 30% of the voting control of the Public Listed Company.

Figure 03: Offers Extended under the Take-overs and Mergers Code

Offeror	Offeree	Nature Of The Offer	Status
Browns Power Holdings (Private) Limited (Fully owned subsidiary of Browns Investments PLC)	Udapussellawa Plantations PLC	Mandatory Offer	Completed
Mr. Yeoh Kim Leng	Ramboda Falls PLC	Mandatory Offer	Completed
L B Finance PLC	Multi Finance PLC	Mandatory Offer	Completed
Browns Power Holdings (Private) Limited [Fully owned subsidiary of Browns Investments PLC]	Hapugastenne Plantations PLC	Mandatory Offer	Completed
Iconic Trust (Private) Limited (Fully owned subsidiary of Browns Investments PLC)	Agstar PLC	Mandatory Offer	Completed
Blue Ocean Residencies (Private) Limited	Kelsey Developments PLC	Mandatory Offer	Ongoing
HNB Finance PLC	Prime Finance PLC	Mandatory Offer	Completed

Approvals under Section 80 of the SEC Act

A listed public company 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 Alpha Fire Services PLC and U B Finance Limited were granted approval.

OPERATIONAL REVIEW

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 the following entities. (Figure 04)

Figure 04: Approvals under Section 81 of the SEC Act

Name of the Issuer	Type of Security	Amount Approved	Duration
Softlogic Holdings PLC	Senior, Unsecured, Unlisted, Redeemable and Rated 3 Year Debentures.	Not approved	N/A
John Keells Holdings PLC	LKR Denominated Unrated, Unlisted, Unsecured, Convertible Debentures.	Rs. 27.06 Billion	3 years
Bank of Ceylon	Basel III Compliant, Tier 2, Unlisted, Rated, Unsecured, Subordinated, Redeemable Debentures, Non-Viability write-down features as a series of issues.	Rs. 20 Billion	Type A – 5 years Type B – 5 years Type C – 8 years

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.

Approvals granted for 958 exceptional transfers and 132 gifting of shares were brought to the notice of the SEC 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), mandatory offers.

OVERSIGHT AND COMPLIANCE

Markets operate most efficiently when all investors have access to timely, accurate and complete information. Listed companies are expected to provide investors access to information they need to make informed investment decisions.

Accordingly, the SEC oversees corporate disclosures and other important information that listed companies are expected to disseminate to the investing public. The SEC is also responsible for ascertaining whether market participants comply with securities laws, regulations and rules and conduct themselves in a way that protects the interests of investors.

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 and relevant provisions of the Companies Act
- Corporate Governance Practices
- Financial Highlights
- Chairman's Report
- Report of Directors
- Independent Auditors' Report
- Shareholder and Investor Information
- Financial Data
- Reports of Board Sub-Committees

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 118 Annual Report reviews of listed companies. 94 letters of comments were sent to improve compliance and enhanced disclosures, 30 reviews were concluded as closures.

Moreover, we conducted preliminary reviews for 8 debt and 6 equity prospectuses.

The SEC conducted preliminary reviews of shareholder circulars of 11 companies who applied for further raising of funds from the existing shareholders and feedback provided to enhance disclosures.

Regulatory Action Taken in Relation to Disclosures and Corporate Affairs of Public Listed Companies

During the year the SEC reviewed disclosures via market announcements by Listed Entities and sought clarifications from CSE relating to 102 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 Clarification	No of Instances
Dealings by Directors whilst PLC on Watch List/Second Board	8
Dealings by Directors – Delayed Disclosure	31
Dealings by Directors – Trading during Black Out period (Listing Rule 8.6)	10
Delayed Disclosures	
Changes in Directorate	44
Other immediate corporate disclosure requirements	9

Matters Referred to other Regulators

The following matters were referred to other regulators to obtain clarifications whether the recognition, measurement and disclosures are in compliance with applicable standards. (Figure 06)

Figure 06 : Matters Referred to other Regulators

Regulator	Number of Companies	Matters relating to and Outcome
Sri Lanka Accounting and Auditing Standards Monitoring Board	2	Co-Operative Insurance Company PLC (COOP) Complaint received regarding irregularities in the Financial Statements of COOP. Asia Capital PLC Clarifications sought relating to the Independent Auditors report for the year ended 31st March 2022.
Colombo Stock Exchange	1	Access Engineering PLC PLC was required to make an immediate market disclosure regarding a Rating Downgrade to its listed debentures based on the findings of the SEC.
Central Bank of Sri Lanka	1	Seylan Bank PLC Complaint received regarding irregularities in relation to Lease Agreements.
Insurance Regulatory Commission of Sri Lanka	2	Co-Operative Insurance Company PLC (COOP) Appointment of Directors without due consideration of the rights of Shareholders of COOP. Co-Operative Insurance Company PLC The legitimacy of the Board of Directors of COOP.

Market Intermediaries

During the year 2022, Rules were introduced by the SEC to give further effect to the provisions of the new SEC Act enacted in 2021. Accordingly, Rules pertaining to Market Institutions, Market Intermediaries and a CIs previously known as Unit Trusts were finalised to further strengthen and reinforce a clear framework for the operation and governance of capital market operators.

OPERATIONAL REVIEW

“With the new Act enabling the Commission to impose administrative sanctions based on the nature of the non-compliance and its severity, the SEC has been strengthened with enhanced enforceability of the Rules and Regulations.”

The Rules for Market Institutions and Market Intermediaries were published in the Gazette Extraordinary bearing Number 2271/10 and 2271/09 respectively dated 15th March 2022 whilst the Rules relating to CIS were published in the Gazette Extraordinary bearing Number 2278/27 dated 07th May 2022.

The introduction of Rules for the three Market Institutions, comprising of the exchange, central depository and clearing house, was to enhance effective and efficient functioning of capital market operations and to help mitigate systemic risk associated with the securities market which performs a significant role in the country's national economy. Key components of the Rules comprise of inter alia licensing procedure, minimum financial and infrastructure requirements, governance structures, compliance and internal control requirements and detailed criteria for assessment of fitness and propriety of key management persons. The Delivery vs Payment Mechanism (DVP) introduced by the CSE in 2022; was subjected to an independent on-site inspection in order to assess the effectiveness of the implementation. DVP is an important enhancement to the market infrastructure for the purpose of mitigation of settlement risk.

Market Intermediaries operate at the forefront of the capital market, dealing with investors, performing a pivotal role in the smooth functioning of the market. The new SEC Act redefines “Market Intermediaries” and has included a few new categories of Intermediaries; corporate finance advisors, derivatives brokers, derivatives dealers and market makers.

Rules for Market Intermediaries cover the scope of eight Market Intermediaries: investment managers, margin providers, credit rating agencies, underwriters, stock brokers, stock dealers, managing companies and corporate finance advisors and stipulate inter alia the licensing procedure, minimum financial and infrastructure requirements, compliance and internal control requirements and detailed criteria for assessment of fitness and propriety of key management persons and process relating to cessation of operations.

The Collective Investment Scheme Code of 2022 (the “CIS Code”) repeals and replaces the Unit Trust Code introduced in 2011. The Code paves the way for the introduction of inter alia Interval Funds, Exchange Traded Funds, Umbrella Schemes and Real Estate Investment Trusts etc.

The regulatory scope of the SEC involves the processes relating to licensing, renewals and monitoring activities of regulated entities through both on-site and off-site supervision. These regular monitoring and supervision activities are carried out to ensure proper conduct by the licensed entities and that they are in compliance with the provisions of the SEC Act, applicable Rules and Regulations whilst safeguarding their financial stability and operational viability. Further, with the new Act enabling the Commission to impose administrative sanctions based on the nature of the non-compliance and its severity, the SEC has been strengthened with enhanced enforceability of the Rules and Regulations.

Stock Brokers

Stock brokers are a key segment amongst Market Intermediaries and due supervision is carried out to monitor their conduct and compliance with the provisions of the SEC Act, applicable Rules and Regulations. The supervision of stock brokers is carried out on a risk-based approach, which assesses the relative risk profiles of the entities, taking into account the entity specific risk rating and relative market share of each entity. The risks, which stock brokers are exposed to could be identified as prudential, liquidity, counterparty, financial, credit, operational and legal risks. While the SEC Act sets out the regulatory framework, the exchange also independently monitors the stock brokers with regard to conformity with the Rules of the exchange and appropriate disciplinary action initiated in the event of any breaches or non-compliances are detected.

Despite the challenging socioeconomic environment that prevailed in the country during the year 2022, the SEC continued to carry out independent on-site and off-site supervision of brokers for effective monitoring of the said entities. Off-site supervision entails review and analysis of periodic submissions by the stock brokers which include financial statements, Compliance Officers' Reports and periodic exposure reports on certain important variables. Any non-compliances detected during off-site reviews are notified to the entities and followed up until rectification. During on-site supervision SEC officials visit the registered business office of the stock broker and conduct comprehensive inspection of evidence relating to systems and entity's compliance with applicable Rules and Regulations. Furthermore, joint inspections with representatives of the Financial Intelligence Unit, were conducted on three stock brokers during the year to determine the level of compliance with the Financial Transactions Reporting Act, No. 6 of 2006 and Rules and Regulations made thereunder.

During the year, industry performance indicated that the total turnover of the stock brokers dropped by 41% compared to the year 2021 which was an exceptionally strong year. The profitability of the industry witnessed a 67% decrease, recording a net profit after tax of Rs. 2,094 million in 2022 compared to a net profit after tax of Rs. 6,308 million reported in 2021. The comparative statistics on the performance of the stock broker industry are given below. (Figure: 07)

Figure 07 : Highlights of the Stock Broker Industry

	2022 (LKR'000)	2021 (LKR'000)	Change %
Turnover	7,989,609	13,555,296	(41)
Net Brokerage	7,383,356	12,764,289	(42)
Other Income	3,567,382	2,015,305	77
Operating profit/ loss	3,812,946	8,162,762	(53)
Net Profit/Loss before tax	3,001,569	7,723,787	(61)
Net Profit/Loss after tax	2,094,232	6,307,940	(67)
Total Assets*	24,805,524	36,490,460	(32)
Total Liabilities*	11,631,100	23,956,798	(51)
Shareholder Funds*	13,174,424	12,533,662	5

*As at 31 December

Source: un-audited financial statements submitted by the stock brokers to SEC

Managing Companies and Collective Investment Schemes

With the Rules in respect of managing companies coming into force in 2022, companies were required to obtain a licence from the SEC in order to establish, manage, operate or market a scheme approved by the Commission. During the year, the strategic priorities were aligned to ensure that emerging risks are monitored proactively thereby strengthening the risk based approach towards supervision of managing companies.

Risk based approach of on-site and off-site supervision of managing companies focused on key risks covering areas such as prudential, operational, liquidity, adequacy of management policies. Objective of the review being, to assess the financial

strength and implementation of required procedures, internal controls and risk management mechanisms in order to ascertain its level of compliance with applicable regulatory requirements.

Further, through off-site reviews, managing companies were monitored to assess their financial strength, internal controls and if proactive risk management practices are in place, in order to ensure stability of the capital market. Off-site supervision was further strengthened through the analysis of the monthly-unaudited financial statements of managing companies and monthly return submissions of schemes to ensure that the financial position of the managing companies were stable and operated in compliance with the minimum Shareholders' Fund Requirement stipulated by the SEC.

The Rules for managing companies brought about a requirement for a Compliance Officer to be appointed, whose responsibility is to ensure that the managing company complies with applicable Laws, Rules and Regulations at all times and submits a quarterly Compliance Report for review by the SEC.

In addition, compliance with the requirement relating to the minimum number of unit holders, limitations on investments and the liquidity requirements of schemes were scrutinised and monitored on an ongoing basis to ensure that such schemes were operated within acceptable limits as stipulated by the applicable Rules to safeguard the interest of investors.

We maintain regular interactions with the managing companies and trustees of the schemes in order to ascertain the level of financial stability of such schemes and to monitor compliance with the stipulated regulatory requirements. Upon identifying certain breaches on investment limitations and liquidity requirements of the schemes during the year, the SEC instructed the respective managing companies to undertake necessary measures to regularise the levels so as to mitigate the possible risks that could arise. Accordingly, we have continued to provide timely guidance to the managing companies to assist them in ensuring compliance with the applicable regulatory requirements. (Figures: 08, 09)

Figure 08: Overall Position of the Schemes

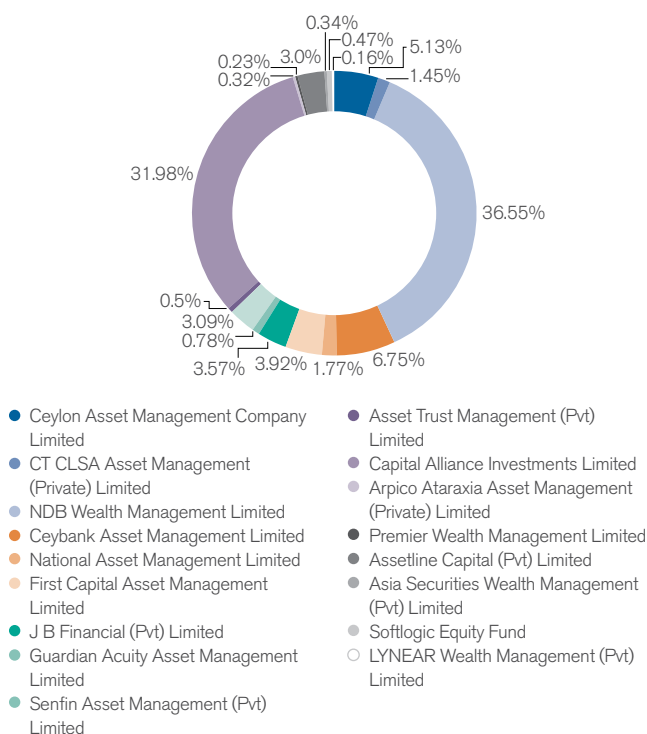
	As at 31.12.2022	As at 31.12.2021	Change %
Number of Approved Schemes	81	75	
Net Asset Value (Rs. Bn. approx.)	143.00	194.00	(26.28)
Number of Unit Holders	67,912	59,426	14.27
Number of Units Issued (No. Mn. approx.)	6,283	7,835	(19.80)
Investment in Equity (Rs. Mn. approx.)	11,856	17,586	(32.58)
Investment in Government Securities (Rs. Mn. approx.)	88,879	28,755	209.09
Investment in Other Instruments* (Rs. Mn. approx.)	48,187	148,907	(67.63)

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

Source: Regulatory submissions by Managing Companies

OPERATIONAL REVIEW

Figure: 09: Market Share of Managing Companies



Other Market Intermediaries

Other Market Intermediaries which include margin providers, investment managers, credit rating agencies, underwriters and corporate finance advisors are subjected to similar supervision process to ensure that all entities are in compliance with the provisions of the SEC Act and applicable Rules and Regulations. In order to mitigate any systemic risk arising from Market Intermediaries to the capital market, an effective risk – based supervision framework was adopted for both on-site and off-site supervision.

It is noteworthy that during the year 2022, one credit rating agency intimated the decision of its Board of Directors to cease its business operations in the country. SEC guidance was provided with regard to required due cessation process.

Further, there were applications received under the new Market Intermediary category in order to obtain a licence as a corporate finance advisor.

SURVEILLANCE, INVESTIGATION AND ENFORCEMENT

A key regulatory goal of the SEC is to ensure fair and orderly trading. To achieve this, the SEC uses market surveillance to detect and deter manipulation and other unfair trading practices. Any suspected market misconduct detected through its surveillance network is thoroughly reviewed. Investigations are launched where there is reasonable suspicion of market misconduct, followed by enforcement actions where appropriate.

Surveillance

To create, maintain and regulate a fair, orderly, efficient, and transparent market is a core regulatory objective of the SEC and is critical for the well-functioning of any capital market. The SEC conducts market surveillance to safeguard the integrity of the market by detecting and deterring potential vulnerabilities. For this purpose, suitable strategies are implemented to prevent offences through analytics whilst retaining a balance between regulation and market dynamics. Moreover, pre-emptive measures are taken to avoid disruptions to the market from anomalous trading activity, including market and price manipulation, insider trading, market rigging and front running.

Novel Challenges

During the period under review, there was a noticeable increase in trading activities mainly with the entry of new tech savvy and knowledgeable investors who performed trading activities via online platforms. The entry of the younger demography of investors forced the SEC to look beyond the traditional approach to market surveillance. As illustrated by the two graphs, nearly 80% of trades originated through Local Individuals and a trend was observed where approximately 70% of new CDS registrations of Local Individuals comprised of those aged below 35 years. The new digitally savvy investors base their investment decisions on investment-related opinions, analyses and assessments published on social media. The SEC paid close attention to content posted on social media platforms which comprise of false or misleading information and lead to market manipulation. In addition, with the new SEC Act coming into force clearer and specific provisions became available to identify unwarranted misuse of social media with the intention of causing share manipulations. (Figures: 10,11)

Figure 10 Client Account Type-Wise Trade Composition

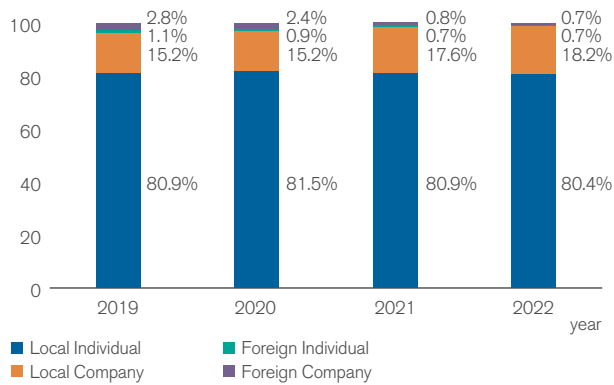
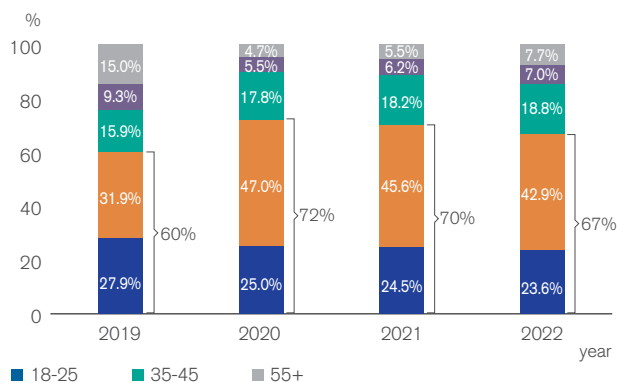
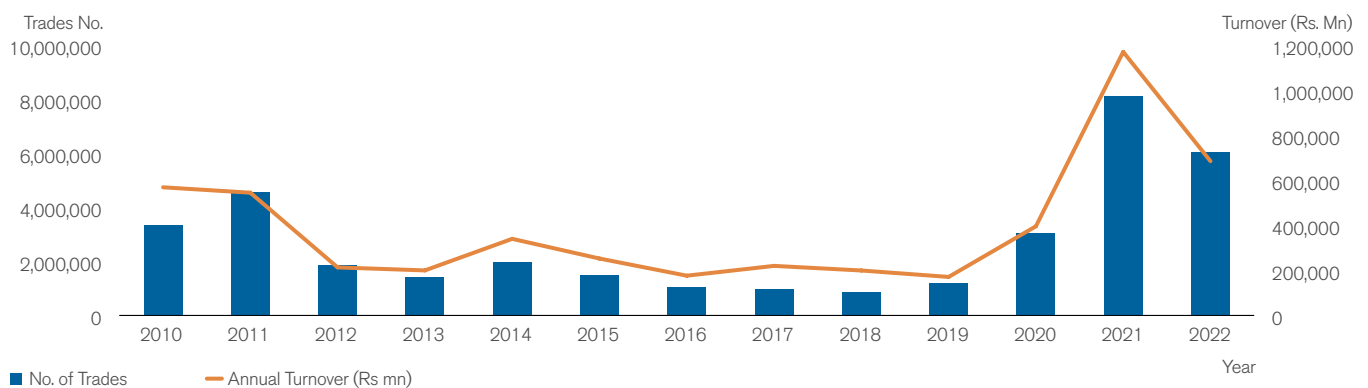


Figure 11: Age-wise CDS Registrations (local Individuals)



As illustrated in the graph below during the year over 6 million trades were reported whilst generating nearly Rs. 686 billion market turnover. A noticeable change in trading activities further escalated the required surveillance effort. (Figure: 12)

Figure 12 Trading Statistics of the CSE

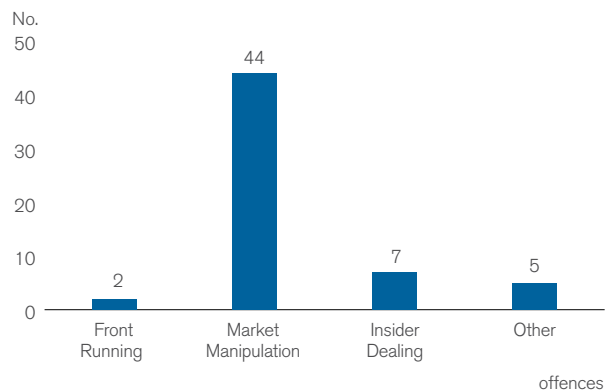


Surveillance Observations, Referrals and Notes

The SEC changed its strategy with regard to the Observations and Enforcement Action Reporting Mechanism to speed up the enforcement procedure and reduce damages to the market that may have resulted in market abuse. In pursuing this, the SEC has adopted an Observation Management System since 2020/2021 which has enhanced the contribution towards a progressive approach.

During the year, the SEC has identified 61 instances of unusual trading behaviour in the market and the offence-wise breakdown of the observations are given below. (Figure: 13)

Figure 13 Categories of Suspected Offences



In 2022, the Secretariat took measures to streamline existing enforcement processes in line with Part V of the new SEC Act, which brought together all the market offences under one umbrella. This initiative will enable the SEC to exercise effective and efficient enforcement action in a timely and proportionate manner.

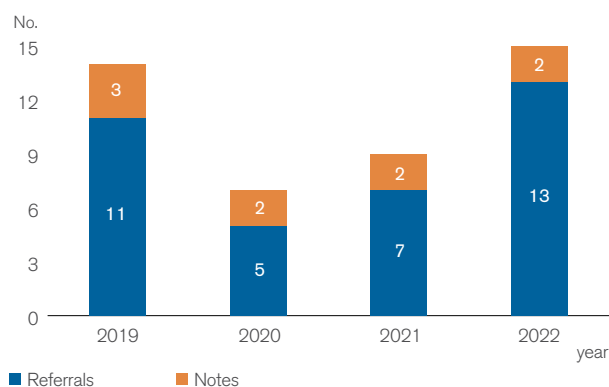
OPERATIONAL REVIEW

Moreover, conduct that is prohibited and the ingredients necessary to establish the offence is spelt out clearly under each offence, in the new SEC Act. In addition, the new Act consists of a separate part to deal with punishments and enforcement mechanisms. Thus, it reinforces predictability and consistency in regulation of the securities market. In line with this, the previous Surveillance and Investigation Process framework was changed and at present the Surveillance Referrals and Notes and CSE Referrals are forwarded to the Commission subsequent to a review and evaluation by the Surveillance Division. Assistance is obtained from other divisions of the SEC including the Investigations Division if the need arises.

Furthermore, to pursue the objective of timely action the SEC developed a framework to estimate the time effort to complete referrals. Under each type of offence i.e. Price Manipulation and Insider Dealing the framework has proposed a matrix to denote estimated time taken for different activities. The matrix has been formulated considering two perspectives; the activities to be accomplished and the parameters that drive the time taken for each activity. Such parameters are named as “time effort drivers”. Therefore, time taken for each activity will depend on size/magnitude of the corresponding parameter (time effort driver). Size/ magnitude of the parameter is to be derived from each case under consideration. Based on the size/magnitude, each parameter has been classed into three sub types. For each activity, time effort has been given under each sub type of the parameter. This framework will eventually determine resource allocation for each case and enable utilisation of analyst efforts optimally.

Accordingly, during the years 13 Surveillance Referrals and two Surveillance Notes were forwarded to the Commission which were based on surveillance findings of the SEC, referrals received from CSE (during the year three referrals were received from the CSE) and complaints. (Figures: 14)

Figure 14: Surveillance Referrals and Notes



All the referrals and notes, which were presented to the Commission, were subsequently directed to the Investigations Division for necessary actions.

In view of preventing market misconduct, the SEC employs certain other deterrence measures to ensure orderly trading conditions which include, cautionary notices, warnings, summoning for statement recordings, requesting written clarifications and inquiring via telephone calls depending on the severity of the misconduct.

These measures were put in place to reduce the potential damage to the market without delay. As a result, the SEC switched from its conventional approach to a progressive strategy to spread credible deterrence and prompt the investor community to gain confidence.

In 2022, five Compliance Officers or a higher authority, four investment advisors and three investors were contacted to seek clarifications on possible market misconducts. We further wrote to investors and market intermediaries to seek clarifications for 36 highlighted cases. In addition, 23 statement recordings were conducted from those who appeared to have engaged in market misconduct. (This includes enforcement actions taken with regard to social media activists)

Monitoring of Social Media

With the new SEC Act becoming law the scope of the surveillance function widened. We started scrutinising information that was shared on various social media platforms to identify instances of possible market misconduct and to take proactive measures. During routine monitoring, we observed social media posts by different investors which carried price targets, buy or sell indications, statements which would tantamount to recommendations and use of title or description of “stock exchange” in social media promotions.

Consequently, the SEC instigated timely and proportionate enforcement action to curb the misusing of social media linked to possible market manipulations. Accordingly, clarifications were sought promptly via telephone calls from investors pertaining to seven observations, and pursued clarifications via letters from two investors. Depending on the severity of the observations, clarifications were sought via statement recordings pertaining to 11 cases. Based on surveillance findings, the commission directed the Secretariat to issue Cautionary Notices to seven individuals and Warning Notices to two individuals. Apart from that an Administrative Penalty of Rs. 500,000 was imposed on a broker firm as a first-ever Administrative Sanction by the SEC for making misleading recommendations to clients via a text message without a basis.

Intervention to Different Policy Matters

Further to core surveillance functions, several representations were made to the Commission highlighting gaps observed in certain Rules and supervisory processes. This includes gaps observed in certain CSE Rules and annual report reviews of listed companies.

Strengthen Human Capital

Even though the surveillance function is largely centred on different technological tools, systems are prone to produce false positives. Therefore, human sense is an inseparable component for accurate detection of market misconduct. Furthermore, human capital is essential for conducting in-depth analysis to determine if the abnormalities observed warrants a basis for referral for further investigations. Thus with the enhancement of market activities the Secretariat continued to strengthen human capital this year as well.

In addition, during the year continuous capacity development of the surveillance staff was carried out by providing training on areas required.

Technological Enhancements

Rising of market activities and more sophisticated trading conduct by trading counterparts created the need for enhancing analytical capacity of the surveillance function. Thus, the SEC embarked on implementing a suitable analytical tool and other technological services in the year gone by. During the year 2022, the SEC completed the implementation of the analytical tools which now enable the analysts to perform certain tasks in less time and widen the analysis into new ranges. In parallel to this, the SEC acquired the S&P Capital IQ platform which offers web based service to retrieve numerous types of market information in a matter of few clicks. This now replaces the tiresome task of collating information from different sources.

In addition to this, the SEC continued evaluating advanced surveillance systems which suits the needs of contemporary and potential developments in the market. The new Act has now broaden the scope for new product offerings thus the system's ability to accommodate into new products were also considered.

Investigations

The SEC conducts investigations into suspected contraventions of the provisions of the SEC Act, Rules and/or Regulations made thereunder. Further, the SEC consults the representatives of the Attorney General's Department in respect of taking suitable enforcement action based on the material/evidence elicited during the course of investigations. The SEC also takes enforcement action against transgressors.

At the beginning of 2022, the SEC had 70 matters in hand comprising of full investigations, preliminary investigations, complaints and other special assignments. During the year 2022, we commenced 25 fully-fledged investigations and two special assignments. The SEC concluded 37 matters comprising of 17 investigations, one complaint, five special assignments and 14 preliminary investigations. Meanwhile, three referrals forwarded by the CSE were handled by the Surveillance and Legal and Enforcement Divisions.

Consequently, by the end of 2022, 57 matters were pending. Out of those pending matters, the SEC has compiled reports for 16 matters as at 31st December 2022.

During the year under review, enforcement action was taken based on the findings of the following 13 investigations;

- Resolved to issue Show Cause Notices to six persons and one entity in respect of alleged Insider Dealing.
- Resolved to issue Show Cause Notices to 19 persons in respect of alleged Market Manipulation.
- Resolved to issue Show Cause Notices to nine persons in respect of alleged violation of TOM Code.
- Resolved to issue a Show Cause Notice to one person in respect of furnishing false information to the SEC.
- Resolved to issue a Show Cause Notice to one PLC for alleged contravention of Rules 17 and 18 of the SEC Rules, 2001 due to non-compliance with Rules 7.8 and 8.6 of the CSE Listing Rules.
- Resolved to issue a Show Cause Notice to one stock broking firm for the alleged contravention of Rule 2.5.1 of the CSE Stockbroker Rules.

The SEC decided to refer the relevant findings of two investigations to the CSE for alleged contravention of CSE Stockbroker Rules by two stock broking firms.

Further, during the year under review, Letters of Warning were issued to two individuals for contravention of provisions relating to Insider Dealing.

The relevant findings of one investigation and eight Preliminary Investigations were notified to the CBSL.

During the year under review, four investigations were concluded without enforcement action because commission of an offence by the persons subject to investigations were not established and two investigations were directed to the Surveillance Division to carry out certain actions. The review of one complaint was terminated as the allegations in the complaint does not fall within the purview of the SEC.

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Based on the findings of an investigation, the Commission took a decision to direct the CSE to introduce new regulations or a framework to regulate the research function and/or to register the individuals who are engaged in the research function at stock broker firms.

Enforcement Action

Enforcement action is taken by the SEC on the direction and determination of the Members of the Commission.

Issue of Warnings

- Nine individuals were warned by the SEC pursuant to a 'Show Cause' for creating price volatilities in the shares of a PLC by their purchase of less than 10 shares at a time.
- Upon an investigation conducted into the trades by certain individuals to ascertain whether such trades were manipulative an investment advisor was warned.
- Upon an investigation conducted into the trades of a Director of a PLC to ascertain whether such trades amounted to insider dealing, the Director was warned.
- Upon an investigation conducted to ascertain whether the conduct of a Director of a PLC for communicating unpublished price sensitive information to another third party amounted to a violation of section 32 of the then SEC Act the said Director and the other individual were warned
- Upon an investigation conducted into the trades of a Director of a PLC to ascertain whether such trades amounted to insider dealing, the Director was warned.
- An investment advisor and his stock broker firm were warned for not following proper procedure in the Stock broker Rules and explanations were called from the CSE for not detecting the said violations.
- An investment advisor was warned for his failure to follow the documented procedure prevalent at his stockbroker firm relating to carrying out staff trades as required by the Stockbroker Rules of the CSE.
- The Commission after having extensively deliberated on the responses sent to the show causes, verbal and written submissions made on behalf of a Chairman of a PLC and circumstances in which this connected individual purchased shares of the said PLC on two occasions, decided to issue a warning to him to desist from similar conduct subject to certain conditions, including the submission of a document setting out the compliance program he has undertaken to implement within the said Group of Companies to address regulatory concerns regarding the timing of trading in shares by connected persons of the Companies within the Group.
- An investor was warned for publishing certain posts on social media, making recommendations and comments on securities trading on the CSE without a proper basis.

Issue of Show Cause

- A PLC and its Board of Directors were issued a 'Show Cause' to explain as to why the SEC should not take action against them for the failure to disclose a revision in the credit rating assigned by a registered Credit Rating Agency to issue a rating to the PLC and also to Senior Unsecured Redeemable Listed Debentures of the Company in September 2022 from [SL] A+ (Negative) to [SL] A (Negative) in a timely manner.
- Further to the findings of an investigation, two individuals and the Board of a Public Listed Company was show caused for alleged breach of Rule 31 (3) of the TOM Code 1995 and for aiding and abetting and/or conspiring thereof.
- Four Directors, a private company and the PLC was show caused for alleged purchase of shares on several instances over a period of time while in possession of unpublished price sensitive information relating to the Company and thereby violating the Listing Rules of the CSE respectively.
- One person was show caused for allegedly giving false and misleading information in the course of an investigation while eight others were show caused as Directors of a Company thereby allegedly breaching Rule 31 (1) (b) of the TOM Code.
- Upon the findings of an investigation, 13 individuals were show caused for allegedly contravening Rule 12 of the SEC Rules whilst one other was show caused for aiding and abetting thereof. One stock broker company was show caused for not following proper procedure in terms of the Stockbroker Rules of the CSE.
- Upon the findings of an investigation, one individual was show caused for alleged purchase of shares of the PLC to which she is connected whilst in possession of unpublished price sensitive information.
- Further to the findings of the SEC, one individual was show caused for his messages posted on his personal Twitter Account on certain securities listed on the CSE, which gave the impression of attempting to induce investors to trade in those securities.

Compounding of Offences

- The Members of the Commission agreed to compound an offence of Market Manipulation which is an offence under Rule 12 of the SEC Rules with regard to the shares of two PLCs on an application being made by two individuals upon their payment of Rs. 3.3 million for each offence. The

offence in relation to one individual was compounded upon his payment of a sum of Rs. 6.6 million to the SEC which was credited to the Compensation Fund of the Commission in terms of Section 51A of the then SEC Act No. 36 of 1987. The second individual is yet to pay the said sum. Action will be instituted against the other as he has failed to compound.

- On the application of two individuals who were found to have contravened Rule 12 of the SEC Rules 2001, the Commission approved to compound the said offences for Rs 3.3 Million each. The offence against one individual was compounded after settling the compounding sum of Rs. 3.3 Million. The other individual's request for a reduction of his compounding amount was refused by the Members of the Commission and was informed of the same.

Cautions

- One retail investor was cautioned against engaging and adopting trading patterns that can give a false impression to the price or market for securities traded on the CSE.
- Two retail investors were cautioned against making comments on social media on securities that are being traded on the CSE in a manner that can influence other investors to make investment decisions with regard to those securities that could contribute towards creating a false market in respect of those securities.

Imposition of Administrative Penalty

After having heard the responses to the show causes of the SEC, administrative penalties were imposed in terms of the decision of the Members of the Commission on a trainee investment advisor and his stock broker firm after having considered the procedures followed by the stock broker firm with regard to making recommendations to clients without a basis in respect of the a certain listed security and causing negative impact on its price.

Accordingly, a penalty of Rs. 500,000/- was imposed on the stock broker firm, in terms of Section 178 (1) (ii) of the SEC Act, for having contravened Section 112 (1) of the SEC Act and was further directed in terms of Section 178 (1) (i) of the SEC Act to comply and observe practices relating to conduct of its activities as a stock broker licensed by the SEC. Additionally, the trainee investment advisor employed by the said firm was reprimanded in terms of Section 178 (1) (iii) of the SEC Act for his conduct related to the aforesaid in contravention of section 112 (1) of the SEC Act by the firm.

The enforcement actions taken by the SEC and details including the names of parties have been uploaded on the website of the SEC www.sec.gov.lk.

Litigation

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

The SEC instituted the above action in the Magistrate's Court Colombo Fort against M. Imtiaz Samsudeen and Bafiq Nizar for conspiracy to commit market/ price manipulation and for committing market/price manipulation 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 SEC Act No. 36 of 1987 as amended.

The matter is pending before Court.

Magpek Exports (Private) Limited vs. SEC - HCMCA 217/2007

Four of the accused in this case who were convicted for not immediately disclosing certain material information in contravention of the SEC Rules by the Learned Magistrate of Colombo Fort have appealed against the judgment and their sentence to the Provincial High Court. The Court re-affirmed the judgement against three of the accused but mitigated the sentence in appeal, by imposing a fine of Rs. 2.5 million.

The sixth accused appellant continued the Appeal against the judgement and the sentence of the Learned Magistrate in the High Court of Colombo and the Learned Judge of the High Court on 30th June 2022 allowed the Appeal of the sixth accused appellant and set aside the judgement and sentence of the Learned Magistrate.

SEC vs. Lanka Kannangara, Kapila Senerath, Faariq Furkhan, and Raveendra Mallawarachchi, MC/ Fort/13736/19

Legal action was instituted in the Magistrates Court, Colombo Fort in 2019 against the above mentioned persons for market manipulation, conspiracy to commit market manipulation and for aiding and abetting 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 SEC Act No.36 of 1987 as amended.

The case is pending before Court.

W.K.H. Wegapitiya and Thilak De Silva vs. Chinthaka Mendis HCRA 28/22

A revision application was filed by two of the accused in case No MC/Fort/16967/20 filed by the SEC against the order of the Learned Magistrate to proceed with the trial.

The case is pending before Court.

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Chinthaka Mendis vs. W.K.H. Wegapitiya, Thilak De Silva and Thakshila Hulangamuwa, MC/Fort/16967/20

Legal action was instituted in 2020 against the above mentioned persons in the Magistrates Court, Colombo Fort for market manipulation, conspiracy to commit market manipulation, and for aiding and abetting 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 SEC Act No.36 of 1987 as amended.

The case is pending before the Court.

SEC vs. Dr. Sena Yaddehige and S. Thinamany, MC/Fort/12639/19

Legal action was instituted before the Magistrates Court, Colombo Fort in 2019 against Dr. Sena Yaddehige and Mr. Subramaniam Thinamany for Insider Dealing and aiding and abetting thereto in contravention of section 32 of the SEC Act No 36 of 1987 as amended read with Section 102 of the Penal Code respectively.

The case is pending before the Court.

Sena Yaddehige v SEC, CA/ Writ/417/2017

Sena Yaddehige v SEC, SC/SPL/LA 100/19 (Both connected to SEC vs Sena Yaddehige and S. Thinamany, MC/Fort/12639/19)

In response to the action filed before the Magistrates Court, Colombo Fort against Dr. Sena Yaddehige and Mr. Subramaniam Thinamany for Insider Dealing and aiding and abetting thereto legal action was instituted, the first accused filed a writ application against the SEC before the Court of Appeal seeking inter alia to stay the proceedings before the Magistrates Court. Court of Appeal delivering the order refused to stay the proceedings before the Magistrates 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 SEC took up a preliminary objection on the matter on the grounds that the affidavit was not properly filed by the petitioner in terms of the Oaths and Affirmations Ordinance and the Consular Functions Act of 1981. The Court reserved the order on the preliminary objections made and the proceedings before the Magistrates Court and the Court of Appeal were stayed pending the order of the Supreme Court. The order of the Supreme Court is pending.

Talib Tawfiq Al Nakib vs. CSE and SEC (WP/HCCA/LA/ COL/158/17 (LA), DC Case No: DSP/20/2016)

The Petitioner lodged an application before the District Court of Colombo seeking an order against the CSE and the SEC to conduct investigations into the affairs of an unlisted company. The matter was dismissed by the District Court of Colombo.

The petitioner lodged an appeal in the High Court against the judgement delivered by the Honorable District Judge of Colombo in case No. DSP/20/2016 which was instituted by Talib Tawfiq Al Nakib against the SEC and the CSE.

The said appeal is pending.

S.C.F.R. Application No. 182/2021 - Eng. G. Kapila Renuka Perera vs the Hon. Attorney General and 32 others including the SEC

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.

C.A. (Writ) Application No. 148/2021: M.A.C.E. Manthirratne vs SEC and 14 Others

The petitioner in this matter filed an application for the grant of writs of Certiorari and Mandamus in the Court of Appeal seeking to quash a decision made by the SEC in granting a promotion to an employee and seeking a direction on the SEC to promote the petitioner instead; or in the alternative to promote the petitioner to the post of Manager by placing the petitioner above the employee who has been already appointed to the post of Manager. The case is pending before the Court of Appeal as at the end of the year under review.

CASE NO: SC (SPL) LA Application No.177/2020

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. The petitioner company is seeking to set aside the 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 filed for special leave to appeal to the Supreme Court. No relief has been sought from the SEC. This matter is pending before the Supreme Court.

Urban Development Authority (UDA) Vs. On'ally Holdings PLC HC (Civil)/11/2021/CO

UDA, a shareholder holding shares not less than 5% of the voting rights of On'ally Holdings PLC, has filed an application against On'ally Holdings PLC under Section 225 of the Companies Act read with Sections 226, 520 and 521 of the said Act alleging that the affairs of On'ally Holdings PLC are being conducted in a manner prejudicial to the interests of the Company by way of a material change in control of the Company which has taken place through the ownership of the shares by Lanka Reality Investments PLC, which took over On'ally Holdings PLC recently by way of a mandatory offer.

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

The matter is pending before Court.

“The SEC conducts investigations into suspected contraventions of the provisions of the SEC Act, Rules and/or Regulations made thereunder.”

Capital Trust Holdings and Tushan Harsha Mendis Wickramasinghe vs. SEC and AG (CA (W) 465/2022)

This writ application filed by the Petitioners against the SEC seeking inter alia the issue of writs of certiorari quashing the decision of the SEC that Mr. Wickramasinghe has violated Rule 12 of the SEC and instituting criminal proceedings against him has been fixed to be supported by the Counsel for the Petitioners and is pending before Court.

Chinthaka Mendis vs. Nihal Radella MC/Fort/23337/22

Legal action was instituted before the Magistrates Court, Colombo Fort in 2022 against Mr. Nihal Radella for giving false or misleading information when giving a statement to the SEC during statement recordings taken in the course of an investigation, in contravention of section 46A (1) of the then SEC Act No 36 of 1987 as amended read with Section 102 of the Penal Code respectively.

The case is pending before Court.

Complaints Redress System

Status of complaints relating to listed entities received and redressed are given below. (Figure 15)

Figure 15: Handling of Complaints and Matters Relating to Listed Entities

Nature of Complaint	Number of Complaints attended	Action Taken / Current Status
Conduct of Board of Directors of Public Listed Companies	5	All matters were concluded appropriately
Conduct of Public Listed Companies	6	04 matters were concluded appropriately
Non-Compliance with SEC Rules / CSE Listing Rules	1	Matter is currently pending
Other Administrative matters	8	All matters were concluded appropriately
Non-Compliance with applicable Financial Reporting Framework	1	The matter was concluded appropriately
	21	

OPERATIONAL REVIEW

CAPITAL MARKET DEVELOPMENT

Capital markets play a key role in financing businesses, creating jobs, widening ownership of assets and generating returns on long-term savings. During the period under review, the SEC played a catalytic role and undertook a number of development initiatives with the objective of transforming the Sri Lankan Capital Market landscape. The key development initiatives facilitated during the year are as follows:

Digital Transformation of the Stock Market Operations

Marking a landmark milestone in the history of the capital market, end-to-end digitalization of the stock market operations were successfully completed in three phases. This initiative commenced with the appointment of a joint committee by the Chairman of the SEC, comprising representatives from the SEC and the CSE to enhance the convenience and efficiency of the market and resulted in the entry of a more tech savvy young generation of investors.

This digital transformation in the share market has also positively contributed to improving the market activity levels. This was evident through a considerable increase in retail investor participation witnessed post the launch of the mobile application. The digital transformation under this initiative enabled the execution of a number of stock market operations on-line, which resulted in revitalising the overall capital market spectrum. The following digital initiatives were completed under the phase three "Sri Lankan Capital Market – The Odyssey":

- Onboarding of Foreign Individuals (via stock broker firms) through the mobile app and ability to request to open IIAs from a licensed commercial bank
- Stock broker CDS account opening
- Application Programming Interfaces for the individual stock broker firms to connect to the CSE Mobile app
- CSE Mobile app- tri- lingual feature
- Profit and loss facility
- e-Initial Public Offering (IPO) web portal
- e-Connect reports purchases
- Margin account openings
- Private transfers (where beneficial ownership changes of margin trading)
- Corporate action event calendar
- Nominations
- e-Offers/ Repurchase
- e-Rights (first phase -allotment letter digitalization)
- Onboarding of unit trusts

Facilitating the Implementation of a CCP Mechanism at the CSE

Upon the successful implementation of a DvP mechanism by the CSE, the next phase was to implement a CCP mechanism in order to effectively manage the post trade risk in the market. Towards this end, the SEC Chairman appointed a joint SEC - CSE committee headed by Mr. Sunil Lankathilake, SEC Commission member to spearhead this initiative in January 2022. Under the guidance of the joint Committee and the technical assistance from the assigned consultant procured under the Financial Sector Modernization Project (FSMP) of the World Bank to support the initiative, the policy framework for the implementation of a CCP system was finalised and approved by the Commission. Accordingly, the CSE commenced upgrading the system infrastructure and currently, the CSE is in the process of finalising system specifications with the vendor. The CSE has had industry consultations on the proposed model too. It is envisaged to complete modifications to the systems both by the CSE and broking firms and go live by the second quarter in 2023.

Introduction of New Products to the Market

With a view to expediting the introduction of a number of new products to the market, the former Chairman of the SEC appointed a joint SEC-CSE committee headed by Mr. Manil Jayasinghe, Member of the Commission comprising both the SEC and the CSE members. The committee overlooks the following initiatives under the phase 1:

- Implementation of Regulated Short Selling through Securities Borrowing and Lending
- Introduction of Green/Blue Bonds
- Introduction of the ESG Index
- OTC Platform to carry out REPO transactions on listed corporate debentures
- Listing of Perpetual bonds
- Expanding the listing framework to facilitate the listing of debt/equity securities issued by SOEs
- Listing and trading of foreign currency denominated debt securities issued by entities incorporated in Sri Lanka
- Trading of High-Yield corporate debt securities on the OTC platform.
- Implementing XBRL-based Reporting Platform

The initiatives which will be considered under phase II are the introduction of Islamic Capital Market Products, Equity Crowdfunding, Gold based Exchange Traded Funds, Structured Warrants and Mortgage-Backed securities.

Facilitate the Introduction of Covered Short Selling (SS) through Securities Borrowing and Lending (SBL)

Providing impetus for covered SS through SBL is likely to enhance liquidity and activity levels in the market. The policy framework for enabling covered SS through SBL was finalised jointly by the SEC and CSE under the technical assistance of the assigned consultant by the World Bank, which was also approved by the Commission. Accordingly, the CSE is currently in the process of carrying out necessary system modifications and finalising the Rules to enable the same. The CSE has commenced conducting awareness building sessions for stakeholders to get more familiarised with the new initiative.

Facilitate the Introduction of ESG Related Initiatives

With the growth in popularity and adoption of ESG focused investing practices world over, many capital markets have enabled the required policy and regulatory framework to introduce Green initiatives. As such, we initiated steps to develop both the supply side and the demand side with an objective of familiarising and increasing awareness on the importance of ESG Investing and Reporting among the domestic capital market stakeholders whilst facilitating the creation of a more conducive environment for Green, Social and Sustainable (GSS) capital market financing.

Measures to Promote the Supply Side

Enabling the Issuance of Green/Blue Bonds

As part of promoting the supply side, policy framework was finalised for the introduction of Green Bonds and accordingly, the CSE developed draft rules which were finalised as per the recommendations given by the experts of the ADB. Blue Bonds, a sub set of Green Bonds which exclusively invest in ocean related projects was also considered where the policy framework was finalised. Since the principles and standards applicable are similar for both Green and Blue Bonds, it is envisaged to enable the issuance of both under the same framework. Once the rules are published, corporates could raise financing for Green Projects and it would open up avenues for prospective local and foreign investors to enter the market bringing the much-needed foreign inflows to the country.

“As part of promoting the supply side, policy framework was finalised for the introduction of Green Bonds and accordingly, the CSE developed draft rules which were finalised as per the recommendations given by the experts of the Asian Development Bank.”

Promoting ESG reporting and supporting other ESG related initiatives by the CSE

With regard to promoting ESG reporting by listed companies, the SEC, CSE and the Institute of Chartered Accountants of Sri Lanka (ICASL) entered in to a Memorandum of Understanding (MoU) on 24th August 2022 which broadly covered areas on building awareness on integrated reporting, corporate governance, sustainability and any other related areas for the benefit of corporates and the users of financial statements/ corporate reports. In addition, the SEC requested the CSE to develop an ESG Index internally which could be used as the underlying to create new ESG based products or to be used as a benchmark for such investments and to introduce necessary regulatory framework required to facilitate GSS Capital Market financing in Sri Lanka.

Measures to Promote the Demand Side

Awareness building on ESG

In order to enhance the awareness building initiatives in relation to ESG, a MOU was signed between the SEC, CSE and the Chartered Financial Analysts (CFA) Society on 17th June 2022. The MOU broadly intended to establish a collaborative relationship to promote awareness of ESG among Sri Lankan investors to enhance investor protection, encourage capital market practitioners to introduce ESG into their investment research and valuation process to keep abreast with challenging global trends and ensure that the professional standards and integrity are maintained in the Sri Lankan Capital Market.

Framework for the Introduction of Sukuk Products at the CSE

Technical Assistance was provided under the Capital Market Development Program of the ADB to develop a Regulatory Framework for introducing Islamic Capital Market Products including Sukuk, to the Sri Lankan Capital Market. Thereafter, the ADB consultants in consultation with the SEC and the CSE commenced work on the initiative in accordance with the agreed scope of work. As per the Market Assessment Report submitted, it was highlighted that there was strong interest and potential in the local capital market for introducing Sukuk Products.

A Sukuk is a financial instrument similar to conventional debt securities and is linked to an underlying asset (normally tangible). From the perspective of the investors, holding of a Sukuk represents a partial ownership in the relevant asset. The details of Sukuk structures vary. However, typically a company that requires capital (referred to as the “originator”) establishes a special purpose vehicle (SPV) and sells assets to the SPV. This SPV issues Sukuk certificates that are sold to the investors. The originator then contracts to use the assets in its business, for example by leasing them back; the payments received for this provide the return to the investors. It also contracts to buy back the assets at the end of the period.

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Based on the findings presented by the ADB consultants in the Market Assessment Report, several discussions were held between the consultants, the SEC, CSE and other regulatory bodies such as the Department of Inland Revenue (IRD) and the CBSL. Accordingly, the consultants proposed to introduce Sukuk products to the capital market by making amendments to the existing Listing Rules at the CSE, applicable to debt securities.

Thereupon, a draft regulation/guideline in terms of amendments proposed to the existing listing framework to facilitate Sukuk products were submitted and this was reviewed by the SEC and the CSE and agreed on. The draft regulation/guideline with the proposed amendments was submitted to the Members of the SEC Commission and was approved. Accordingly, the proposed Regulatory Framework for issuing of Sukuk products was communicated to the CSE for necessary actions.

Introduction of Structured Warrants

The draft guidelines for the issuance of Structured Warrants were developed by the assigned ADB Experts which have been shared with the CSE to be considered in developing rules to enable Structured Warrants. In addition, the ADB Experts developed draft Rules for Market Makers in relation to Structured Warrants which were published for public consultation and are being finalised internally. Introduction of Structured Warrants has been identified as a second phase initiative under the SEC-CSE joint committee for new products. Once the product is introduced, it would broad base the asset classes available for investors and provide more business opportunities for market participants such as becoming issuers and market makers of Structured Warrants.

Facilitate the Listing, Trading and Settlement of Foreign Currency Denominated Securities

With an objective of enhancing the much needed foreign currency inflows to the country, the SEC facilitated this initiative. Upon receiving a proposal to facilitate listing, trading and settlement of foreign currency denominated securities from the CSE highlighting related matters to be taken up with the MOF and the CBSL, the SEC shared the proposal with the MOF requesting them to take necessary measures to support the initiative. Accordingly, the MOF and CBSL enabled the required legal provisions to address the matters highlighted in the CSE proposal and to facilitate the initiative. Subsequently, the CSE proposed amendments to the relevant rules, tick size and transaction fee structure in relation to foreign currency denominated securities, which were approved by the Commission. Upon facilitating the introduction of the product, approval has been sought from the MOF for the proposed transaction fee structure and to issue relevant regulations.

“Enabling policy and a regulatory framework was introduced to facilitate digital platform operators to extend their facilities to their subscriber/member base in order to broad-base the investor base in the stock market.”

Facilitating Fund Raising through Equity Crowdfunding Platforms

Upon getting the in-principle approval for the introduction of equity crowd funding, the draft policy and regulatory considerations were identified by the assigned ADB consultants based on which they developed the draft rules to enable the initiative. The draft Rules were published for public consultation and currently they are being finalised internally. Once the Rules are issued, prospective market operators would be able to get registered with the SEC and offer equity crowdfunding platforms to investors creating a new business opportunity and an alternative mode for fund raising by Small and Medium Sized Enterprises (SMEs). This would not only support the SME sector immensely which is considered as the backbone of the country but also widen the investment options available for the investors.

Facilitating Digital Platforms to Broad-Base and Widen the Investor Base

Enabling policy and a regulatory framework was introduced to facilitate digital platform operators to extend their facilities to their subscriber/member base in order to broad-base the investor base in the stock market. This would enhance the awareness on the stock market operations and support the technological transformation in the stock market operations. Currently, the CSE has enabled a number of such third party service providers to use their digital platforms.

Coordinating Donor Agency Projects

Both the Capital Market Development Program by the ADB and the Financial Sector Modernisation Project (FSMP) of the World Bank have been concluded during the period under review where the programs have benefitted the Secretariat and the capital market as a whole in many folds.

Capital Market Development Program (CMDP) by the ADB

The CMDP was a policy-based loan and technical assistance program to the Government of Sri Lanka by the ADB and the program provided technical assistance to the implementing agencies such as the SEC, CBSL and the Insurance Regulatory Commission of Sri Lanka (IRCSL). Under the CMDP, the SEC received technical assistance for a number of initiatives such as drafting the CIS Code, demutualization of the CSE, revamping of the capital market certification process, enhancing financial literacy and outreach for unit trusts, developing the policy and regulatory frameworks to enable the introduction of Islamic Capital Market Products, Structured Warrants, Green Bonds, Equity Crowdfunding platform, strategy for the introduction of Derivatives which have been successfully completed during the period under review.

Financial Sector Modernization Project (FSMP) by the World Bank

The key objective of the FSMP was to facilitate the increase of financial efficiency and inclusion through uplifting of financial market infrastructure, legal and regulatory framework and by strengthening of financial sector regulator's supervisory capacity. The SEC, the CBSL and the IRCSL were identified to be the Project beneficiaries.

The FSMP comprise of two components:

- Component 1 - Results based Financing where the Project funds will be disbursed against achievement of selected key Disbursement Linked Indicators
- Component 2 - Investment based Financing where funding is provided for the procurement of identified goods and services

Accordingly, the SEC secured funding under the Project for a number of key regulatory and developmental initiatives. (Figure 16)

Figure 16: Results based Financing Component

Disbursement Linked Indicator (DLI)	Associated Disbursement Linked Result (DLR)	Status of achieving the DLR
DLI 1. Adoption of a consolidated risk-based approach to supervision of financial institutions	▪ DLR 1.1: The Financial Sector Oversight Committee agrees through a MoU that CBSL will be the lead consolidated supervisor	Fully achieved
	▪ DLR 1.2: Implementation of the MoU signed by the three regulators evidenced by 4 meetings of the FSOC confirmed by the Chairman of the FSOC	Fully achieved
DLI 4. Establishment of DvP mode of settlement for corporate securities to minimize possible risks to financial stability	▪ DLR 4.1: SEC & CSE adopt rules and regulations necessary to enable the settlement of the corporate equity segment on DvP basis	Fully achieved
	▪ DLR 4.2: Successful CSE Business Continuity Planning test involving the DvP arrangement completed	Fully achieved
	▪ DLR 4.3: SEC undertakes on-site or off-site inspection/audits one year after enabling DvP to ensure that a DvP system has been fully implemented	Fully achieved

As of closure of the Project, the SEC has fully achieved all the Disbursement Linked Indicators. Accordingly, the World Bank has disbursed the allocated funds pertaining to DLRs 1.1, 1.2, 4.1 and 4.2. The funds allocated to DLR 4.3 is to be released during January of 2023.

Investment based Financing Component

Consultancy Procurements

As per December 2022, the below expertise was procured and, the respective Contracts signed were successfully completed.

- Consultancy for Implementation of DvP and policy framework for the implementation of a CCP and regulatory SS through SBL
- Consultancy for enhancing education and awareness delivery channels – Development of websites Expertise
- Consultancy for developing an institutional IT Strategy/implementation monitoring
- Consultancy for market surveillance

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Infrastructure Procurements

As per December 2022, the below identified goods were procured.

- Data Analytical Tool for the Surveillance Division - Tableau
- Document Archiving and Management System
- Storage Expansion
- 10 numbers of Oracle DB Standard edition 2
- Procurement of Laptop computers for the staff of the SEC

Funding Secured to Implement Training for the SEC Staff

Additionally, funding was allocated to build capacity of the SEC staff based on a training plan developed by the SEC. The training plan developed by the SEC was approved by the World Bank and accordingly funds were utilised for a number of identified capacity building programs.

Human Capital Development

With the enactment of the new SEC law, the scope of work of the SEC too expanded where it became possible to introduce many new initiatives such as equity crowdfunding and market makers for structured warrants. In line with this new scope of work, the capacity of the division was strengthened during the period under review by providing many learning opportunities to the divisional members in relation to new capital market development initiatives and to new recruits. With the improved talent and competencies, the division would be able to support the market development function in a more effective manner.

Capital Market Awareness and External Relations

Educated investors have a better understanding of financial products and services, assess the potential risks and rewards of investment products and make informed investment decisions. Moreover, educated investors are able to safeguard themselves from malpractices. During the year, the SEC designed, developed and delivered a range of investor awareness programs to various segments of society.

Outreach Events - Seminars and Workshops

The awareness programs of the SEC were aimed at creating informed investors and to equip them with sound knowledge to grow their wealth and become financially independent. Despite the challenges and limitations of the economic crisis, we

“Educated investors have a better understanding of financial products and services, assess the potential risks and rewards of investment products and make informed investment decisions.”

ensured uninterrupted learning by delivering investor programs via digital channels. Towards the end of the year, we recommenced in person programs for teachers, investors, schoolchildren, journalists and undergraduates.

Teacher Training Programs

Teachers are an important part of an education system. We consider investing in teachers is investing in learning. The SEC continued to impart knowledge on the capital market to teachers, to improve learning outcomes of students. In association with the National Institute of Education and the Ministry of Education, we conducted programs for teachers in all three languages in Gampaha, Dehiattakandiya, Mawanella, Matara, Galle, Moneragala and Wellawaya during the year under review.

School Seminars

Capital market literacy in schools plays an important role in increasing student investment interest and investment decisions. As schools gradually reopened, we conducted the following awareness programs for schoolchildren.

- Alighar National School, Eravur, Batticaloa
- Bandaranayake College, Gampaha
- Al Aksha National School, Kalpitiya
- Dehiattakandiya Central College, Dehiattakandiya
- Rivisanda Madya Maha Vidyalaya, Aranayaka, Mawanella
- Al Azar Central College, Hemmathagama, Mawanella
- R. Premadasa National School, Hasalaka
- Naleem Hajjar Ladies College, Beruwala

Programs for Undergraduates

We informed all the National Universities in Sri Lanka of our strategy to conduct awareness programs to undergraduates to improve financial literacy and encourage them to invest in the securities market. Moreover, this initiative is expected to create a pool of employable youth for the capital market industry. Awareness programs were conducted in the following National Universities.

- Wayamba University of Sri Lanka, Department of Accountancy
- University of Sri Jayawardanapura, Department of Business Economics
- University of Kelaniya, Department of Commerce and Management
- Rajarata University of Sri Lanka, Department of Management
- University of Ruhuna, Department of Accountancy
- University of Sri Jayawardanapura, Department of Finance

SEC/CSE Investor Forums

The SEC and the CSE recommenced the Investor Fora series titled “kotas welenda pola: nagarayen nagarayate” to bolster financial literacy in order to promote a better understanding of the capital market and encourage more proactive and informed participation by retail investors.

In-person regional investor fora were conducted in several identified locations namely Kandy, Galle, Jaffna and Kurunegala.

Imparting Capital Market Knowledge to Journalists

To improve basic financial literacy and knowledge on the capital market among journalists in Sri Lanka, the SEC conducted a presentation on investing in the capital market for the students of the College of Journalism.

Social Media-Based Education Campaigns

There is widespread usage of mobile and internet technology mainly among young investors. Therefore, during the year we prioritised investor empowerment initiatives through postings and announcements on social media channels to ensure wider reach targeted especially towards the young generation.

We posted balanced content at least once a day on Twitter and Facebook in all three languages on social media to further investor education and protect investors from investment scams. The SEC's youtube channel was updated with educational videos regularly.

IOSCO'S World Investor Week Campaign

We lined up a variety of activities to coincide with the World Investor Week and disseminated key messages through social media networks, to foster learning opportunities and address current trends and interests of investors, such as sustainable investing, provisions in the new SEC Act to safeguard investors, financial advice on social networks and how to manage investments in a high- inflationary period. This social media campaign titled, “Stay Informed” included seven short videos on the new CIS Code and investor protection afforded by the new SEC Act.

The SEC corporate video incorporating the enhanced remit of the new SEC Act was released to coincide with the 35th Anniversary of the SEC. During the year, we published a full-page supplement containing articles on investing in the Sunday Times. Eight investor education brochures in Sinhala and English were updated and uploaded to the Investor Corner of the SEC website. We commenced work on a new brochure containing the salient features of the new SEC Act in all three languages.

“We lined up a variety of activities to coincide with the World Investor Week and disseminated key messages through social media networks, to foster learning opportunities and address current trends and interests of investors.”

“Invest Sri Lanka” London Forum

The SEC, CSE and the Sri Lankan High Commission in UK organized several forums for prospective investors in London. The forums were held for institutional investors, Members of the Sri Lanka Chamber of Commerce in UK and expatriate Sri Lankan Community.

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). The SEC is a signatory to the IOSCO MMoU and utilised cross-border co-operation through the IOSCO MMoU on Consultation and Co-operation and Exchange of Information, for investigative assistance. The SEC actively participated in meetings of the two policy committees and contributed to various work streams through responses to surveys and questionnaires.

Capital Market Education

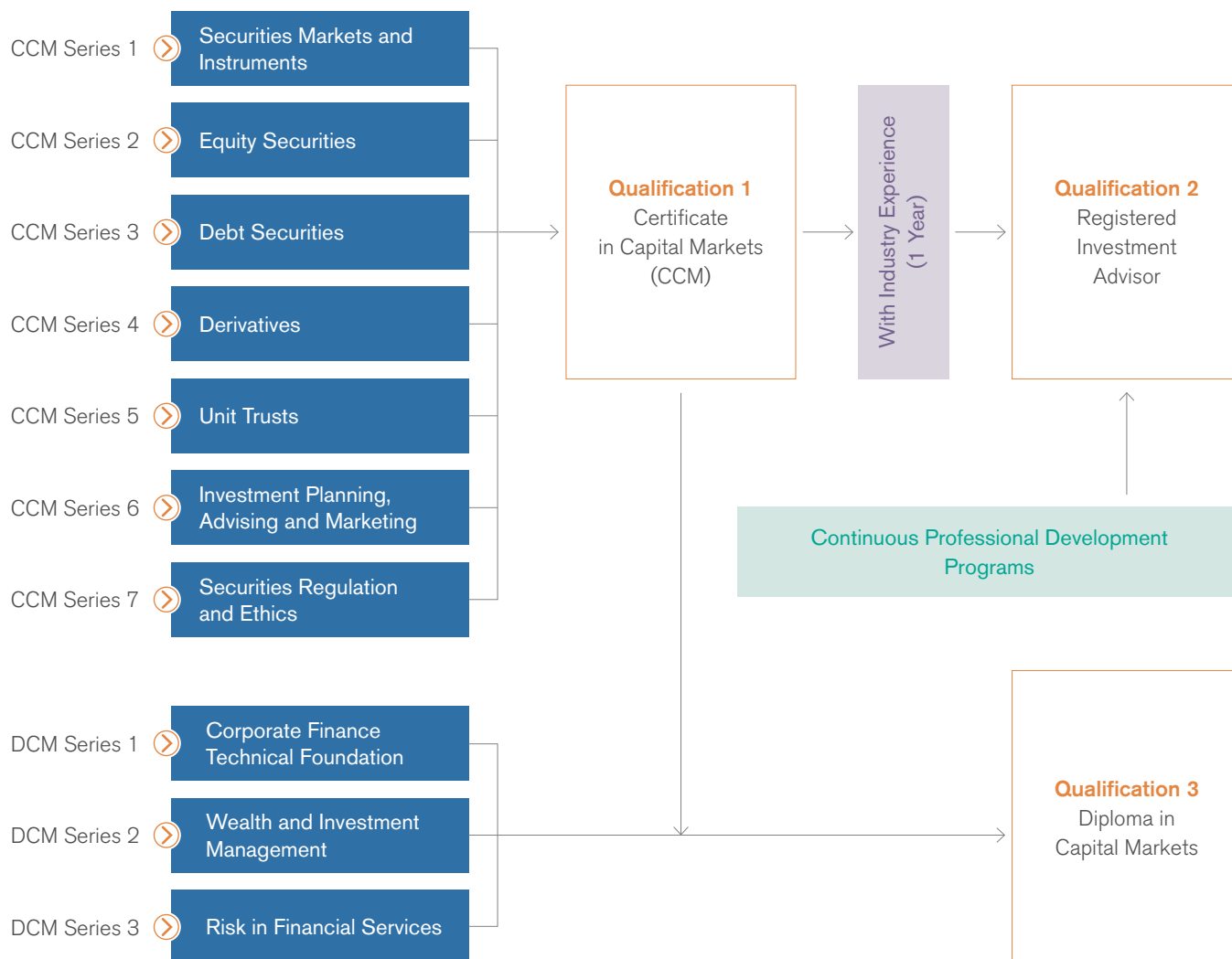
The SEC develops and administers professional education and conducts Continuous Professional Development (CPD) programs as part of the licensing regime for the capital market of Sri Lanka. In addition to the above the SEC delivers structured programs to impart basic theoretical and practical aspects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

During the period under review the SEC continued to implement the revised Capital Market Qualification Framework introduced in 2019 which is aimed at offering a minimum level of proficiency for trainee investment advisors of stock broking companies. The said framework paves the way of Certified Investment Advisers for one or more asset classes, i.e. Equity Securities, Debt Securities, Derivatives and Unit Trusts.

The Registered Investment Advisor (RIA) qualification was enhanced to an apex qualification to include all asset classes in the securities industry (Figure 17).

OPERATIONAL REVIEW

Figure 17: Capital Market Qualification Framework



Having recognised and understood the importance of adapting to the changes brought about by the pandemic and the prevailing economic situation in the country, we continued to conduct the Certificate in Capital Markets (CCM) program online and was able to provide uninterrupted lectures via online platforms. Even amidst the crisis, all the examinations pertaining to these programs were conducted accordingly.

As a part of its licensing regime, we administer the Registered Investment Advisor (RIA) and Certified Equity Securities Advisor (CESA) certification, which is mandatory to perform duties as an Investment Advisor in licensed stock broking firms. Therefore, continuous VIVA VOCE examinations for Investment Advisors were held throughout the year and these consisted of students seeking the RIA Licence which caters to all four asset classes i.e. Equity Securities, Debt Securities, Unit Trust and Derivatives and the CESA Licence catering for a single

asset class which is Equity Securities. Due to the economic crisis and fuel restrictions, few of the said examinations were held entirely online or using hybrid mode. However, VIVA VOCE examinations were conducted mostly onsite. In addition, CPD Programs were conducted in the form of webinars to develop and maintain knowledge and skills related to professionals of market practitioners.

In addition, the SEC conducted Program in Investing (PI) for existing and potential investors during the year 2022. The program was offered in both Sinhala and English medium. All the PI programs were conducted online. 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.

Certificate in Capital Markets (CCM), Certificate in Equity Securities (CES), Certificate in Debt Securities (CDS) and Certificate in Unit Trusts (CUT)

The aforesaid programs were conducted in English medium and were inaugurated during the year 2022. 26th Batch was commenced in October 2022 with 88 registered participants. (Figure 18)

Figure 18: Statistical Performance

Total Registered	Completed Securities Markets and Instruments series	Completed Equity Series	Completed Debt Series	Completed Unit Trust series	Completed Financial Planning, Advising and Marketing series	Completed Securities Regulations and Ethics series
88	53	39	37	62	68	46

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

During the year 12 VIVA VOCE Examinations were held to grant licences to students seeking the RIA Licence, CESA Licence and also in order to re-instate investment advisors whose licence has expired due to non-compliance with the annual CPD requirement.

Accordingly, a total of 48 students participated for these VIVA VOCE Examinations and the average pass rate is 60%. Out of the successful students, 19 students obtained the RIA Licence indicating a pass rate of 70% while four students have obtained the CESA Licence which indicates a 100% pass rate. Only six investment advisors were re-instated during the year indicating a pass rate of 35%. (Figure 19)

Figure 19: Statistical Performance of VIVA VOCE Examinations

VIVA VOCE Examination	Participated No. of Students	Average Pass %
RIA / CESA / Re-instatements	48	60%

Continuous Professional Development (CPD) Programs

During the year under review, five 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 more than 1400 participants, which included Chief Executive Officers of stock broking companies, investment advisors and analysts. All CPD's were conducted online as webinars.

The SEC maintained its mandatory requirement for the existing investment advisors to obtain a minimum of four CPD seminar credits for a year to renew their RIA Status for the following year (Figure 20).

Figure 20: Summary of CPD Programs: Year 2022

Title of the CPD Program	No. of participants
Introduction to Anti-Money Laundering and Customer Due Diligence Rules	317
Sri Lankan Economy: The Way Forward	356
Rules Applicable to Market Intermediaries / Institutions	436
Introduction to Collective Investment Schemes (CIS) Code	191
Continuing Listing Rules - What You Should Know When Advising Your Clients	181

Program in Investing (PI)

Program in investing was initiated with the intention of providing basic theoretical and practical aspects of share trading for existing potential investors. A Sinhala medium program and an English medium program was conducted during the year spanning six weeks. The 28th and 29th Batches were inaugurated in January and March 2022. During the year, 26 and 24 participants registered for the Sinhala medium and English medium programs respectively.

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Gold Medal and Cash Award Project

We continued the Gold Medal and Cash Award Project 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 is awarded to the best performing undergraduate in the area of capital markets in the National Universities in Sri Lanka. Memoranda of Understanding (MOU) have been signed with eleven National Universities with regard to the above project.

Accordingly, the National Universities mentioned below were awarded with gold medals and cash prizes during the year 2022.

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

Capital Market Information Center (CMIC)

The SEC as the regulator of the capital market always strives to improve financial literacy in the country as we firmly believe the creation of a knowledge-based, knowledge-led industry is pivotal for the sustainable development of the capital market. With the intention of popularising the subject of Capital Market and encourage research, a project was initiated to establish CMIC at National Universities in Sri Lanka and it was continuously updated as we expect to offer an e-learning environment through which capital market information, data and other educational tools are provided to academics and undergraduates seeking to further their understanding about the capital market for research and academic purposes as well as to upgrade their knowledge in investing. Importance of such an initiative is highlighted in the current context and currently we are in the process of revamping the website. During 2022, we visited the Jaffna University and observed the condition and the usage of the CMIC Center.



Gold medal and cash award presented to Ms. M H M I M Seneviratne of the University of Sri Jayewardenepura for the best performing undergraduate in the area of capital market

SEC in the News

Capital market content in school curriculum from 2023

SEC to allow local companies to raise capital in foreign currencies

Lanka's financial literacy low at 58%



"Capital market content from next year onwards will be a part of the school curriculum beginning from grade 6," said Director General, Secretariat and Exchange Commission (SEC), Chinthaka Mendis.

He stated this at the Chartered Financial Analysts (CFA) Society Sri Lanka joined the Colombo Stock Exchange (CSE) to ring the bell for Financial Literacy and to launch the publication on Financial Literacy authored by Director of CFA Society Sri Lanka, Ravi Abeyaratne.

"It has been included in the entrepreneurship and Financial Literacy subjects, which could be considered a major step forward when educating our future generations," Mendis emphasized that only for financial literacy.

CFA Society Sri Lanka to further disseminate," he said. CFA Society Sri Lanka Vice President, Anura Perera, also emphasized the fact that personal financial management is important for everyone as an individual, a family, a corporate, society, etc.

CSE Deputy Chairman, K. M. A. N. Dissanayake, presented the projects carried out by the CSE over a long period of time to create awareness on financial education. He also mentioned that more than half of the Sri Lanka showed a positive attitude towards the safety and efficiency of domestic capital market participants.

COLOMBO, 23RD MARCH 2022 Securities and Exchange Commission of Sri Lanka and CFA Society Sri Lanka continue to advance capital market governance standards

As CFA Society Sri Lanka counts down to the ninth annual CFA Capital Market Awards scheduled to be held in June this year, it takes stock of the myriad of stakeholders - including industry regulators - who are part of the flagship event, which recognizes and rewards professionals who have established benchmarks for the advancement of domestic capital market participants.



Mr. Viraj Dayaratne, PC Chairman, Securities Exchange Commission, Sri Lanka

We are happy that they have shown an interest and taken steps towards contributing to the market, along with the regulator, the Securities and Exchange Commission, as well as the Colombo Stock Exchange, with the idea of bringing in new regulations

create awareness and showcase advantages of REITs," Dayaratne added.

SEC UNDERSCORES ROY OF CFA CAPITAL MARKET AWARDS IN UPLIFTING INVESTMENT RESEARCH STANDARDS

The SEC Chairman is of the view that the CFA Capital Market Awards is of immense service to the market, adding: "Whether the work done by the stock listed companies or the unlisted companies or the industry, collectively, the steps that have to be taken to improve the standards in these disciplines. And we will ensure that standards improved."

When it comes to the investment research, Dayaratne maintains that engaging in research is equally important. It is equally important to have high-quality research material in hand. Moreover, high-quality research would provide the public with the much-needed confidence as well as security, as far as their investments are concerned.

Looking ahead, the SEC Chairman said that the CFA Society further steps - on an ongoing basis - with other stakeholders in the financial literacy, awareness amongst the public and improve the industry.

He concluded by highly regarded that we're happy to see increasing in this Greater emphasis is importance of the quality of those with the capital market in a whole.

CFA INSTITUTE SOCIETY SRI LANKA

CFA Institute is a global association of professional Chartered Financial Analysts (CFAs). CFA Society Sri Lanka is a not-for-profit organization that promotes the advancement of CFA members and candidates, and provides a platform for CFA professionals, and other securities practitioners, to share their knowledge and experiences.

SEC, CSE complete third phase of CSE digitalisation

A special market ceremony under the patronage of SEC Chairman Viraj Dayaratne PC to mark the third phase of the Sri Lanka Capital Market Digitalisation Project.

SEC/CSE Joint Committee for Digitalisation Chairman Naresh Abeysekera said: "Today, this digital market, but has changed the entire digital landscape of the capital market industry. It's a remarkable feat we achieved."

A joint committee was formed by SEC Chairman Dayaratne, with the objective of identifying measures and mechanisms required for the Colombo stock market to conduct its core activities digitally.

Contd. on page 8

SEC, CSE and CA Sri Lanka to capitalise on synergies to advance non-financial reporting

THE Securities and Exchange Commission of Sri Lanka (SEC), the Colombo Stock Exchange (CSE) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) recently signed a Memorandum of Understanding (MoU) to encourage and advance non-financial reporting in Sri Lanka.

Through the MoU, the three institutions aim to capitalise on mutual interests and synergies to jointly deliver awareness on Integrated Reporting, Corporate Governance, Sustainability and other ESG focus areas. Furthermore, the MoU also paves the way for closer cooperation on ESG, including dialogue and consultation to drive progressive ESG policies and frameworks and the introduction of ESG related new products in the capital market and at stakeholder engagement.



From left: CASL CEO Dulani Fernando, SEC Commission Member Manil Jayasinghe, SEC Chairman Viraj Dayaratne PC, CSE Chairman Dilshan Wirasekera, SEC DG Chinthaka Mendis, and SEC Commission Member Sanjeewa Dissanayake

SEC Chairman Viraj Dayaratne PC said: "The MoU with CA Sri Lanka brings together three like-minded institutions, with the common goal of establishing more elaborate and transparent reporting of non-financial information in Sri Lanka. The MoU lays a long-term foundation for the SEC and CSE to work with CA Sri Lanka to introduce policies to ensure that Sri Lanka's corporates report more progressively."

The new Securities and Exchange Commission of Sri Lanka (SEC) Act which came into force from September 19, 2021 contains provisions which enable the setting up of a Central Counterparty (CCP).

The need for setting up a CCP to enhance the efficiency of post-trade risk management had been spoken of for a long time and as the first step towards this, the launch of Delivery vs Payment (DVP) mechanism was successful by completed on August 18, 2022.

The SEC and the Colombo Stock Exchange (CSE) engaged in several rounds of discussions to determine how such a project could be taken forward.

The initiative was considered as part of the SEC's commitment to taking the Capital Market towards the next level of growth.

SEC Act enables setting up Central Counterparty mechanism

The new Securities and Exchange Commission of Sri Lanka (SEC) Act which came into force from September 19, 2021 contains provisions which enable the setting up of a Central Counterparty (CCP).

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The committee's key mandate will be to identify the manner of implementation of a CCP and to recommend the entire procedure including the necessary legal and regulatory changes. The expectation is that it could be completed before the end of next year. The first meeting of the Committee will be held soon.

A CCP can offer significant benefits to the Financial Market in Sri Lanka and can be considered as part of the critical Financial Market Infrastructure that is needed and is of national interest.

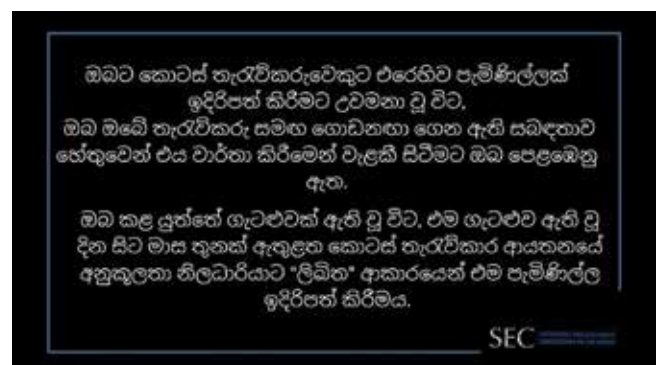
The effectiveness of CCPs in acting as firewalls have been proven in other markets especially during the global financial crisis in 2008 where they successfully contained the consequences of losses resulting from the insolvency of certain financial institutions defaulting to other financial institutions spreading to the market towards adopting the transition of the market towards adopting the new CCP mechanism for clearing and settlement that would not only curb the post-trade risk management but also unlock the potential for the launch of complex and new instruments such as derivatives, for which provision is made in the Act.

Having a robust post-trade management mechanism in place is one of the key elements considered by foreign portfolio investors in identifying the most suited investment destinations.

Upon implementing a CCP mechanism Lanka could have much needed foreign investment flows to the country. As per the Market Classification Framework, well-functioning clearing and settlement mechanism by the bank for international, including a DVP will positively impact the market in the efforts of elevating towards the next level of growth from frontier market status.

OPERATIONAL REVIEW

Empowering Investors through Social Media Platforms



SEC
SECURITIES AND EXCHANGE
COMMISSION OF SRI LANKA

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BEWARE OF FALSIFIED RESEARCH REPORTS

Base your investment decisions from research reports obtained directly from your stockbroker firm/CSE Mobile App. Always check the authenticity of broker reports that you receive via Social media/third parties

@SEC_SriLanka

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DID YOU KNOW?

“Delivery versus payment (DVP) is a mechanism adopted by Stock Exchanges to minimize principal risk,

that is, the risk that the seller of a security would deliver the security but not receive payment or that the buyer of a security would make payment but not receive delivery of the security.

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“ Equity Crowdfunding is solicitation of funds (small amounts) from multiple investors through a web-based platform or social networking site for a business venture.

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DID YOU KNOW ?

Prior written approval of the SEC shall be obtained by Stock Broker Firms, in order to transfer Securities from one Client Account to another Client Account, outside the trading procedure of the CSE.

All such transfer application forms shall be submitted to the CDS along with original letter of approval received from the SEC.

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Don't despair amid the inevitable setbacks that all investors face, especially during a crisis in the market. If the reasoning behind the investment was sound, stick with it, and it should eventually turn around

@SEC_SriLanka

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COMMISSION OF SRI LANKA

Capitalization of Reserves

CONSIDERATION (RS.)

The per share value which will be considered for the increase in the stated capital, in respect of the new shares issued by way of the capitalization of reserves

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BLUE BONDS

Blue bonds are a subset of Green bonds, where the funds raised are used to finance the resilience of marine and coastal ecosystems, particularly in line with Sustainable Development Goals.

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OPERATIONAL REVIEW

HUMAN RESOURCES

The employees of the SEC are the most valuable and essential asset, and it is vital that the SEC continues to attract and retain talent to foster a high-performing organisation. We in turn strive to ensure the well-being and progression of each staff member and attempt to boost the morale of the employees by creating a positive work environment where employees feel supported and valued.

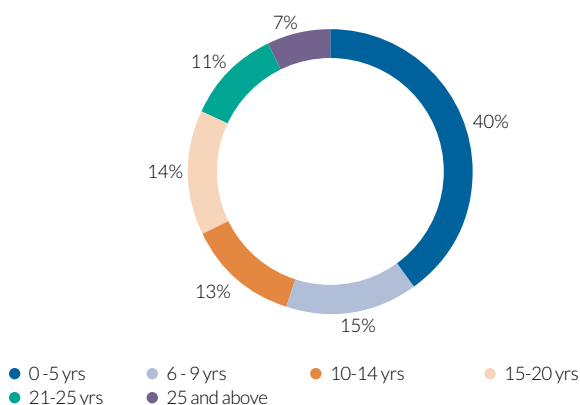
Staffing

We believe that young professionals are able to help the SEC to stay competitive, relevant, bring fresh perspectives, new energy as well as bring important skills such as technological capabilities. Hence, we hired fourteen dynamic young professionals in various disciplines to the permanent cadre during the latter part of 2022, to serve in five key divisions of the Secretariat. In addition, the Secretariat was successful in employing two directors, namely Director Finance and Administration and Director Supervision to the permanent Cadre. Moreover, we conducted interviews to fill senior positions, such as Director Legal and Enforcement, Chief Information Officer and Director Human Resources to strengthen the workforce of the SEC.

Staff orientation is an important aspect for new employees to familiarise themselves with the organisation, its policies, culture and values. An orientation program was conducted for new employees to gain insights to the work of the Secretariat as well as knowledge and awareness about the operations of the securities market.

However, retaining experienced and talented young professionals became a serious challenge during the year under review. Due to the prevailing situation in the country, five staff members migrated and eight staff members moved to other organisations within the country. Accordingly, thirteen resignations were recorded consisting of two Directors, one Manager, two Senior Assistant Managers, seven Assistant Managers and one Senior Executive Secretary and the staff turnover rate for the year was 14%. (Figures: 21,22,23,24,25)

Figure 21: Service Information



“We believe that young professionals are able to help the SEC to stay competitive, relevant, bring fresh perspectives, new energy as well as bring important skills such as technological capabilities.”

Figure 22: Educational Qualifications

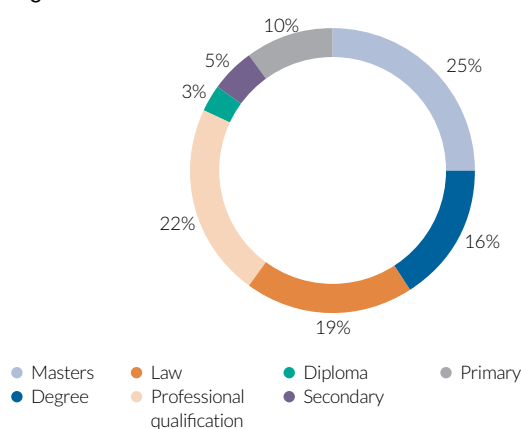


Figure 23: Gender Composition

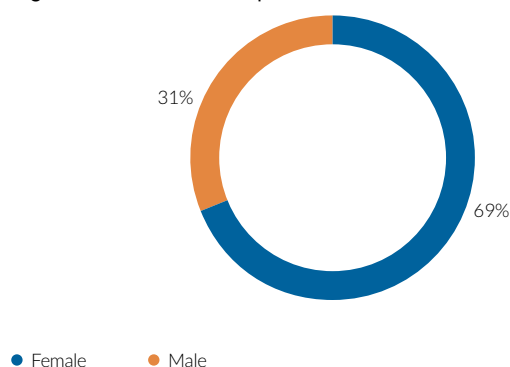


Figure 24: Age Analysis

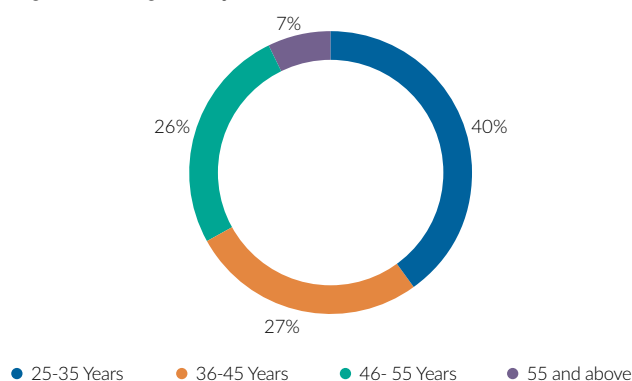
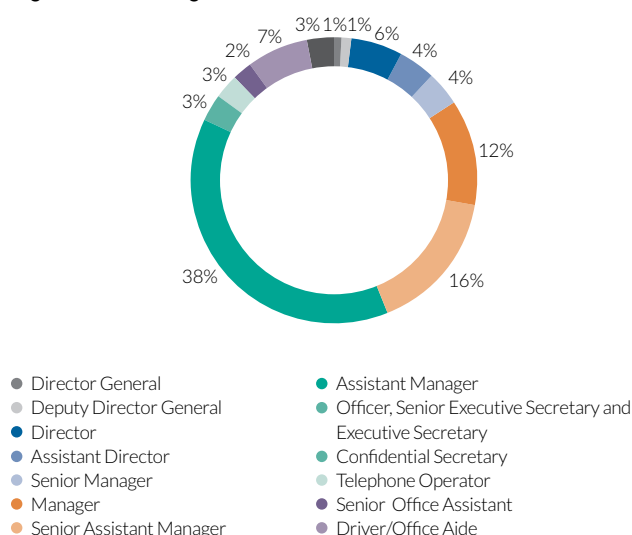


Figure 25: Existing Cadre



Training and Development

Training and development is an important aspect at SEC as it allows for the growth of employees professionally and personally. Continuous emphasis was placed on enhancing technical and other related skills of the staff to discharge the mandate entrusted to the SEC effectively and efficiently. With a view to providing overseas training to the staff, the SEC allocated a sum of Rs.25 million during the year under review.

The Annual Conference of IOSCO provides its members the opportunity to discuss the most pressing regulatory concerns arising out of securities and futures markets in the world. The Chairman represented SEC at the 47th IOSCO Annual Conference held in Morocco in October 2022.

Further, the SEC is a member of the IOSCO Committee 4 and Screening Group (SG). The purpose of this meeting was to screen new members, address the enforcement issues arising out of implementation of MMoU, exchange of views on processes and procedures concerning IOSCO MoU, exchange of information and identifying good practices etc. Taking into consideration the importance of continued participation in IOSCO Committee 4, the Director General participated at the meeting held in Spain in November 2022.

In the year 2022, the staff was not provided with overseas training but facilitated many local training, compared to previous years. To upskill and enhance competencies of the staff, training was provided in areas such as Sukuk, new SEC Act, Islamic Banking and Finance, Operations of Treasury back office, Analysis of Fixed Income Investments, Risk based IT Auditing etc. In addition, our staff participated at the 43rd National Conference of Chartered Accountants, "Update your

technical skills" on financial reporting and Certificate Course in Forensic Accounting conducted by the Institute of Chartered Accountants of Sri Lanka.

Further, a certification program was offered to the staff on Global ESG Investing, which was introduced by the CFA. This initiative was funded by the Financial Sector Modernisation Project of the World Bank. The SEC continued to facilitate scholarships to the staff to follow CFA courses on discounted rates.

In addition, three capacity-building programs were organised for the staff. These programs were aimed at developing and reinforcing technical and soft skills amongst the staff and to enable them to discharge their duties in a more efficient manner.

Demonstrating the commitment to staff education, the SEC continuously provided opportunities for employees to follow study courses. Accordingly, one Senior Office Assistant and a Driver were given the opportunity to follow a six-month computer certificate course to gain knowledge and to carry out the functions effectively and efficiently.

The total cost incurred on local and foreign training for the staff of the SEC during the year under review amounted to approximately Rs.9.3 million. Moreover, the cost incurred for sponsorship for higher studies and membership fees amounted to approximately Rs.2 million.

Staff Welfare

The SEC Secretariat offers its staff a range of benefits such as outdoor medical schemes, flexible attendance, a distress loan scheme, festival advances, reimbursement of membership fees to one professional body, health and life insurance covers, uniforms to support staff etc.

The CSE with the hope of increasing camaraderie and better collaboration between the two institutions, invited the SEC to a friendly cricket tournament followed by fellowship and dinner. This memorable and successful event was held on 19th December 2022 at the D. S. Senanayake College Ground with the participation of 140 staff members from both institutions.

The staff annual Christmas-get together is an eagerly awaited annual event, organised for the staff and their families to socialise. During the year under review, the annual staff get-together was held within the office premises.

To increase the passion for reading and writing amongst the children of the SEC employees, several competitions were conducted. This initiative was a brainchild of the Director General. The competitions were titled "Raise a Reader", "Little Picasso", "Tiny Thoughts - On my favorite book" and 'Battle of the books'. In addition, the SEC library was well stocked with

OPERATIONAL REVIEW

new fiction and non-fiction books during the year to encourage staff members and their children to read. The winners and the participants were presented with tokens of appreciation.

Internship

Providing internships to undergraduates of National Universities is an important area administered by the SEC. The Secretariat continuously assisted undergraduates to gain on-the job training and accordingly, 10 new interns were provided the opportunity to serve the SEC in various divisions according to their respective areas of study.

Information Technology

During the year under review, under the FSMP of the World Bank, KPMG Sri Lanka and AAM Management Information Consulting (Hungary) developed an Information Technology Strategy and Information Technology (IT) Road Map for SEC for 5 years.

The Information Technology Strategy was aligned with the SEC Corporate Plan 2021-2023 and the Capital Market Strategy 2021-2025. In the IT Strategy, the consultancy firm has recommended 5 key Strategic Directions to SEC, namely improve automation of internal business functions, better services for external partners, better services for internal customers, provide adequate computing resources and human resources development. Each strategic direction was mapped with strategic actions. Actions were prioritised based on the needs and the fulfilment of the institutional objectives, by strengthening the IT services, infrastructure, procedures and human resources.

The identification of the IT Strategic goals were based on the findings of the Diagnostic Report of the existing IT environment of the SEC. The consultant has used the Control Objectives for Information and Related Technologies (COBIT), Process Maturity Model to assess the SEC IT environment including business processes, infrastructure and its people.

As per the Key Strategic Directions, under the improvement of automation of business functions, the SEC IT team succeeded in implementing a fully-fledged state of the art Document Management and Archival System (DMAS) on Microsoft Sharepoint during the year 2022.

“Providing internships to undergraduates of National Universities is an important area administered by the SEC. The Secretariat continuously assisted undergraduates to gain on-the job training.”

STATUTORY FUNDS

CESS FUND

Cess Fund of the SEC (Cess Fund) was 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 Section No 156 (1) of the SEC Act No. 19 of 2021.

In terms of Sections 155 (1) & (2) and 156 (1), (2) & (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 subsequent 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.

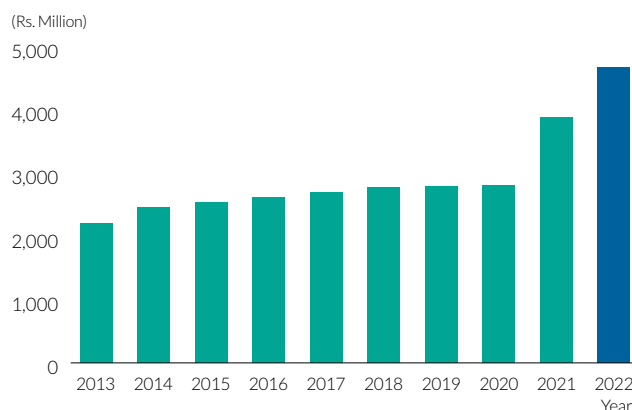
Transfers to the Consolidated fund on five occasions amounted to Rs.276 million, Rs.380 million, Rs.94 million, Rs.52 million and Rs.312 Mn in 2010, 2012, 2013, 2019 and 2020, respectively.

The balance lying to the credit of Cess Fund reached Rs. 4,674.2 million as at the end of 2022, of which Rs. 148.8 million is invested in Treasury Bonds expected to realise within

twelve months, Rs 3,010.3 million is invested in Treasury Bonds expected to realise after twelve months and Rs.73.7 million is invested in Repo.

The movement of the fund during the period 2013 to 2022 is depicted below: (Figure 26)

Figure 26: 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;
- Such sums of money as may be voted upon by Parliament.
 - Such sums of money as may be credited to the fund under the provisions of this Act; and
 - 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.

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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.

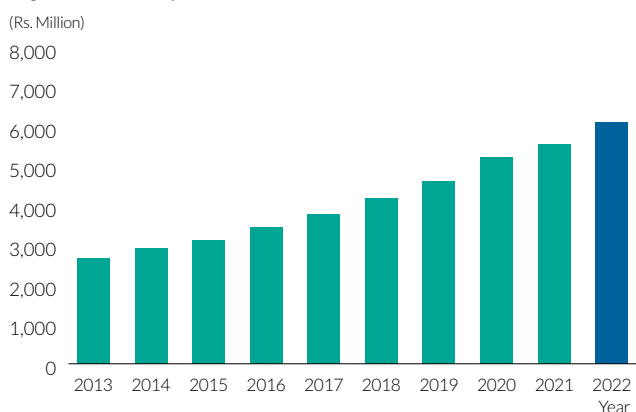
Behaviour of the Compensation Fund

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.625.2 million as at the end of 2022, of which Rs. 24.8 million is invested in Treasury Bonds expected to realise within twelve months, Rs 369.4 million is invested in Treasury Bonds expected to realise after twelve months and Rs.8 million is invested in Repo.

The movement of the Fund during the period 2013 to 2022 is depicted below. (Figure 27)

Figure 27: Compensation Fund



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 CDS of the 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 Chief Executive Officer 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.

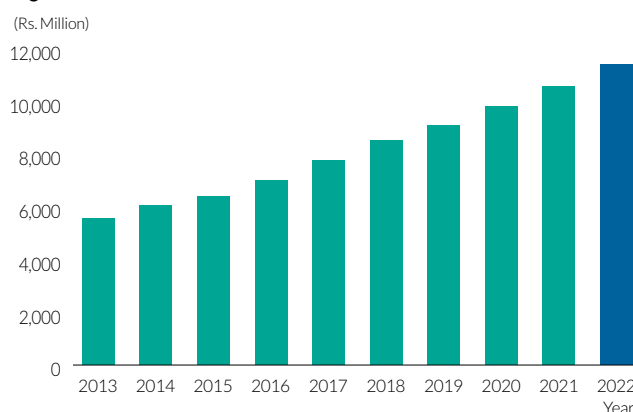
Behaviour of the SGF

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.1,162.3 million as at the end of 2022, of which Rs.104.2 million is invested in Treasury Bonds expected to realise within twelve months, Rs 90.6 million is invested in Treasury Bonds expected to realise after twelve months, Rs.300 million is invested in Fixed Deposits of state banks and Rs. 9 million is invested in Repo.

The movement of the Fund during the period 2013 and 2022 is depicted in the following graph. (Figure 28)

Figure 28: Settlement Guarantee Fund



ADDITIONAL INFORMATION

MARKET INTERMEDIARIES

LICENSED AS AT 31st December 2022

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:

- Acuity Partners (Pvt) Limited
- Assetline Finance Limited
- Bansei Securities Capital (Pvt) Limited
- Capital TRUST Credit (Pvt) Limited
- Citizens Development Business Finance PLC
- Commercial Bank of Ceylon PLC
- DFCC Bank PLC
- Dialog Finance PLC
- Hatton National Bank PLC
- J B Credit (Pvt) Limited
- LOLC Finance PLC
- Merchant Bank of Sri Lanka & Finance PLC
- Nation Lanka Capital Limited
- National Development Bank PLC
- Pan Asia Banking Corporation PLC
- People's Leasing and Finance PLC
- PMF Finance PLC
- RPC Margin Services (Pvt) Limited
- Sampath Bank PLC
- Seylan Bank PLC

Licensed Market Intermediaries under the Category of Investment Manager:

- Asia Securities Wealth Management (Pvt) Limited
- Asset Trust Management (Pvt) Limited
- Assetline Capital (Pvt) Limited
- Bank of Ceylon
- Capital Alliance Investments Limited
- Capital TRUST Wealth Management Limited
- Ceybank Asset Management Limited
- CT CLSA Asset Management Limited
- First Capital Asset Management Limited
- Guardian Acuity Asset Management Limited
- Guardian Fund Management Limited
- Innovest Investments (Pvt) Limited

- JB Financial (Pvt) Limited
- LYNEAR Wealth Management (Pvt) Limited
- Merchant Bank of Sri Lanka & Finance PLC
- National Asset Management Limited
- NDB Wealth Management Limited
- NSB Fund Management Company Limited
- Orion Fund Management (Pvt) Limited
- Premier Wealth Management Limited
- Senfin Asset Management (Pvt) Limited
- Softlogic Asset Management (Pvt) Limited
- Waldock Mackenzie Limited

Licensed Market Intermediaries under the Category of Underwriter:

- Bank of Ceylon
- Commercial Bank of Ceylon PLC
- DFCC Bank PLC
- Hatton National Bank PLC
- Merchant Bank of Sri Lanka & Finance PLC
- National Development Bank PLC
- Sampath Bank PLC
- Seylan Bank PLC

Licensed Market Intermediaries under the Category of Credit Rating Agency:

- Fitch Rating
- ICRA Lanka Limited (in the process of terminating operations)
- Lanka Rating Agency Limited

Licensed Market Intermediaries under the Category of Stock Brokers:

- Acuity Stockbrokers (Pvt) Limited
- Almas Equities (Pvt) Limited
- Ambeon Securities (Pvt) Limited
- Asha Securities Limited
- Asia Capital Stock Brokers (Pvt) Limited
- Asia Securities (Pvt) Limited
- Bartleet Religare Securities (Pvt) Limited
- Capital Alliance PLC (Debt Securities)
- Capital Alliance Securities (Pvt) Limited
- Capital TRUST Securities (Pvt) Limited
- CT CLSA Securities (Pvt) Limited
- Enterprise Ceylon Capital (Pvt) Limited
- First Capital Equities (Pvt) Limited

ADDITIONAL INFORMATION

- First Guardian Equities (Pvt) Limited
- JB Securities (Pvt) Limited
- John Keells Stock Brokers (Pvt) Limited
- Lanka Securities (Pvt) Limited
- LOLC Securities Limited
- Nation Lanka Equities (Pvt) Limited
- NDB Securities (Pvt) Limited
- Nestor Stock Brokers (Pvt) Limited
- NSB Fund Management Co. Ltd (Debt Securities)
- Richard Pieris Securities (Pvt) Limited
- SC Securities (Pvt) Limited
- Senfin Securities Limited
- Softlogic Stockbrokers (Pvt) Limited
- Somerville Stock Brokers (Pvt) Limited
- Wealth Trust Securities Limited (Debt Securities)

Licensed Market Intermediaries under the Category of Stock Dealers:

- Asia Securities (Pvt) Limited
- Bartleet Religare Securities (Pvt) Limited (Debt)
- Capital Alliance PLC (Debt)
- Enterprise Ceylon Capital (Pvt) Limited
- JB Securities (Pvt) Limited
- Nation Lanka Equities (Pvt) Limited
- Nestor Stock Brokers (Pvt) Limited (Debt)
- NSB Fund Management Company Limited (Debt)
- Seylan Bank PLC (Debt)
- SC Securities (Pvt) Limited
- Softlogic Stockbrokers (Pvt) Limited
- Wealth Trust Securities Limited (Debt)

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

Arpico Ataraxia Asset Management (Pvt) Limited

- Arpico Ataraxia Cash Management Trust Fund (CMT)
- Arpico Ataraxia Equity Income Fund
- Arpico Ataraxia Repo Investment Fund
- Arpico Ataraxia Sri Lanka Bond Fund
- Arpico Ataraxia USD Fixed Income Fund

Asia Securities Wealth Management (Pvt) Limited

- Asia Securities Money Market Fund
- Asia Securities Income fund
- Asia Securities Gilt Fund

Asset Trust Management (Pvt) Limited

- Astrue Active Income Fund
- Astrue Alpha Fund

Assetline Capital (Pvt) Limited

- Assetline Income Fund
- Assetline Income Plus Growth Fund

Capital Alliance Investments Limited

- CAL Balanced Fund
- CAL Corporate Treasury Fund
- CAL Fixed Income Opportunities Fund
- CAL Gilt Fund
- CAL Gilt Money Market Fund
- CAL Gilt Trading Fund
- CAL High Yield Fund
- CAL Income Fund
- CAL Investment Grade Fund
- CAL Medium Risk Debt Fund
- CAL Quantitative Equity Fund
- CAL Sri Lanka Dollar Fund

Ceybank Asset Management (Pvt) Limited

- Ceybank Century Growth Fund
- Ceybank Gilt Edged Fund (A Series)
- Ceybank Gilt Edged Fund (B Series)
- Ceybank High Yield Fund
- Ceybank Savings Plus Money Market Fund
- Ceybank Surakum Gilt Edged Fund
- Ceybank Unit Trust Fund

Ceylon Asset Management Company Limited

- Ceylon Dollar Bond Fund
- Ceylon Financial Sector Fund
- Ceylon Income Fund
- Ceylon Index Fund
- Ceylon IPO Fund
- Ceylon Money Market Fund
- Ceylon Tourism Fund
- Ceylon Treasury Income Fund

CT CLSA Asset Management (Private) Limited

- Comtrust ADL Mudarabah Fund
- Comtrust Equity Fund
- Comtrust Gilt Edged Fund
- Comtrust Money Market Fund

First Capital Asset Management Limited

- First Capital Equity Fund
- First Capital Fixed Income Fund
- First Capital Gilt Edged Fund
- First Capital Money Market Fund
- First Capital Wealth Fund

Guardian Acuity Asset Management Limited

- Guardian Acuity Equity Fund
- Guardian Acuity Money Market Fund
- Guardian Acuity Income Fund

J B Financial (Pvt) Limited

- JB Vantage Money Market Fund
- JB Vantage Short Term Gilt Fund
- JB Vantage Value Equity Fund

National Asset Management Limited

- NAMAL Bank Fund
- NAMAL Growth Fund
- NAMAL High Yield Fund
- NAMAL Income Fund
- National Equity Fund

NDB Wealth Management Limited

- NDB Wealth Gilt Edged Fund
- NDB Wealth Growth & Income Fund
- NDB Wealth Growth Fund
- NDB Wealth Income Fund
- NDB Wealth Income Plus Fund
- NDB Wealth Islamic Money Plus Fund
- NDB Wealth Money Fund
- NDB Wealth Money Plus Fund

Premier Wealth Management Limited

- Premier Growth Fund
- Premier Money Market Fund

Senfin Asset Management (Pvt) Limited

- Senfin Dynamic Income Fund
- Senfin Dividend Fund
- Senfin Growth Fund
- Senfin Money Market Fund
- Senfin Shariah Balanced Fund
- Senfin Shariah Income Fund
- Senfin Insurance Sector Fund

Softlogic Asset Management (Pvt) Limited

- Softlogic Equity Fund
- Softlogic Money Market Fund

LYNEAR Wealth Management (Pvt) Limited

- LYNEAR Wealth Money Market Fund
- LYNEAR Wealth Growth & Income Fund
- LYNEAR Wealth Income Fund

MARKET INSTITUTIONS**LICENSED as at 31st December 2022**

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

Licensed Exchange:

- Colombo Stock Exchange

Licensed Clearing House:

- Central Depository Systems (Private) Limited

Licensed Central Depository:

- Central Depository Systems (Private) Limited

ADDITIONAL INFORMATION

Fact Sheet

	2018	2019	2020	2021	2022
Annual Turnover (Rs Mn) Equity	200,069	171,408	396,882	1,173,157	686,602
Domestic (Rs Mn)	111,378	109,003	318,354	1,112,817	634,426
Foreign (Rs Mn)	88,691	62,405	78,527	60,340	52,176
Market Days (No)	240	241	209	240	231
Daily Average Turnover (Rs Mn) Equity	834	711	3,217	4,888	2,972
Shares traded (No Mn) Equity	6,001	9,855	21,349	59,772	29,048
Domestic (No Mn)	4,821	7,091	19,808	57,904	28,142
Foreign (No Mn)	1,180	2,764	1,541	1,866	905
Trades (No) Equity	885,657	1,197,205	3,070,021	8,131,508	6,057,233
Domestic (No)	838,784	1,150,486	2,968,092	8,009,816	5,973,350
Foreign (No)	46,873	46,719	101,929	121,692	83,883
New Listing (No)	3	2	1	17	5
Delisting (No)	2	10	7	3	11
Companies Listed	297	289	283	296	290
Companies Traded	279	279	266	280	236
Market Capitalization (Rs Bn)	2,839.45	2,851.31	2,960.65	5,489.17	3,847.15
Market PER Year End (Times)	9.65	10.83	11.3	13.63	5.0
Turnover to Market Capitalization (%)	7.0	6.01	13.4	21.4	17.8
Dividend Yield Year End (%)	3.09	3.17	2.7	2.17	4.1
Price to Book Value Year End (Times)	1.18	1.14	1.1	1.67	0.9
Market Cap. As a % of GDP	21.4	21.5	19.7	36.7	22.8
Price Indices					
All Share Price Index (ASPI)	6,052.37	6,129.21	6,774.22	12,226.01	8,489.66
y-o-y Change %	(5.0)	1.27	10.52	80.48	(30.6)
S&P Sri Lanka 20	3,135.18	2,936.96	2,638.10	4,233.25	2,635.63
y-o-y Change %	(14.6)	(6.32)	(10.18)	60.47	(37.7)
Total Return Indices					
Total Return Index on ASPI (ASTRI)	8,066.97	8,203.82	9,078.65	16,423.75	11,404.60
y-o-y Change %	(4.6)	1.70	10.7	80.91	(4.65)
Total Return Index on S&P Sri Lanka 20 (S&P Sri Lanka 20TRI)	4,686.71	4,603.57	4,332.84	7,241.29	4,749.27
y-o-y Change %	(10.9)	(1.77)	(5.9)	67.13	(10.71)

	2018	2019	2020	2021	2022
Non-National Activity*					
Annual Turnover (Rs Mn)	88,691	62,405	78,527	60,340	52,176
Purchases (Rs. Mn.)	77,067	56,537	52,889	34,016	67,488
Sales (Rs. Mn.)	100,315	68,272	104,165	86,665	36,863
Net Foreign Flow	(23,247.5)	(11,735.3)	(51,275.7)	(52,649)	30,625
Shares Traded (No. Mn.)	1,180	2,764	1,541	1,866	905
Purchases (No. Mn.)	1,060	3,896	928	1,308	884
Sales (No. Mn.)	1,299	1,631	2,154	2,425	927
Trades	46,873	46,719	101,929	121,692	83,883
Purchases (No.)	37,855	25,759	42,134	74,172	80,859
Sales (No.)	55,892	67,680	161,725	169,213	86,908
Debt Market					
Corporate Debt					
Turnover (Rs 000)	4,540,599	5,677,080	5,856,002	1,244,587	4,041,226
No of Trades	293	234	243	93	90
No of Debentured Traded (000)	44,024	55,643	54,230	11,439	38,839
Market Cap (Mn)					
Unit Trusts					
Net Asset Value (NAV)(Rs. Bn)	64.22	104.79	200.94	194	143
Unit Holders (No.)	42,093	46,481	51,707	59,426	67,912
Units Issued (No. 000)	3,368	4,769	8,210	7,835	6,283
Investment in Equity (Rs. Mn.)	9,416	9,841	14,019	17,586	11,856
Investment in Treasury Bills (Rs.Mn)	3,379	9,150	28,613	28,755	88,879
Investment in other Instruments **(Rs. Mn)	50,601	84,542	158,725	148,907	48,187

Sources: CSE, regulatory submissions by unit trust managing companies.

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



FOSTER CONFIDENCE

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SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

AUDITOR GENERAL'S REPORT



ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

BAN/G/SEC/FA/2022/2

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

26 May 2023

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 2022 in terms of Section 12 of the National Audit Act, No. 19 of 2018

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 2022 comprising the Statement of Financial Position as at 31 December 2022 and the Statement of Financial Performance, Statement of Changes in net assets and Cash Flow Statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies, 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 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.





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 preparation of 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 is 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 annual and periodic financial statements to be prepared of the Commission.

SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA



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நேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

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 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 the 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 audit findings, including any significant deficiencies in internal control that I identify during my audit.

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.

SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

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 தேசிய கணக்காய்வு அலுவலகம்
 NATIONAL AUDIT OFFICE

- 2.2 Based on the procedures performed and evidence obtained 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 course 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 the applicable laws as per the requirement of Section 12 (h) of the National Audit Act, No. 19 of 2018.

W. P. C. Wickramaratne

Auditor General

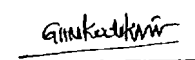
STATEMENT OF FINANCIAL POSITION

As at 31st December 2022	Note	2022 Rs.	2021 Rs.
Assets			
Non Current Assets			
Property, Plant & Equipment	7	59,773,251	64,954,716
Intangible Assets	7.1	34,267,756	-
Current Assets			
Inventories	8	4,159,956	3,005,873
Receivables	9	264,880,170	226,209,609
Investments in Fixed Deposits	10	654,244	642,737
Deposits, Advances and Prepayments	11	65,837,245	62,548,982
Cash and Cash Equivalents	12	52,147,144	109,037,723
Total Assets		481,719,766	466,399,640
Funds and Liabilities			
Funds Employed and Reserves			
Accumulated Fund	13	-	-
Non Current Liabilities			
Grant - Transfer from Cess Fund for Capital Expenditure	14	40,157,488	58,702,817
Retirement Benefit Obligation	15	68,889,206	59,054,227
Deferred Income - Government Grants FSMP		47,631,620	-
Current Liabilities			
Tax Payable	16	245,819,781	323,018,972
Creditors and Accruals	17	22,785,337	19,436,181
Payable to Vendors - FSMP	18	50,122,635	68,134
Receipts in Advance		6,313,699	6,119,309
Total Funds and Liabilities		481,719,766	466,399,640

The notes appearing on pages 77 to 90 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



Faizal Salieh
Chairman



Chinthaka Mendis
Director General

Colombo
10th May 2023

SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31st December 2022	Note	2022 Rs.	2021 Rs.
Income			
License Fees		3,449,164	2,793,194
Administration Levy		6,152,213	6,360,039
Educational Programmes		8,671,966	5,542,684
Interest Income		717,743	1,820,617
Other Income		110,261	448,073
Interest on Staff Loans		719,194	818,946
Income from FSM Project	19	172,252,739	104,804,128
Recognition of Grants	14	19,350,111	21,735,241
Total Income		211,423,391	144,322,923
Expenditure			
Personnel Costs	20	(312,436,108)	(269,419,695)
Administration & Establishment Expenses	21	(179,803,251)	(172,148,244)
Capital Market Development Expenses	22	(50,328,063)	(55,241,934)
Finance Charges	23	(120,430)	(103,030)
Total Expenditure		(542,687,852)	(496,912,903)
Income Tax Expense		-	-
Excess of Income over Expenditure		(331,264,461)	(352,589,980)
Funds transferred from Cess Fund towards Excess of Expenditure over Income		331,264,461	352,589,980

The notes appearing on pages 77 to 90 form an integral part of the financial statements.

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31st December 2022	Accumulated Fund Rs.	Total Rs.
Balance as at 1st January 2021	-	-
Excess of Income over Expenditure for the year	(352,589,980)	(352,589,980)
Funds transferred from Cess Fund towards Excess of Expenditure over Income	352,589,980	352,589,980
Balance as at 31st December 2021	-	-
Balance as at 1st January 2022	-	-
Excess expenditure over income for the year	(331,264,461)	(331,264,461)
Transfer from Cess Fund towards Excess of Expenditure over Income	331,264,461	331,264,461
Balance as at 31st December 2022	-	-

The notes appearing on pages 77 to 90 form an integral part of the financial statements.

SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

CASH FLOW STATEMENT

For the year ended 31st December 2022	Note	2022 Rs.	2021 Rs.
Cash Flows from Operating Activities			
Net Increase/(Decrease) after transfers from Cess Fund		-	-
Adjustment for			
Depreciation	7	19,350,111	21,735,241
Depreciation - FSMP	7	522,195	-
Amortisation	7.1	56,249	-
Recognition of Grant	14	(19,350,111)	(21,735,241)
Provision for Gratuity	15	19,639,458	9,591,504
Net Increase/(Decrease) before Working Capital Changes		20,217,902	9,591,504
Change of Working Capital			
(Increase)/Decrease of Stocks		(1,154,083)	(971,906)
(Increase)/Decrease of Receivable		(38,670,562)	(178,996,490)
(Increase)/Decrease of Deposits Advances & Prepayments		(3,288,263)	2,136,114
Increase/(Decrease) of Receipt in Advance		194,390	2,111,522
Increase/(Decrease) of Tax Payable		(77,199,191)	299,679,157
Increase/(Decrease) of Creditors & Accruals		3,349,156	(126,111,030)
Increase/(Decrease) Payables		50,054,501	(489,926)
Net Increase/(Decrease) after Working Capital Changes		(66,714,052)	(2,642,559)
Cash generated from Operating Activities		(46,496,150)	6,948,945
Gratuity paid during the year		(9,804,479)	(915,485)
Net Cash Inflow/(Outflow) from Operating Activities		(56,300,629)	6,033,460
Cash Flows into Investing Activities			
Purchase of Property Plant and Equipment	7	(14,690,841)	(11,242,118)
Purchase of Intangible assets	7.1	(34,324,005)	-
Investments in Fixed Deposits		(11,506)	(2,842)
Proceeds from Sale of Property, Plant & Equipment and Intangible Assets		-	-
Deferred Income		47,631,620	
Net Cash Inflow/(Outflow) from Investing Activities		(1,394,732)	(11,244,960)
Cash Flows from Financing Activities			
Capital transfer from Cess Fund	14	804,782	11,242,118
Net Cash Inflow/(Outflow) from Financing Activities		804,782	11,242,118
Net Increase/(Decrease) in Cash and Cash Equivalents		(56,890,578)	6,030,618
Cash and Cash Equivalents at the beginning of the period (Note A)		109,037,723	103,007,105
Cash and Cash Equivalents at the end of the period (Note B)		52,147,145	109,037,723
Note (A)			
Cash and Cash Equivalents at the beginning of the period			
Investments in Repo		74,999,999	64,610,002
Cash at Bank		33,997,724	38,357,103
Cash in Hand		40,000	40,000
		109,037,723	103,007,105
Note (B)			
Cash and Cash Equivalents at the end of the period			
Investments in Repo	12	-	74,999,999
Cash at Bank	12	52,107,145	33,997,724
Cash in Hand	12	40,000	40,000
		52,147,145	109,037,723

The notes appearing on pages 77 to 90 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 recognized 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.

SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Information about judgements made in applying accounting policies that have the most significant effect on the amount recognized in the financial statements is described in the Note on Defined benefit obligation. The cost of defined 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) and Intangible Assets together with any incidental expenses thereon are stated at cost and depreciated/amortized at their respective useful lives. These assets received as grants, were accounted at cost and depreciation/amortization thereof is charged against the respective reserve account. Subsequent expenditure on PPE & Intangible Assets are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. The depreciation/amortization is provided on the straight-line basis. The Motor Vehicles, Office Equipment, EDP Equipment including Software and Training Equipment were depreciated/amortized 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 derecognized.

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 realizable 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 realizable 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 recognized 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. Unrecognized Actuarial gains or losses and unrecognized past and current service costs are recognized 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 2022 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 recognized 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 recognized in the period in which the related services are performed.

4.2 Interest Income and Expenses

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

4.3 Other Revenue

Other income is recognized 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 recognized 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.

SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

7 PROPERTY, PLANT & EQUIPMENT

Description	Motor Vehicles	Furniture, Fixtures & Fittings	Office Equipments & EDP Equipments	Training Equipments	Total
Cost					
Balance as at 01.01.2022	45,165,786	50,318,199	167,264,628	4,326,348	267,074,961
Transfers during the year	-	-	-	-	-
Additions during the year	-	591,000	213,782	-	804,782
Additions during the year - FSMP	-	-	13,886,059	-	13,886,059
Disposals during the year	-	-	-	-	-
Balance as at 31.12.2022	45,165,786	50,909,199	181,364,469	4,326,348	281,765,802
Accumulated Depreciation					
Balance as at 01.01.2022	31,981,791	38,561,849	127,377,413	4,199,192	202,120,245
Transfers during the year	-	-	-	-	-
Depreciation charge for the year	2,863,341	3,211,452	13,149,780	125,538	19,350,111
Depreciation charge for the year- FSMP	-	-	522,195	-	522,195
Accumulated depreciation on disposals	-	-	-	-	-
Balance as at 31.12.2022	34,845,131	41,773,301	141,049,388	4,324,731	221,992,551
W.D.V. as at 31.12.2022	10,320,655	9,135,898	40,315,081	1,618	59,773,251
W.D.V. as at 31.12.2021	13,183,995	11,756,350	39,887,215	127,156	64,954,716
Cost of the Fully Depreciated Assets as at 31.12.2022 (included in the above mentioned cost)	16,552,286	22,593,951	100,871,204	3,660,805	143,678,246
Useful Life Time (No. of Years)	10	8	3-5	5	

7.1 Intangible Assets

Description	Computer Software
Cost	
Balance as at 01.01.2022	-
Additions during the year	34,324,005
Disposals during the year	-
Balance as at 31.12.2022	34,324,005
Accumulated Amortisation	
Balance as at 01.01.2022	-
Amortisation charge for the year	56,249
Accumulated depreciation on disposals	-
Balance as at 31.12.2022	56,249
N.B.V. as at 31.12.2022	34,267,756
Useful Life Time (No. of Years)	3-5

8 INVENTORIES

	2022 Rs.	2021 Rs.
Stock of Stationery, Stamp & EDP Consumables	4,159,956	3,005,873
Total	4,159,956	3,005,873

9 RECEIVABLES

	2022 Rs.	2021 Rs.
Sundry Debtors	128,910	1,915,896
Receivable from World Bank for FSM Project	66,561,467	-
Festival Advances	1,780,000	2,055,000
Interest Receivable on Repo & Fixed Deposits	-	27,079
Staff Loans	15,909,726	17,690,604
Phone Advance	-	68,046
Insurance Claim Receivable	-	37,875
Receivable from CESS Fund	159,723,957	193,356,762
Receivable from Compensation Fund	15,563,295	5,845,532
Receivable from an Interdicted Employee	5,212,815	5,212,815
Total	264,880,170	226,209,608

10 INVESTMENTS IN FIXED DEPOSITS

	2022 Rs.	2021 Rs.
Fixed Deposit with BOC	654,244	642,737
Total	654,244	642,737

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.

11 DEPOSITS, ADVANCES & PRE-PAYMENTS

	2022 Rs.	2021 Rs.
Fuel Deposit	120,000	78,000
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
The Employers' Federation of Ceylon	62,500	62,500
DHL Courier Service	30,000	30,000
ORCL - Management Corp. Condominium Plan 1824	44,522,736	44,522,736
Advances to Suppliers	21,030,485	17,784,222
Total	65,837,245	62,548,982

SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

12 CASH AND CASH EQUIVALENTS

	2022 Rs.	2021 Rs.
Investment in Repo	-	74,999,999
Cash at Bank	52,107,145	33,997,724
Cash in Hand	40,000	40,000
Total	52,147,145	109,037,723

13 ACCUMULATED FUND

	2022 Rs.	2021 Rs.
Balance at the beginning of the year	-	-
Excess expenditure over income for the year	(331,264,461)	(352,589,980)
Transfer from Cess Fund towards Excess of Expenditure over Income	331,264,461	352,589,980
Balance at the end of the year	-	-

14 GRANT - TRANSFERS FROM CESS FUND FOR CAPITAL EXPENDITURE

	2022 Rs.	2021 Rs.
Balance at the beginning of the Year	58,702,817	69,195,940
Transfer from Cess Fund for Capital Expenditure	804,782	11,242,118
Recognition of Grants	(19,350,111)	(21,735,241)
Balance at the end of the Year	40,157,488	58,702,817
Note:		
Recognition of Grant		
The Grant is recognized at the following rates		
Motor Vehicles	10.00%	10.00%
Furniture, Fixtures & Fittings	12.50%	12.50%
Office Equipment - Electronic Data Processing & Others	20.00% to 33.33%	20.00% to 33.33%
Training Equipment	20.00%	20.00%

15 RETIREMENT BENEFIT OBLIGATION

	2022 Rs.	2021 Rs.
Balance at the beginning of the Year	59,054,227	50,378,208
Interest Cost	6,791,236	4,030,257
Current Service Cost	5,320,905	4,488,982
Gratuity paid during the Year	(9,804,479)	(915,485)
Net actuarial (gain)/ loss	7,527,317	1,072,265
Balance at the end of the Year	68,889,206	59,054,227

The Retirement Benefit Obligation is based on the actuarial valuation carried out by an independent professional valuer. The actuarial valuations involve making assumptions about discount rates, future salary increment rates, mortality rate, etc. Due to the long term nature of the plan, such estimates 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;

	2022	2021
Retirement Age	55 years	60 years
Discount Rate	18% p.a.	11.5% p.a.
Future Salary Increment Rate	15% p.a.	7% p.a.

15.1 Sensitivity of Assumptions Used

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

	Discount Rate Rs.	Future Salary Increment Rate Rs.
1% Increase	65,729,201	72,505,977
1% Decrease	72,355,531	65,551,405

An actuarial valuation of the retirement gratuity obligation was carried out as at December 31, 2022 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".

16 INCOME TAX PAYABLE

	2022 Rs.	2021 Rs.
Income tax payable for the Y/A 2020/21	(2,909,457)	(2,912,946)
Income tax payable for the Y/A 2021/22	-	325,931,918
Income tax payable for the Y/A 2022/23	248,729,238	-
Total	245,819,781	323,018,972

SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

17 CREDITORS AND ACCRUALS

	2022 Rs.	2021 Rs.
E-Communication, Telephone & Internet	820,000	679,632
Electricity	477,161	363,744
Staff Related Expenses	4,110,502	4,362,984
External Audit Fees	650,000	900,000
Internal Audit Fees	1,500,000	598,620
Legal and Professional Charges	715,991	3,369,390
Public Awareness and Seminar Expenses	6,488,087	6,535,418
Market Surveillance Cost	1,546,875	-
Travelling - Local	101,319	-
Rent Deposit Payable	1,536,792	1,536,792
EPF & ETF Payable	3,263,226	-
Repair & Maintenance	1,227,960	71,280
Interns Allowance	148,333	16,667
Other Payable	90,669	86,169
Gratuity Payable	-	915,485
APIT Payable	108,422	-
Total	22,785,337	19,436,181

18 FINANCIAL SECTOR MODERNISATION PROJECT (FSMP) OF THE WORLD BANK

	2022 Rs.	2021 Rs.
Payable to Vendors - FSMP	50,122,635	68,134
Total	50,122,635	68,134

The FSMP of the World Bank will achieve the Project Development Objective through modernizing the financial market infrastructure, upgrading the legal and regulatory framework for the financial system, and strengthening the institutional capacity of the financial sector regulators namely the Central Bank of Sri Lanka, Securities and Exchange Commission of Sri Lanka and the Insurance Regulatory Commission of Sri Lanka. In addition, the Ministry of Finance also assists in the overall project coordination by operating a Project Management Unit. SEC will receive funds under the Results Based Financing Component and the Investment Based Financing component under the Project.

Component I - Results Based Financing Component

The SEC is to receive funds for the achievement of disbursement-linked indicators (DLIs) set forth under the Project through the Component I. As at 31st December 2022, the SEC has received a total of USD 1,533,615.90 (equivalent to Rs. 369,323,237.12) as part of the Result Based Financing Component of the FSMP. A total of USD 514,929 to be received from the World Bank as at 31.12.2022.

Component II - Investment Based Financing Component

Under Component II of the FSMP, the SEC secured Technical Assistance and Investment Funding support for a number of key initiatives. As at 31st December 2022, a sum of USD 367,000 has been disbursed to the Ministry of Finance by the World Bank as part of the Investment Based Financing Component of the FSMP of which USD 107,650 has been withdrawn by the SEC in order to pay for the local vendors in LKR and USD 197,303 has been directly paid to the foreign vendors as at 31st December 2022. To complete the activities under Component II, until the project closure date of 31.12.2022, SEC requested an amount of USD 152,302.

19 INCOME FROM FSM PROJECT

	2022 Rs.	2021 Rs.
FSMP - DLI Funds	171,674,294	104,804,128
FSMP - Non DLI Funds	578,445	-
Total	172,252,739	104,804,128

20 PERSONNEL COSTS

	Note	2022 Rs.	2021 Rs.
Staff Salaries		160,983,569	148,721,963
Chairman's Allowance		1,200,000	1,200,000
Reimbursements to the Attorney General's Department		6,319,668	6,245,252
Commission Members Meeting Fees		1,440,000	750,000
Consultants Allowance		3,000,000	250,000
Staff Welfare and Other Staff Related Payments		37,965,470	30,933,949
EPF & ETF		24,445,433	22,657,813
Staff Gratuity	15	19,639,457	9,591,504
Staff Medical Expenses & Insurance		16,113,522	15,350,619
Staff Housing Loan Interest Subsidy		1,914,419	2,266,022
Staff Vehicle Allowance		25,881,000	26,662,653
Overseas Training and Travelling		7,081,485	-
Staff Training - Local		1,371,374	705,210
Subscription of Membership		1,769,646	1,413,666
Sponsorship for Studies *		222,784	503,063
Advertising-Recruitment		667,864	838,399
Interns Allowance		2,420,417	2,079,583
Total		312,436,108	270,169,695

* 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.

SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

21 ADMINISTRATION & ESTABLISHMENT EXPENSES

	Note	2022 Rs.	2021 Rs.
Rent & Car Park Rental		110,895,458	101,143,670
Electricity Charges		4,833,476	4,027,541
Office Upkeep		512,160	154,900
Office Equipment Maintenance & Insurance		2,134,086	1,900,000
Software Renewal & Maintenance		10,741,282	5,996,974
Telephone, Internet, E-Communication and Data processing		8,868,781	8,456,359
Motor Vehicle Fuel, Maintenance, License & Insurance		4,658,580	4,699,751
Professional Fees		942,031	3,202,982
Meeting Expenses		1,701,589	953,363
News papers, Periodicals and Library Books		589,802	333,276
Printing & Stationery		6,866,091	4,314,634
Travelling Local		1,380,062	7,030,161
Insurance- All Risk , Public Liability, Cash in Transit & Fire		260,770	254,726
Postage, Stamp Duty and Courier Charges		1,110,706	1,280,225
Legal Expenses		2,646,930	2,803,360
Audit Fees - Internal		1,424,100	1,762,980
Audit Fees - External		284,000	344,000
General Expenses		4,212	999,101
Trade Tax		5,000	5,000
Entertainment		15,580	-
Depreciation/Amortisation - FSMP		578,444	-
Depreciation	7	19,350,111	21,735,241
Total		179,803,251	171,398,244

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

	2022 Rs.	2021 Rs.
Capital Market and Product Development- BBO, Roadshows	19,050,659	14,862,714
Public Awareness Programmes	10,278,137	24,840,257
Educational Programmes	1,678,495	1,802,431
International Membership Fees - IOSCO	7,334,807	4,210,388
Publicity and Advertising	147,015	146,664
Market Surveillance Cost	11,820,060	9,349,152
Investigation and Inspection Expenses	18,890	30,329
Total	50,328,063	55,241,934

23 FINANCE CHARGES

	2022 Rs.	2021 Rs.
Bank Charges	120,430	103,030
Total	120,430	103,030

24 COMPARISON OF ACTUAL INCOME AND EXPENDITURE AGAINST THE BUDGET

	Actual 2022 Rs.	Budget 2022 Rs.	Variance Rs.
Income			
License Fees	3,449,164	3,395,000	54,164
Administration Levy	6,152,213	7,028,383	(876,170)
Educational Programmes	8,671,966	7,665,000	1,006,966
Interest Income	717,743	-	717,743
Other income	110,261	-	110,261
Interest on Staff Loans	719,194	820,000	(100,806)
Income from FSM Project	172,252,739	203,000,000	(30,747,261)
Recognition of Grants	19,350,111	-	19,350,111
Total Income generated by SEC	211,423,391	221,908,383	(10,484,993)
Less: Expenditure			
Personnel costs	(312,436,108)	(412,344,695)	99,908,588
Administration & establishment cost	(179,803,251)	(180,341,792)	538,541
Capital market development	(50,328,063)	(116,588,202)	66,260,139
Financial charges	(120,430)	(97,933)	(22,497)
Total Revenue Expenditure	(542,687,852)	(709,372,623)	166,684,771
Less: Income Tax Expense	-	-	-
Excess of Revenue Expenditure over Income	(331,264,461)	(487,464,240)	156,199,778

24 CAPITAL COMMITMENTS

There were no capital commitments as at 31.12.2022.

25 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31.12.2022.

26 EVENTS AFTER THE REPORTING DATE

Mr. Viraj Dayaratne, PC, Chairman of the SEC ceased to hold the office on 05th January 2023. Consequently, the Commission was reconstituted as follows.

- Mr. Faizal Salieh, Chairman an Appointed Member w.e.f. 15th February 2023
- Mr. Sanjaya Bandara, Ex-officio Member
- Mr. R. M. P. Rathnayake, Ex-officio Member
- Mr. Sanjeewa Dissanayake, Ex-officio Member
- Mrs. Yvette Fernando, Ex-officio Member
- Mr. Manil Jayasinghe an Appointed Member
- Mr. Sujeewa Mudalige an Appointed Member
- Mr. Anton Godfrey an Appointed Member
- Mr. Anthony Shanil Fernando an Appointed Member

SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

27 RELATED PARTY DISCLOSURES

The Chairman and Members of the Commission held office during the year 2022 as stated below;

- Mr. Viraj Dayaratne, PC, Chairman an Appointed Member, ceased to hold office on 5th January 2023.
- Mr. R. M. P. Rathnayake was appointed as an Ex-officio member by virtue of him holding office as Deputy Secretary to the General Treasury.
- Mr. Sanjeewa Dissanayake was appointed as an Ex-officio member by virtue of him holding office as Registrar General of Companies.
- Mr. Manil Jayasinghe, an Appointed Member
- Mr. Suhada Gamalath, an Appointed Member
- Mr. Sisira Rathnayake, an Appointed Member
- Mr. Sunil Lankathilake, an Appointed Member
- Mr. Sanjaya Bandara was appointed as an Ex-officio member by virtue of him holding office as the President of Institute of Chartered Accountants of Sri Lanka on 10th January 2022.
- Ms. Yvette Fernando was appointed as an Ex-officio member by virtue of her holding office as Deputy Governor to the Central Bank of Sri Lanka on 11th October 2022.

The following Ex-officio Members of the Commission ceased to hold office as stated below.

- Mr. N. W. G. R. D. Nanayakkara an Ex-officio member by virtue of him holding office as Deputy Governor to the Central Bank of Sri Lanka ceased to be a member with effect from 29th April 2022.

The following table depicts the relationships held by the Members of the Commission who held office during the year under review.

Name	Name of the Related Institution	Relationship	Shareholding, if any
Mr. Viraj Dayaratne, PC	Settlement Guarantee Fund	Trustee	Nil
Mr. Manil Jayasinghe	Ernst & Young	Managing Partner – Sri Lanka & Maldives	Nil
	Ernst & Young Consulting Services (Pvt) Ltd	Director	Nil
	Ernst & Young Strategy Transactions (Pvt) Ltd	Director	Nil
	Ernst & Young GDS (CS) Lanka (Pvt) Ltd	Director	Nil
	Lanka Tours & Traders (Pvt) Ltd	Director	Nil
	NMJ Leisure (Pvt) Ltd	Director	Nil
Mr. R. M. P. Rathnayake	General Treasury	Deputy Secretary	Nil
	Bank of Ceylon	Ex-Officio Member	Nil
	Lotus Tower Management Company (Pvt) Limited	Chairman (acting) from 03/02/2022 to date	Nil
	Local Loan Development Fund	Commissioner & Chairman up to 28/02/2022	Nil
	Insurance Regulatory Commission of Sri Lanka	Ex-Officio Member up to 02/03/2022	Nil
Mr. Sanjeewa Dissanayake	Settlement Guarantee Fund	Trustee	Nil
	The Department of the Registrar of Companies	Registrar General of Companies	Nil
	Insurance Regulatory Commission of Sri Lanka	Ex-Officio Member	Nil

Name	Name of the Related Institution	Relationship	Shareholding, if any
Mr. Sanjaya Bandara	Accounting Standards Committee of the ICASL	Ex-Officio Member	Nil
	Sri Lanka Accounting & Auditing Standards Monitoring Board	Ex-Officio Member	Nil
	Institute of Chartered Accountants of Sri Lanka	President	Nil
	Prime Land Residencies PLC	Independent Non-Executive Director	Nil
	Abans Finance PLC	Independent Non-Executive Director w.e.f. 09/09/2022	Nil
	CL Synergy (pvt) Ltd	Independent Non-Executive Director	Nil
	Nexia Management Services (pvt) Ltd	Director	1
Mr. Sunil Lankathilake	Nexia BPO (pvt) Ltd	Director	1
	Ministry of Finance	Member of Board of Inquiry of Foreign Exchange Act	Nil
	LOLC Development Finance PLC	Independent Non-Executive Director	Nil
Mr. Suhada Gamalath, PC	Nil	Nil	Nil
Mr. Sisira Ratnayake	Nil	Nil	Nil
Ms. Yvette Fernando	Central Bank of Sri Lanka	Deputy Governor	Nil
	Credit Information Bureau of Sri Lanka (CRIB)	Chairperson	Nil
	Institute of Bankers of Sri Lanka	Chairperson	Nil
	Api Wenuwen Api Fund	Member of Board Management w.e.f. 06/05/2022	Nil
	Insurance Regulatory Commission of Sri Lanka	Commissioner	Nil

The following table depicts the relationships of the Ex-officio Members of the Commission who ceased to hold office during the year under review.

Name	Name of the Related Institution	Relationship	Shareholding, if any
Mr. N. W. G. R. D. Nanayakkara	Central Bank of Sri Lanka	Deputy Governor until 29th April 2022	Nil

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

The SEC maintains the following five Current Accounts at Bank of Ceylon (BOC) and the bank balances are tabulated below;

Name of the Current Account	Account Number	Balance as at 31.12.2022	Balance as at 31.12.2021
Securities and Exchange Commission of Sri Lanka	0000001694	63,384,501	23,794,693
	0009919753	1,488,143	10,146,896
	83810081	17,255,538	56,134

SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

The following investments were channelled through BOC during the year 2022.

Investment Type	Investments made in BOC during the year (Rs.)	Balance as at 31st December 2022 at BOC (Rs.)
Investment in Repo	139,000,000	-
Total	139,000,000	-

In addition, the following table depicts the other transactions taken place during the year under review with the entities with which the Members of the Commission act as Members of the Governing Bodies.

Payee	Description of the Payment	Amount paid
Institute of Chartered Accountants of Sri Lanka	Membership Renewals, National Conference and training programmes	271,600/-
Ernst & Young	Consultation service	2,021,440/-
Director, Centre For Banking Studies	Training programmes	376,000/-

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/22/3

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

} 26 May 2023

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 2022 in terms of Section 11 (1) of the National Audit Act No.19 of 2018.

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 2022 comprising the Statement of Financial Position as at 31 December 2022 and the Statement of Financial Performance, Statement of Changes in Cess Fund and Cash Flow Statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies, 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. The report of the Auditor General in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka will be tabled in Parliament in due course.

In my opinion, the financial statements of the Fund give a true and fair view of the financial position as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.



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

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 preparation of 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 is 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 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.



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 NATIONAL AUDIT OFFICE

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 the 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 audit findings, including any significant deficiencies in internal control that I identify during my audit.

CESS FUND OF THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

AUDITOR GENERAL'S REPORT



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நேசிய 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 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.
- 2.2 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.

W. P.C Wickramaratne

Auditor General

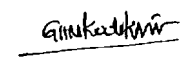
STATEMENT OF FINANCIAL POSITION

As at 31st December 2022	Note	2022 Rs.	2021 Rs.
Assets			
Non Current Assets			
Investment in Treasury Bonds		3,010,320,650	3,159,199,611
Current Assets			
Investment in Treasury Bonds		148,878,960	355,702,976
Investment in Treasury Bills		1,453,364,761	-
Interest Receivable on Treasury Bonds		24,559,621	76,520,029
Interest Receivable on Treasury Bills		115,829,935	-
Interest Receivable on Repo		67,307	146,132
Cess Receivable		6,055,532	27,289,951
Cash and Cash Equivalents	7	75,145,466	459,076,390
Total Assets		4,834,222,233	4,077,935,087
Funds and Liabilities			
Funds Employed and Reserves			
Accumulated Fund		4,674,258,276	3,884,378,325
Current Liabilities			
Payable to SEC		159,723,957	193,356,762
Audit Fees		240,000	200,000
Total Funds and Liabilities		4,834,222,233	4,077,935,087

The notes appearing on pages 99 to 104 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 CESS FUND OF SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA



Nirosha Kodikara
Director Finance & Administration



Faizal Salieh
Chairman



Chinthaka Mendis
Director General

Colombo
10th May 2023

CESS FUND OF THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31st December 2022	Note	2022 Rs.	2021 Rs.
Income			
Cess Received during the year		916,667,624	1,554,518,067
Interest on Treasury Bonds		323,891,505	144,908,971
Interest on Treasury Bills		148,575,637	-
Interest on Repo Investments		22,753,914	91,940,659
Total Income		1,411,888,680	1,791,367,697
Expenditure			
Funds transferred to the SEC for Operational & Capital Expenses		(332,084,732)	(363,832,098)
Audit Fees		(268,000)	(398,000)
Bank Charges		(138,800)	(18,442)
Total Expenditure		(332,491,532)	(364,248,540)
Income Tax Expense	8	(289,517,197)	(343,056,625)
Excess of Income over Expenditure		789,879,951	1,084,062,532

The notes appearing on pages 99 to 104 form an integral part of the financial statements.

STATEMENT OF CHANGES IN CESS FUND

For the year ended 31st December 2022	2022 Rs.	2021 Rs.
Accumulated Fund		
Balance at the beginning of the year	3,884,378,325	2,800,315,793
Excess of Income over Expenditure for the year	789,879,951	1,084,062,532
Funds transferred to the Consolidated Fund	-	-
Balance as at the end of the year	4,674,258,276	3,884,378,325

The notes appearing on pages 99 to 104 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 2022	2022 Rs.	2021 Rs.
Cash Flows from Operating Activities		
Excess of Income over Expenditure	789,879,951	1,084,062,532
Net Increase/ (Decrease) before Working Capital Changes	789,879,951	1,084,062,532
Change of Working Capital		
(Increase)/ Decrease of Cess Receivable	21,234,418	(16,023,104)
(Increase)/ Decrease of Receivable - SEC		130,331,961
(Increase)/ Decrease of Interest Receivable on Treasury Bonds	51,960,407	(29,725,892)
(Increase)/ Decrease of Interest Receivable on Treasury Bills	(115,829,935)	-
(Increase)/ Decrease of Interest Receivable on Repo	78,824	37,467
Increase/ (Decrease) of Payables	(33,592,804)	193,556,762
	(76,149,090)	278,177,195
Net Cash Inflow/ (Outflow) from Operating Activities	713,730,861	1,362,239,726
Cash Flows into Investing Activities		
Investment in State Institutions Temporary Surplus Fund	-	-
Funds transferred to the Consolidated Fund	-	-
Investment in Treasury Bonds	355,702,976	(2,340,843,389)
Investment in Treasury Bills	(1,453,364,761)	
Net Cash Inflow/ (Outflow) from Investing Activities	(1,097,661,785)	(2,340,843,389)
Net Increase/ (Decrease) in Cash and Cash Equivalents	(383,930,924)	(978,603,662)
Cash and Cash Equivalents at the beginning of the period (Note A)	459,076,390	1,437,680,052
Cash and Cash Equivalents at the end of the period (Note B)	75,145,466	459,076,390
Note (A)		
Cash and Cash Equivalents at the beginning of the period		
Investments in Repo	452,265,729	1,425,824,301
Cash at Bank	6,810,660	11,855,751
	459,076,390	1,437,680,052
Note (B)		
Cash and Cash Equivalents at the end of the period		
Investments in Repo	73,757,104	452,265,729
Cash at Bank	1,388,362	6,810,660
	75,145,466	459,076,390

The notes appearing on pages 99 to 104 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 Section No 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 New SEC Act No. 19 of 2021, the monies lying to the credit of the Cess Fund shall only be utilized 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.

CESS FUND OF THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

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.

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 recognized 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 realizable 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 recognized in the Statement of Financial Performance on an accrual basis.

4.2 Other Income

Other income, if any is recognized on an accrual basis.

5 EXPENDITURE RECOGNITION

All expenditure of the Cess Fund is recognized 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 2022	2022 Rs.	2021 Rs.
Investments in Repo	73,757,104	452,265,730
Cash at Bank	1,388,362	6,810,660
Total	75,145,466	459,076,390

8 INCOME TAX EXPENSE

For the year ended 31st December 2022	2022 Rs.	2021 Rs.
Income Tax Expense for the Y/A 2020/2021	-	(2,905,438)
Income Tax Expense for the Y/A 2021/2022	(495,581)	345,962,063
Income Tax Expense for the Y/A 2022/2023	290,012,778	-
Total	289,517,197	343,056,625

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 31.12.2022.

10 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31.12.2022.

11 EVENTS AFTER THE REPORTING DATE

Mr. Viraj Dayaratne, PC, Chairman of the SEC ceased to hold the office on 05th January 2023. Consequently, the Commission was reconstituted as follows.

- Mr. Faizal Salieh, Chairman an Appointed Member w.e.f. 15th February 2023
- Mr. Sanjaya Bandara, Ex-officio member
- Mr. R. M. P. Rathnayake, Ex-officio member
- Mr. Sanjeewa Dissanayake, Ex-officio member
- Mrs. Yvette Fernando, Ex-officio Member
- Mr. Manil Jayasinghe an Appointed Member
- Mr. Sujeewa Mudalige an Appointed Member
- Mr. Anton Godfrey an Appointed Member
- Mr. Anthony Shanil Fernando an Appointed Member

CESS FUND OF THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

NOTES 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.

- Mr. Viraj Dayaratne, PC, Chairman an Appointed Member, ceased to hold office on 5th January 2023.
- Mr. R. M. P. Rathnayake was appointed as an Ex-officio member by virtue of him holding office as Deputy Secretary to the General Treasury.
- Mr. Sanjeewa Dissanayake was appointed as an Ex-officio member by virtue of him holding office as Registrar General of Companies.
- Mr. Manil Jayasinghe, an Appointed Member
- Mr. Suhada Gamalath, an Appointed Member.
- Mr. Sisira Rathnayake, an Appointed Member.
- Mr. Sunil Lankathilake, an Appointed Member.
- Mr. Sanjaya Bandara was appointed as an Ex-officio member by virtue of him holding office as the president of Institute of Chartered Accountant of Sri Lanka on 10th January 2022.
- Ms. Yvette Fernando was appointed as an Ex-officio member by virtue of her holding office as Deputy Governor of the Central Bank of Sri Lanka on 11th October 2022.

The following Ex-officio Members of the Commission ceased to hold office as stated below.

- Mr. N. W. G. R. D. Nanayakkara an Ex-officio member by virtue of him holding office as Deputy Governor to the Central Bank of Sri Lanka ceased to be a member with effect from 29th April 2022.

The following table depicts the relationships held by the Members of the Commission who held office during the year under review.

Name	Name of the Related Institution	Relationship	Shareholding, if any
Mr. Viraj Dayaratne, PC	Settlement Guarantee Fund	Trustee	Nil
Mr. Manil Jayasinghe	Ernst & Young	Managing Partner – Sri Lanka & Maldives	Nil
	Ernst & Young Consulting Services (Pvt) Ltd	Director	Nil
	Ernst & Young Strategy & Transaction (Pvt) Ltd	Director	Nil
	Ernst & Young GDS (CS) Lanka (Pvt) Ltd	Director	Nil
	Lanka Tours & Traders (Pvt) Ltd	Director	Nil
	NMJ Leisure (Pvt) Ltd	Director	Nil
	General Treasury	Deputy Secretary	Nil
Mr. R. M. P. Rathnayake	Bank of Ceylon	Ex-Officio Member	Nil
	Lotus Tower Management Company (Pvt) Limited	Chairman (acting) from 03/02/2022 to date	Nil
	Local Loan Development Fund	Commissioner & Chairman up to 28/02/2022	Nil
	Insurance Regulatory Commission of Sri Lanka	Ex-Officio Member up to 02/03/2022	Nil
	Settlement Guarantee Fund	Trustee	Nil

Name	Name of the Related Institution	Relationship	Shareholding, if any
Mr. Sanjeewa Dissanayake	The Department of the Registrar of Companies	Registrar General of Companies	Nil
	Insurance Regulatory Commission of Sri Lanka	Ex-Officio Member	Nil
	Accounting Standards Committee of the ICASL	Ex-Officio Member	Nil
	Sri Lanka Accounting & Auditing Standards Monitoring Board	Ex-Officio Member	Nil
Mr. Sanjaya Bandara	Institute of Chartered Accountants of Sri Lanka	President	Nil
	Prime Land Residencies PLC	Independent Non-Executive Director	Nil
	Abans Finance PLC	Independent Non-Executive Director w.e.f. 09/09/2022	Nil
	CL Synergy (pvt) Ltd	Independent Non-Executive Director	Nil
	Nexia Management Services (pvt) Ltd	Director	1
Mr. Sunil Lankathilake	Nexia BPO (pvt) Ltd	Director	1
	Ministry of Finance	Member of Board of Inquiry of Foreign Exchange Act	Nil
	LOLC Development Finance PLC	Independent Non-Executive Director	Nil
Mr. Suhada Gamalath, PC	Nil	Nil	Nil
Mr. Sisira Ratnayake	Nil	Nil	Nil
Ms. Yvette Fernando	Central Bank of Sri Lanka	Deputy Governor	Nil
	Credit Information Bureau of Sri Lanka (CRIB)	Chairperson	Nil
	Institute of Bankers of Sri Lanka	Chairperson	Nil
	Api Wenuwen Api Fund	Member of Board Management w.e.f. 06/05/2022	Nil
	Insurance Regulatory Commission of Sri Lanka	Commissioner	Nil

The following table depicts the relationships of the Ex-officio Members of the Commission who ceased to hold office during the year under review.

Name	Name of the Related Institution	Relationship	Shareholding, if any
Mr. N. W. G. R. D. Nanayakkara	Central Bank of Sri Lanka	Deputy Governor until 29th April 2022	Nil

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

CESS FUND OF THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

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 31.12.2022	Balance as at 31.12.2021
Cess Fund of the Securities and Exchange Commission of Sri Lanka	0009834430	363,351	2,784,645

The following investments were channelled through BOC during the year 2022.

Investment Type	Investments made in BOC during the year (Rs.)	Balance as at 31st December 2022 at BOC (Rs.)
Treasury Bonds	-	2,961,938,365
Treasury Bills	1,007,695,630	1,007,695,630
Investment in Repo	4,285,093,693	70,000,000
Total	5,292,789,323	4,039,633,995

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/22/4

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

26 May 2023

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 2022 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018

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 2022 comprising the Statement of Financial Position as at 31 December 2022 and the Statement of Financial Performance, Statement of Changes in Compensation Fund and Cash Flow Statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies, 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. The report of the Auditor General in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka will be tabled in Parliament in due course.

In my opinion, the financial statements of the Fund give a true and fair view of the financial position as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.



COMPENSATION FUND OF THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

AUDITOR GENERAL'S REPORT



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நேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

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 preparation of 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 is 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 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.



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 தேசிய கணக்காய்வு அலுவலகம்
 NATIONAL AUDIT OFFICE

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 the 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 audit 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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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 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.
- 2.2 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.

W. P.C Wickramaratne

Auditor General

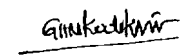
STATEMENT OF FINANCIAL POSITION

As at 31st December 2022	Note	2022 Rs.	2021 Rs.
Assets			
Non Current Assets			
Investments in Treasury Bonds		369,424,068	394,240,378
Current Assets			
Investments in Treasury Bonds		24,816,310	113,632,425
Investments in Treasury Bills		201,936,911	-
Interest Receivable on Treasury Bonds		4,594,270	13,002,217
Interest Receivable on Treasury Bills		15,878,275	0
Interest Receivable on Repo		8,460	13,406
Cash and Cash Equivalents	7	8,615,687	40,728,226
Total Assets		625,273,981	561,616,651
Funds and Liabilities			
Funds Employed and Reserves			
Accumulated Fund		609,508,687	555,571,118
Current Liabilities			
Payable to SEC		15,563,294	5,845,532
Audit Fees		202,000	200,000
Total Funds and Liabilities		625,273,981	561,616,651

The notes appearing on pages 113 to 118 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 COMPENSATION FUND OF THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA



Nirosha Kodikara
Director Finance & Administration



Faizal Salieh
Chairman

Colombo
10th May 2023



Chinthaka Mendis
Director General

COMPENSATION FUND OF THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31st December 2022	Note	2022 Rs.	2021 Rs.
Income			
Interest on Treasury Bonds		46,233,518	33,305,523
Interest on Treasury Bills		17,168,552	-
Interest on Repo Investments		1,157,502	11,583,114
Compounded Fines Received during the year		10,400,000	-
Total Income		74,959,572	44,888,637
Expenditure			
Audit Fees		(200,000)	(398,000)
Bank Charges		(72,180)	(2,912)
Total Expenditure		(272,180)	(400,912)
Income Tax Expense	8	(20,749,823)	(10,669,546)
Excess of Income over Expenditure		53,937,569	33,818,179

The notes appearing on pages 113 to 118 form an integral part of the financial statements.

STATEMENT OF CHANGES IN COMPENSATION FUND

For the year ended 31st December 2022	2022 Rs.	2021 Rs.
Accumulated Fund		
Balance at the beginning of the Year	555,571,118	521,752,939
Excess of Income over Expenditure	53,937,569	33,818,179
Balance at the end of the Year	609,508,687	555,571,118

The notes appearing on pages 113 to 118 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 2022	2022 Rs.	2021 Rs.
Cash Flows from Operating Activities		
Excess of Income over Expenditure	53,937,569	33,818,179
Net Increase/ (Decrease) before Working Capital Changes	53,937,569	33,818,179
Change of Working Capital		
(Increase)/ Decrease of Interest Receivable on Treasury Bonds	8,407,946	(3,693,508)
(Increase)/ Decrease of Interest Receivable on Treasury Bills	(15,878,275)	-
(Increase)/ Decrease of Interest Receivable on Repo	4,945	18,621
Increase/ (Decrease) of Payable to SEC	9,717,762	(13,045,081)
Increase/ (Decrease) of Other Payables	2,000	200,000
	2,254,378	(16,519,968)
Net Cash Inflow/ (Outflow) from Operating Activities	56,191,947	17,298,211
Cash Flows into Investing Activities		
Investment in Treasury Bonds	113,632,425	(225,390,894)
Investment in Treasury Bills	(201,936,911)	-
Net Cash Inflow/ (Outflow) from Investing Activities	(88,304,486)	(225,390,894)
Net Increase/ (Decrease) in Cash and Cash Equivalents	(32,112,539)	(208,092,682)
Cash and Cash Equivalents at the beginning of the period (Note A)	40,728,226	248,820,908
Cash and Cash Equivalents at the end of the period (Note B)	8,615,687	40,728,226
Note (A)		
Cash and Cash Equivalents at the beginning of the period		
Investments in Repo	40,000,000	248,721,328
Cash at Bank	728,226	99,580
	40,728,226	248,820,908
Note (B)		
Cash and Cash Equivalents at the end of the period		
Investments in Repo	8,000,000	40,000,000
Cash at Bank	615,687	728,226
	8,615,687	40,728,226

The notes appearing on pages 113 to 118 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 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 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 the under 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.

COMPENSATION FUND OF THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

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.

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 recognized 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 realizable 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 recognized 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 recognized on cash basis.

4.3 Other Income

Other income, if any is recognized on an accrual basis.

5 EXPENDITURE RECOGNITION

All expenditure of the Compensation Fund is recognized 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 2022	2022 Rs.	2021 Rs.
Investments in Repo	8,000,000	40,000,000
Cash at Bank	615,687	728,226
Total	8,615,687	40,728,226

8 INCOME TAX EXPENSE

For the year ended 31st December 2022	2022 Rs.	2021 Rs.
Income Tax Expense for the Y/A 2020/2021	-	(7,508)
Income Tax Expense for the Y/A 2021/2022	-	10,677,054
Income Tax Expense for the Y/A 2022/2023	20,749,823	-
Total	20,749,823	10,669,546

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 31.12.2022.

10 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31.12.2022.

11 EVENTS AFTER THE REPORTING DATE

Mr. Viraj Dayaratne, PC, Chairman of the SEC ceased to hold the office on 05th January 2023. Consequently, the Commission was reconstituted as follows.

- Mr. Faizal Salieh, Chairman an Appointed Member w.e.f. 15th February 2023
- Mr. Sanjaya Bandara, Ex-officio member
- Mr. R. M. P. Rathnayake, Ex-officio member
- Mr. Sanjeewa Dissanayake, Ex-officio member
- Mrs. Yvette Fernando, Ex-officio Member
- Mr. Manil Jayasinghe an Appointed Member
- Mr. Sujeewa Mudalige an Appointed Member
- Mr. Anton Godfrey an Appointed Member
- Mr. Anthony Shanil Fernando an Appointed Member

COMPENSATION FUND OF THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

NOTES 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.

- Mr. Viraj Dayaratne, PC, Chairman an Appointed Member, ceased to hold office on 5th January 2023.
- Mr. R. M. P. Rathnayake was appointed as an Ex-officio member by virtue of him holding office as Deputy Secretary to the General Treasury.
- Mr. Sanjeewa Dissanayake was appointed as an Ex-officio member by virtue of him holding office as Registrar General of Companies.
- Mr. Manil Jayasinghe an Appointed Member
- Mr. Suhada Gamalath, an Appointed Member.
- Mr. Sisira Rathnayake an Appointed Member.
- Mr. Sunil Lankathilake an Appointed Member.
- Mr. Sanjaya Bandara was appointed as an Ex-officio member by virtue of him holding office as the president of Institute of Chartered Accountant of Sri Lanka on 10th January 2022.
- Ms. Yvette Fernando was Appointed as an Ex-officio member by virtue of her holding office as Deputy Governor to the Central Bank of Sri Lanka on 11th October 2022.

The following Ex-officio Members of the Commission ceased to hold office as stated below.

- Mr. N. W. G. R. D. Nanayakkara as an Ex-officio member by virtue of him holding office as Deputy Governor to the Central Bank of Sri Lanka ceased to be a member with effect from 29th April 2022.

The following table depicts the relationships held by the Members of the Commission who held office during the year under review.

Name	Name of the Related Institution	Relationship	Shareholding, if any
Mr. Viraj Dayaratne, PC	Settlement Guarantee Fund	Trustee	Nil
Mr. Manil Jayasinghe	Ernst & Young	Managing Partner – Sri Lanka & Maldives	Nil
	Ernst & Young Consulting Services (Pvt) Ltd	Director	Nil
	Ernst & Young Strategy & Transaction (Pvt) Ltd	Director	Nil
	Ernst & Young GDS (CS) Lanka (Pvt) Ltd	Director	Nil
	Lanka Tours & Traders (Pvt) Ltd	Director	Nil
	NMJ Leisure (Pvt) Ltd	Director	Nil
	General Treasury	Deputy Secretary	Nil
Mr. R. M. P. Rathnayake	Bank of Ceylon	Ex-Officio Member	Nil
	Lotus Tower Management Company (Pvt) Limited	Chairman (acting) from 03/02/2022 to date	Nil
	Local Loan Development Fund	Commissioner & Chairman up to 28/02/2022	Nil
	Insurance Regulatory Commission of Sri Lanka	Ex-Officio Member up to 02/03/2022	Nil
	Settlement Guarantee Fund	Trustee	Nil

Name	Name of the Related Institution	Relationship	Shareholding, if any
Mr. Sanjeewa Dissanayake	The Department of the Registrar of Companies	Registrar General of Companies	Nil
	Insurance Regulatory Commission of Sri Lanka	Ex-Officio Member	Nil
	Accounting Standards Committee of the ICASL	Ex-Officio Member	Nil
	Sri Lanka Accounting & Auditing Standards Monitoring Board	Ex-Officio Member	Nil
Mr. Sanjaya Bandara	Institute of Chartered Accountants of Sri Lanka	President	Nil
	Prime Land Residencies PLC	Independent Non-Executive Director	Nil
	Abans Finance PLC	Independent Non-Executive Director w.e.f. 09/09/2022	Nil
	CL Synergy (pvt) Ltd	Independent Non-Executive Director	Nil
	Nexia Management Services (pvt) Ltd	Director	1
Mr. Sunil Lankathilake	Nexia BPO (pvt) Ltd	Director	1
	Ministry of Finance	Member of Board of Inquiry of Foreign Exchange Act	Nil
	LOLC Development Finance PLC	Independent Non-Executive Director	Nil
Mr. Suhada Gamalath, PC	Nil	Nil	Nil
Mr. Sisira Ratnayake	Nil	Nil	Nil
Ms. Yvette Fernando	Central Bank of Sri Lanka	Deputy Governor	Nil
	Credit Information Bureau of Sri Lanka (CRIB)	Chairperson	Nil
	Institute of Bankers of Sri Lanka	Chairperson	Nil
	Api Wenuwen Api Fund	Member of Board Management w.e.f. 06/05/2022	Nil
	Insurance Regulatory Commission of Sri Lanka	Commissioner	Nil

The following table depicts the relationships of the Ex-officio Members of the Commission who ceased to hold office during the year under review.

Name	Name of the Related Institution	Relationship	Shareholding, if any
Mr. N. W. G. R. D. Nanayakkara	Central Bank of Sri Lanka	Deputy Governor until 29th April 2022	Nil

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

COMPENSATION FUND OF THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

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 31.12.2022	Balance as at 31.12.2021
Compensation Fund of the Securities and Exchange Commission of Sri Lanka	75433985	615,687	728,226

The following investments were channelled through BOC during the year 2022.

Investment Type	Investments made in BOC during the year (Rs.)	Balance as at 31st December 2022 at BOC (Rs.)
Treasury Bonds	-	359,889,636
Treasury Bills	156,457,994	145,008,441
Investment in Repo	322,298,717	8,000,000
Total	478,756,711	512,898,077

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/22/5

ඔබේ අංකය
உமது இல.
Your No. }

දිනය
திகதி
Date }

26 May 2023

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 2022 in terms of Section 11 (1) of the National Audit Act No.19 of 2018.

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 2022 comprising the Statement of Financial Position as at 31 December 2022 and the Statement of Financial Performance, Statement of Changes in Net Assets and Cash Flow Statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies, 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 proposal in the budget presented for the year 1998. The report of the Auditor General in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka will be tabled in Parliament in due course.

In my opinion, the financial statements of the Fund give a true and fair view of the financial position as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.



SETTLEMENT GUARANTEE FUND OF THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

AUDITOR GENERAL'S REPORT



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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 preparation of 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 is 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 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.



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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 the 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 audit 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

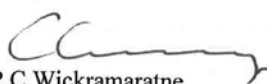


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NATIONAL AUDIT OFFICE

2. Report on Other Legal and Regulatory Requirements

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

- 2.1 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.
- 2.2 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.


W. P.C Wickramaratne
Auditor General

STATEMENT OF FINANCIAL POSITION

As at 31st December 2022	Note	2022 Rs.	2021 Rs.
Assets			
Non Current Assets			
Investments in Treasury Bonds		90,631,135	194,860,375
Investments in Fixed Deposits		300,000,000	300,000,000
Current Assets			
Investments in Treasury Bonds		104,229,240	278,775,190
Investments in Treasury Bills		555,183,888	
Interest Receivable on Treasury Bond		8,451,206	18,034,969
Interest Receivable on Fixed Deposits		50,054,798	30,780,824
Interest Receivable on Treasury Bills		44,371,549	
Interest Receivable on Repo		9,519	81,429
Cash and Cash Equivalents	5	9,412,567	243,458,440
Total Assets		1,162,343,902	1,065,991,227
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		891,173,149	806,487,080
Current Liabilities			
Income Tax Payable	6	20,970,753	9,397,147
Audit Fees		200,000	107,000
Total Funds and Liabilities		1,162,343,902	1,065,991,227

The notes appearing on pages 127 to 131 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



Chinthaka Mendis
Trustee - Settlement Guarantee Fund



Faizal Salieh
Trustee - Settlement Guarantee Fund

Colombo
10th May 2023

SETTLEMENT GUARANTEE FUND OF THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31st December 2022	Note	2022 Rs.	2021 Rs.
Income			
Interest on Investments - Repurchase Agreements		4,438,743	3,363,641
Interest on Investments - Treasury Bonds		41,994,928	66,380,973
Interest on Investments - Treasury Bills		47,443,738	-
Interest on Investments - Fixed Deposits		19,273,973	21,000,001
Total Income		113,151,382	90,744,615
Expenditure			
Audit Fees		(291,000)	(165,000)
Bank Charges		(106,480)	(2,164)
Total Expenditure		(397,480)	(167,164)
Income Tax Expense	7	(28,067,832)	(16,303,941)
Excess of Income over Expenditure		84,686,069	74,273,510

The notes appearing on pages 127 to 131 form an integral part of the financial statements.

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31st December 2022	2022 Rs.	2021 Rs.
Accumulated Fund		
Balance at the beginning of the year	806,487,080	732,213,570
Excess of Income over Expenditure for the year	84,686,069	74,273,510
Balance at the end of the year	891,173,149	806,487,080

The notes appearing on pages 127 to 131 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 2022	2022 Rs.	2021 Rs.
Cash Flow from Operating Activities		
Excess of Income over Expenditure	84,686,069	74,273,510
Net Increase/ (Decrease) before Working Capital Changes	84,686,069	74,273,510
Change of Working Capital		
(Increase)/ Decrease of Other Receivables	(53,989,850)	(20,631,836)
Increase/ (Decrease) of Payables	11,666,606	3,940,192
	(42,323,244)	(16,691,643)
Net Cash Inflow/ (Outflow) from Operating Activities	42,362,826	57,581,867
Cash Flow from Investing Activities		
Investments in Treasury Bonds	278,775,190	155,151,060
Investments in Fixed Deposits	-	-
Investments in Treasury Bills	(555,183,888)	-
Net Cash Inflow/ (Outflow) from Investing Activities	(276,408,698)	155,151,060
Net Increase/ (Decrease) in Cash and Cash Equivalents	(234,045,873)	212,732,926
Cash & Cash Equivalents at the beginning of the period (Note A)	243,458,440	30,725,513
Cash & Cash Equivalents at the end of the period (Note B)	9,412,567	243,458,440
Note (A)		
Cash & Cash Equivalents at the beginning of the period		
Investments in Repo	242,950,000	30,486,575
Cash at Bank	508,440	238,938
Total	243,458,440	30,725,513
Note (B)		
Cash & Cash Equivalents at the end of the period		
Investments in Repo	9,000,001	242,950,000
Cash at Bank	412,566	508,440
Total	9,412,567	243,458,440

The notes appearing on pages 127 to 131 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 realizable 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 recognized on an accrual basis.

4.2 Expenditure Recognition

All expenditure incurred in maintaining the SGF has been recognized 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 2022	2022 Rs.	2021 Rs.
Investments in Repo	9,000,001	242,950,000
Cash at Bank	412,566	508,440
Total	9,412,567	243,458,440

SETTLEMENT GUARANTEE FUND OF THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

6. INCOME TAX PAYABLE

For the year ended 31st December 2022	2022 Rs.	2021 Rs.
Income Tax Payable for the Y/A 2020/2021		(101,382)
Income Tax Payable for the Y/A 2021/2022		9,498,528
Income Tax Payable for the Y/A 2022/2023	20,970,753	
Total	20,970,753	9,397,147

7. INCOME TAX EXPENSE

For the year ended 31st December 2022	2022 Rs.	2021 Rs.
Income Tax Expense for the Y/A 2021/2022		16,303,941
Income Tax Expense for the Y/A 2022/2023	28,067,832	
Total	28,067,832	16,303,941

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 2022.

9. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31st December 2022.

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.

Consequent to the ceased office of Mr. Viraj Dayaratne, PC, Chairman on 05th January 2023 Mr. Faizal Salieh, appointed as Chairman of SEC on 15th February 2023.

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.

The following Trustees of the SGF held office during the year 2022;

- Mr. Viraj Dayarathne PC, Chairman SEC
- Mr. Rajeeva Bandaranaike, Chief Executive Officer CSE
- Mr. R.M.P. Rathnayake, Commissioner SEC and the Deputy Secretary to the Treasury
- Mr. Chinthaka Mendis, Director General of SEC

Trustees appointed to the SGF during the year;

- Mr. Dilshan Wirasekara, Chairman CSE (appointed w.e.f. June 2022)

The following Trustees ceased to hold office as Trustees of the SGF during the year under review;

- Mr. Dumith Fernando, ceased to be a Trustee upon him ceasing to hold office as Chairman CSE in June 2022

The following table depicts the relationships held by the Trustees of the Fund during the year.

Name	Name of the Related Institution	Relationship	Shareholding, if any
Mr. Viraj Dayarathne PC	Securities and Exchange Commission of Sri Lanka	Chairman appointed w.e.f. 08th January 2020 and assumed duties w.e.f. 22nd January 2020	Nil
Mr. Dilshan Wirasekara	Colombo Stock Exchange	Chairman with effect from June 2022	Nil
	Hatter Corp (pvt) Ltd	Director	Nil
	The Central Depository Systems (pvt) Ltd	Director	Nil
	First Capital Limited	Managing Director/ Chief Executive Officer (w.e.f. 27th December 2022)	Nil
	First Capital Holding PLC	Managing Director/ Chief Executive Officer (w.e.f. 27th December 2022)	Nil
	First Capital Asset Management Ltd	Managing Director/ Chief Executive Officer (w.e.f. 27th December 2022)	Nil
	First Capital Markets Limited	Managing Director/ Chief Executive Officer (w.e.f. 27th December 2022)	Nil
	First Capital Equities (pvt) Limited	Managing Director (w.e.f. 27th December 2022)	Nil
	First Capital Trustee Services (pvt) Limited	Managing Director/ Chief Executive Officer (w.e.f. 27th December 2022)	Nil
	First Capital Treasuries PLC	Managing Director/ Chief Executive Officer (w.e.f. 27th December 2022)	Nil
	Colombo Stock Exchange	Director until June 2022	Nil
	First Capital Limited	Director/ Chief Executive until December 2022	Nil
	First Capital Holding PLC	Director/ Chief Executive until December 2022	Nil
	First Capital Asset Management Ltd	Director/ Chief Executive until December 2022	Nil
	First Capital Markets Limited	Director/ Chief Executive until December 2022	Nil
	First Capital Equities (pvt) Limited	Director December 2022	Nil
	First Capital Trustee Services (pvt) Limited	Director/ Chief Executive until December 2022	Nil
	First Capital Treasuries PLC	Director/ Chief Executive until December 2022	Nil
Mr. Rajeeva Bandaranaike	Colombo Stock Exchange	Chief Executive Officer	Nil
	Lanka Financial Services Bureau Limited	Director	Nil
Mr. R. M. P. Rathnayake	General Treasury	Deputy Secretary with effect from 08th January 2020	Nil

SETTLEMENT GUARANTEE 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
Mr. R. M. P. Rathnayake	Securities and Exchange Commission of Sri Lanka	Ex-Officio Member	Nil
	Bank of Ceylon	Ex-Officio Member	Nil
	Lotus Tower Management Company (Pvt) Limited	Chairman (acting) from 03/02/2022 to date	Nil
	Local Loan Development Fund	Chairman & Commissioner up to 28/02/2022	Nil
	Insurance Regulatory Commission of Sri Lanka	Ex-Officio Member up to 02/03/2022	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

The following table depicts the relationships of the Ex-officio Members of the Commission who ceased to hold office during the year under review.

Name	Name of the Related Institution	Relationship	Shareholding, if any
Mr. Dumith Fernando	Colombo Stock Exchange	Chairman until June 2022	Nil
	Panthera Ventures (Pvt) Ltd	Director	100%
	PV Galle Properties (Pvt) Ltd	Director	100%
	PV Hilltop Holdings (Pvt) Ltd	Director	100%
	Omak Technologies (Pvt) Ltd	Chairman	10%
	Techkitez (Pvt) Ltd	Chairman/ Director	10.34%
	One Season Properties (Pvt) Ltd	Director	Nil
	Dew Paradise (Pvt) Ltd	Director	Nil
	Aniwa (Pvt) Ltd	Director	11.8%
	Generator Solutions (Pvt) Ltd	Director	Nil
	Jewelex Agri Kumaragama (Pvt) Ltd	Director	15%
	Asia Securities (Pvt) Ltd	Director	76.70%
	Asia Securities Holdings (Pvt) Ltd	Director	27.64%
	Asia Securities Wealth Management (Pvt) Ltd	Director/Chairman	Nil
	A-Sec Capital (Pvt) Ltd	Director	100%
	Asia Securities Advisors (Pvt) Ltd	Director	Nil
	Asia Securities Wealth Products (pvt) Ltd	Director/Chairman with effect from June 2022	100%
	Singer (Sri Lanka) PLC	Director	Nil
	Union Assurance PLC	Director	Nil

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

The SGF 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 31.12.2022	Balance as at 31.12.2021
Settlement Guarantee Fund of the Securities and Exchange Commission of Sri Lanka	1833	412,566	508,440

The following investments were channelled through BOC during the year 2022.

Investment Type	Investments made in BOC during the year (Rs.)	Balance as at 31st December 2022 at BOC (Rs.)
Treasury Bonds		189,892,585
Treasury Bills	337,996,688	326,000,714
Investment in Repo	987,147,506	9,000,000
Total	1,325,144,194	524,893,299

CORPORATE INFORMATION

Office Address

Level 28 and 29
East Tower
World Trade Center
Echelon Square
Colombo 1
Sri Lanka

Telephone

+94 11 2143843

Fax

+94 11 2439149

E-mail

mail@sec.gov.lk

Web

www.sec.gov.lk

Accounting Year

Year ended 31st December 2022

Auditors

The Auditor General

Bankers

Bank of Ceylon
Sampath Bank PLC
Commercial Bank of Ceylon PLC
Hatton National Bank PLC

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