

Media Release

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Empowering Entrepreneurship, Making the Capital Market Work for the SMEs

The Securities and Exchange Commission of Sri Lanka (SEC) together with the Colombo Stock Exchange (CSE) is pleased to announce the launch of "Empower" - the SME Board to attract Small and Medium Enterprises (SMEs) to the CSE.

As the apex regulator of the Capital/ Stock market, the SEC will expedite the launch of the "Empower" - SME Board, thus creating a platform to attract SMEs to the Colombo Stock Exchange (CSE). Under a programme to launch a series of new Capital Market Development Initiatives proposed by the new SEC Chairman, Ranel T Wijesinha, this launch, will for the first time in the history of the country and the history of the SEC and CSE, establish a dedicated platform for the SMEs.

Chairman SEC, Ranel Wijesinha says

"In essence what we wish to achieve can be summarised by the theme: "Empowering Entrepreneurship, Making the Capital Market work for the SMEs."

Describing the background and rationale for the SME Board Chairman SEC, Wijesinha said "Sri Lanka, has achieved considerable progress in many areas, within a South Asian context, but it is yet an Emerging Economy in the larger Asia Pacific region, within which it can be a truly formidable player. We have yet to realise our full potential and we have been saying this for too long. But growth must be balanced, growth must be honest and wholesome and most importantly, sustainable. If we are to achieve economic growth with equity, across the length and breadth of the country, with balance in economic development and employment, between the city and the rural village and between agriculture, industry and services, and among and between representatives of religions and communities, there is a compelling national imperative the country has to address."

"That national imperative is to usher in, an economically strong, politically stable, socially responsive, Sri Lanka. Within that context, there is an imperative, that we develop the Small and Medium Enterprises sector- the SME sector. We transitioned from a closed and insular country, to an open and outward looking country, with an export led growth strategy in 1977, 41 years ago. but yet, the SME sector, has not achieved the level of growth so vitally necessary, for this yet Emerging Economy." He added.

"This requires all components of the banking and financial infrastructure of the country, to recognise this. However, we have to understand the challenges the Central Bank faces to maintain price stability- through desirable interest rates, exchange rates and rates of inflation", said Wijesinha who further stated that "The rates of interest on bank loans in Sri Lanka at this time, are relatively high, and may not adequately encourage entrepreneurship. Thus, I firmly believe it is necessary for apex level statutory institutions such as ours, while focusing on all regulatory aspects fully and completely, to simultaneously fast track and facilitate measures to encourage, incentivise, and empower entrepreneurship and SMEs".

Chairman of the CSE, Ray Abeywardena expressed his great appreciation that the SEC was keen to fast track the launch of the SME Board and stated that " If you are an SME, you understand that access to finance is a key constraint to growth and that access to formal credit can at times be challenging. The critical challenge of funding also brings about other challenges, including the lack of access to market information, technology and the lack of

quality talent to drive the organisation. An increasing number of SMEs as a result, are considering the pros and cons of accessing versatile methods of financing, and are looking beyond conventional credit".

"The SME Board will offer a new avenue to drive Sri Lankan SMEs through their next phase of evolution, by offering a unique proposition and an opportunity to access a deep pool of international and domestic capital. Apart from access to capital, the new listing platform will offer SMEs opportunities to build credibility through disclosure of information and balanced governance standards, which would enhance their visibility and attract strategic investors. The new listing platform has the potential to make an all-round impact, bringing a positive change and shaping the stature and longevity of an SME for years to come".

"SMEs around the country will have at their disposal a range of new capital raising methods such as IPOs and further issues, paving the way for responsible capital raising. Companies listing on this platform will be offered guidance during the listing process by both the CSE and an independent Sponsor, and will continue to engage in post listing support provided through a range of one-on-one meetings, awareness sessions, compliance monitoring reviews and public consultations. Having facilitated capital raising worth Rs. 570 Billion just in the last decade, CSE is now geared to foster the next phase of wealth and value creation with the launch of the 'Empower' Board" concluded Abeywardena".

Outlining further steps beyond the launch of the SME Board, Chairman SEC, Wijesinha stated that the SEC will not be a passive onlooker in helping make happen, what he termed the "SME Empowerment Initiative," rather he said that the SEC has designed a series of strategic initiatives, which will be operationalised simultaneously with the launch of the SME Board. The following is the seven (7) point action plan, the SEC will implement and oversee:

- An invitation to all public and private sector banks to identify, guide and assist existing customers, potential SME Public Listed Companies (PLCs), to seek equity funding, through a listing on the SME board.
- An invitation to all apex, national and regional chambers to nominate and assist potential SME PLCs.
- An invitation to all accounting and auditing firms, consulting and other firms to introduce and assist potential SME PLCs.
- A special invitation to the Small and Medium Practitioners- the SMPs individually, or through the formation of consortia, to assist SMEs in developing prospectuses.
- An invitation to multilateral and bilateral development partners such as the World Bank, the Asian Development Bank, Japan International Cooperation Agency and other institutions to partner the SEC-CSE SME initiative.
- Mobilisation of island wide "domestic" roads shows where teams of the above will travel to key cities in the north, south, east and west of the country to popularise the initiative and to facilitate listings.
- Establishing clusters of SEC and CSE staff who will be deployed to expedite answers to questions, clarifications, and approvals of prospectuses.

"We at the SEC and the CSE are optimistic. We have begun our dialogue, set in motion action plans and will work towards a time line" said Wijesinha.

The launch is said to be scheduled for 5 July 2018, at the BMICH.

Issued by

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