

## Media Release

10<sup>th</sup> March 2019

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### **International Sovereign Bond (ISB) listing on the LSE -A Commendable First!**

**-SEC Chairman, Ranel T. Wijesinha**



Chairman Securities and Exchange Commission of Sri Lanka (SEC), Ranel Wijesinha was upbeat and encouraged by the news conveyed to him by the Central Bank of Sri Lanka (CBSL) Governor Dr. Indrajit Coomaraswamy on Wednesday March 6<sup>th</sup>, that the USD 2.4 Billion International Sovereign Bond (ISB) 2019 will be listed on the London Stock Exchange (LSE) as well, for the first time, and was happy that “we had an opportunity to play a part in it.”

Chairman Wijesinha was particularly appreciative of the manner in which the Governor responded within an hour of the receipt of his written request almost a month ago, for an early meeting to discuss a possible dual listing of the foreign currency denominated government debt, on the LSE and the Colombo Stock Exchange (CSE).

“We are firm in our belief that the Capital Market in Sri Lanka should lend itself to facilitate the country’s initiatives to raise funds while at the same time leveraging the opportunities for the CSE to expand the depth, breadth, size and composition of equity and debt listings. Now that ISB 2019 will be listed on the LSE, future issuances have the potential to be traded on the CSE.” Wijesinha added.

### **Invest Sri Lanka promotions in London and Edinburgh**

Reflecting on the recent overseas market development efforts, Wijesinha remarked “In October 2018, we worked closely with the LSE and the International Chamber of Commerce to successfully promote the Capital Market of Sri Lanka in London and Edinburgh. We were encouraged by the foreign portfolio investment (FPI) that was sourced from the UK market immediately after our promotion, but regretfully, during the October 26<sup>th</sup> to December 2018 period, there was an outflow of these funds from the stock market along with an outflow of foreign funds from the Government Securities market. As reported on many occasions in the media and as Governor Coomaraswamy has stated even before ISB 2019, it is encouraging to see foreign investors return to the Government Securities market.”

### **The LSE, a source of FDI now a possible catalyst for FPI**

“The LSE which acquired Millennium IT (MIT) a decade ago, is a valued foreign direct investor in Sri Lanka and has had discussions with the CSE, to dual list the Foreign Currency Denominated Sovereign Bonds issued by the Government of Sri Lanka in London and Colombo” said Wijesinha.

### **Thoroughness, timeliness and perseverance pays**

Against this background, the SEC mobilized itself together with the CSE to have a series of meetings at the SEC and CBSL, to explore this potential opportunity to list on the LSE. “I must place on record my thanks to the leadership team of the CSE- Chief Executive Officer Rajeeva Bandaranaike, Chief Regulatory Officer Renuke Wijayawardhena, the Head of Market Development Niroshan Wijesundere, together with CSE’s Chairman, Ray Abeywardena, SEC’s Director General, Vajira Wijegunawardena, Director External Relations Tushara Jayaratne and Co-ordinator Special Initiatives, Rasika Walpitagama who joined me in a series of meetings and conference calls, sometimes called at short notice in the early hours of the day to give this potentially game changing initiative, the time it deserved”.

### **Leveraging an alliance to reposition Sri Lanka**

Commenting on the success of the initiative, CSE Chairman Ray Abeywardena stated that “The CSE has taken initial steps to sign a Memorandum of Understanding (MOU) between the two exchanges which may provide for future issuances of this nature to be traded in London and Sri Lanka. This is another market segment that is starting to take shape. We believe that this initiative will enable Sri Lanka to be positioned competitively in the Asian region as a potential financial hub due to the possible alliance with LSE”.

### **Multi Currency Board**

Chairman SEC Ranel Wijesinha added that “What is of immediate relevance to listing foreign currency denominated Government Debt is the recently SEC approved Multi Currency Board launched by the CSE, via which we are actively pursuing potential listings, the first of which is likely to be from the Maldives.” Referring to many other initiatives Wijesinha went on to elaborate on two key initiatives.

### **Empower Board**

“We launched the Empower Board for SME listings – a first for Sri Lanka and several “Sponsors” registered with the CSE, have potential listings in the pipeline. We did so, recognising the need to empower entrepreneurship, in an emerging economy such as ours which necessarily requires to give special recognition to Small and Medium Enterprise (SME’s) who particularly in their early stages need to access equity funds given the high cost of bank borrowings. The SEC urged the CSE to expedite the launch of the “Empower Board” a platform for SME’s, to raise capital through the CSE. We worked together on the design and execution of the “Empower Board”, rules and guidelines, the role of Sponsors etc. and

launched the Empower Board by July 5<sup>th</sup> 2018, within the first month of the new Commission being constituted in June 2018”.

### **The AON Board awaits listings**

Wijesinha went on to make special emphasis on the long time approved and launched “AON –All or Nothing Board.” We expected the Government to list/part list SOE’s – selected SOE’s, which are robust, profitable, and attractive but hampered by yet unrealised growth potential due to capital adequacy needs. Such listings or part listings will have been a clearly win-win for all stakeholders. In addition to helping the GOSL to restructure and reposition its National Balance Sheet, it will have enabled employee ownership and proprietary stakes, (for which there is decades long precedent), broad basing of ownership so necessary in an “Emerging Economy,” but yet defined as a “Frontier Market” and thus outside the radar of certain funds from potent source markets for Foreign Portfolio Investments (FPI), such as China.”

### **A parallel tangible focus on regulation and capital market development**

Wijesinha remarks, “As you can see we have been working. During the last several months in 2018 and early 2019, we restructured, re-resourced, and repositioned key Divisions of the SEC and enhanced their scope, coverage and effectiveness through improved approaches, processes, methodologies and timelines such that the regulatory infrastructure-people and strategies were made potent and proactive. In parallel, we focused on capital market development initiatives at a national, regional and global level. We conducted a series of investor awareness and education sessions in the North, East, South and West of the country and seminars and workshops in schools and quizzes on television.

### **Our Development Partners the ADB, and the World Bank**

“We have re-engaged the ADB and the World Bank to enable us to derive far greater benefit from on-going Capital Market Development and Financial Sector Modernisation projects. In fact I must say as Chairman I believe I inherited these programmes but subsequent to intense negotiations and I must thank the relevant Country Directors, Project and Team Leaders, we have been able to leverage existing assistance to be far more focused and value adding to us at the SEC and the Capital Market in general. For example in the following areas: Surveillance and Supervision; Compliance with Accounting & Auditing Standards, Reporting and Disclosure; Investigations; Legal & Enforcement; Litigation, we have asked for “IOSCO” exposed experts in each area, who will work with our people to help in capacity building which I am determined to achieve. As a former international consultant myself, we at the SEC, will only accept experts who we believe add tangible, practical, value to us” Wijesinha concluded.

### **Issued by**

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