

SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA
RULES, PUBLISHED IN GAZETTE EXTRAORDINARY NO. 1215/2 OF DECEMBER 18,
2001

Rules

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| Title | 1. These rules may be cited as the Securities and Exchange Commission of Sri Lanka Rules, 2001. |
| Lodging of Security by a Stockbroker or Stock dealer. | 2. Where the Commission so requests, a licensed Stock Exchange shall be required to forward to such Commission, documents in proof of the fact that security of a bank guarantee or a cash deposit as the case may be, has been lodged with such stock exchange by every licensed stockbroker or licensed stock dealer who is a member of such licensed stock exchange. |
| Listing Requirements. | 3. (1) Every Company listed on any Stock Exchange and every company which makes an application for listing, whether or not such listing has taken place or such application for listing has been made prior to the coming into force of the listing requirements of that Stock Exchange, such company shall be required to comply with those listing requirements, and shall thereafter be bound by those listing requirements, including any amendments, additions and variations that may be made to them from time to time.

(2) Notwithstanding anything to the contrary contained in the Rules of any licensed Stock Exchange, such stock exchange may admit to its official list, any Company which is not registered in Sri Lanka, subject to the condition that such Company is registered in the country of registration an undertaking is given to the Stock Exchange by that Company agreeing to comply with its listing requirements on a continuous basis. |
| Delisting of Companies by a Licensed stock exchange or on the directives of the Commission. | 4. (1) A listed company shall be required to enter into an agreement with the licensed stock exchange in which it is listed, that the securities of such company shall-

(a) remain on the official list solely at the discretion of such stock exchange; and

(b) not be withdrawn from the official list, without the prior written approval of such stock exchange.

(2) A licensed stock exchange shall have the right to remove any securities of a listed company from its official list at any time, for any reason which such licensed stock exchange considers as appropriate. Any person aggrieved by the decision of a licensed stock exchange to remove any securities from its official list, may appeal to the Commission against such decision within a period of fourteen days from the date on which the decision to remove the securities was communicated to such person. |
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(3) On consideration of an appeal made to the Commission under paragraph (2), the Commission may where it is satisfied that in the interest of the public or for the protection of investors it is necessary to do so, direct the licensed stock exchange to restore the listing of the appellant company or where the Commission is not so satisfied, dismiss the appeal. The licensed stock exchange shall restore the listing of the company immediately upon receipt of the instructions from the Commission.

(4) The Commission shall have the right on its own to direct a licensed stock exchange to remove the securities of a listed company from its official list, where the Commission considers it necessary to delist such securities in the interest of the public or for the protection of investors. Any licensed stock exchange which is directed by the Commission to remove any securities from its official list shall immediately carry out such directive. The decision of the Commission to direct a licensed stock exchange to remove the securities of a listed company from the official list shall be final.

Delisting of
Securities by a listed
company.

5.(1) Where any listed company wish to delist its securities from the official list of the licensed stock exchange in which such company is listed, it shall, having informed in writing of its decision to the security holders and the licensed stock exchange, forward an application to the Commission within two weeks of passing of the resolution referred to in paragraph (2)(a) of this Rule in the case of delisting its equity from the official list and in the case of any other security other than equity, within two weeks from the date the Board of such company resolved to delist its securities from the official list.

(2) An application made to the Commission under paragraph (1) shall be accompanied by-

(a) in the case of delisting of equity from the official list, a copy of a resolution passed by not less than seventy five per centum of the shareholders present at such meeting approving the delisting and the price at which the directors of the company has arranged to buy the securities of any shareholder who wishes to sell their securities;

(b) a list containing the names of all security holders as at the date of making the application, together with their addresses and security holdings, certified by the Secretary of the Company;

(c) copies of the audited or certified accounts and balance sheet of such company for the three years preceding the making of such application;

(d) in the case of delisting of equity from the official list, copies of press notices published in all three languages informing the general public of the resolution to delist as referred to in sub paragraph (a), and in the case of delisting any other security other than equity, copies of press notices published in all three languages informing the general public that the Board of the Company has resolved to delist.

(3) Any person aggrieved by the resolution of a board of a company to delist its securities or in the case of delisting of equity, by the resolution of the

shareholders of a company to delist its securities may appeal against such resolution to the commission, within fourteen days of the passing of the resolution concerned.

(4) Upon the receipt of the written information pertaining to the delisting of securities from the stock exchange, the stock exchange shall immediately take steps to suspend the trading of the securities of the applicant company, until the Commission makes its decision on the application made to it.

(5)(a) On receipt of an application made under paragraph (1), the Commission shall immediately call for any recommendations or observations as the case may be, on such application, from the licensed stock exchange in which the applicant company is listed, and a list containing the number of transactions and the volume and prices of securities transacted during the twelve months preceding the making of application.

(b) It shall be the duty of a licensed stock exchange to submit the information requested for under paragraph (a), within ten days of being so requested by the Commission.

(6) The Commission, having considered the application together with any recommendations or observations as the case may be, made by the licensed stock exchange, and where it considers it necessary, having given the applicant an opportunity of being heard shall, within twenty one days of the receipt of such application, inform the applicant of its decision.

(7) In the case of delisting equity from the official list, the licensed stock exchange shall, after having satisfied the successful completion of the sale of securities of the shareholders who wish to sell their securities, inform the Commission and obtain its approval before the removal of such company from its official list.

Sale of listed Securities

6.(1) All transactions relating to listed securities shall take place in compliance with the trading rules of the licensed stock exchange which have been approved by the Commission, or in accordance with any rules or procedures as may be formulated from time to time by such stock exchange and approved by the Commission.

(2) No person shall buy or sell securities listed in the official list of a licensed stock exchange, except through a licensed stockbroker or licensed stock dealer who is a member of that stock exchange.

(3) Fully paid shares shall be freely transferable and shall be free from all lien, except where the listed company has to comply with any statutory or governmental requirement or policy, in which event the licensed stock exchange in which such company is listed, may, with the approval of the Commission, require due compliance with such requirement or policy. Such restriction shall be clearly indicated in the official list of the licensed stock exchange.

(4) Partly paid shares shall be permissible, provided that specific dates for the

balance calls are fixed prior to such issue and within a period of six months.

Books of Accounts, Records and other documents to be maintained by a licensed stock exchange, stock broker and stock dealer.

- 7.(1) Every licensed stock exchange shall maintain and preserve the following books of accounts and documents, for a period of five years –
- (a) Minute Books of the meetings of its members, its governing body and any standing committee or committees of the governing body or of its members;
 - (b) a register of members containing their full names and addresses and where such member is a company, the full names and addresses of all the directors, and where any member is a partnership, the full names and addresses of all the partners;
 - (c) register of accredited representatives and authorized assistants;
 - (d) record of security deposits and bank guarantees;
 - (e) ledgers;
 - (f) journals;
 - (g) cash books;
 - (h) bank statements and bank reconciliation accounts; and
 - (i) list of names and addresses of Secretaries and Registrars of member companies;

- (2) Every licensed stockbroker or stock dealer shall maintain and preserve the following books of accounts and documents, for a period of five years-

- (a) register of transactions, contract wise;
- (b) register of transactions, company wise;
- (c) register of transactions, Client-wise;
- (d) client's ledger;
- (e) general ledger;
- (f) cash books;
- (g) bank statements and bank reconciliation accounts;
- (h) members' contract books showing details of all contracts entered into with other members of the same licensed stock exchange, or counter foils or duplicates of memos of confirmation issued to such other members;
- (i) duplicates of contract notes issued to clients; and
- (j) written consent of clients in respect of contracts entered into with members, where available.

Inquiries.

8. The Director General or any other person authorised by the Commission, may, conduct such inquiry or inquiries, including the examination of books of accounts, receipts, vouchers, documents and any other records in relation to the affairs of any licensed stock exchange, or the affairs of any member of such stock exchange, management companies of licensed unit trusts and any listed company, in relation to the securities market, as the Director General or the Commission as the case may be deem necessary for the purpose of enabling the Commission to exercise, perform and discharge of its powers, duties or functions under the Act.

Periodical returns and audit of accounts.

- 9.(1) Every licensed stock exchange shall furnish to the Commission, quarterly returns relating to -

- (a) purchases and sales during the preceding quarter;

- (b) names of companies which have been transferred to the default board during the previous quarter; and
- (c) the number of securities listed and de-listed during the previous quarter.

- (2) Where the Commission so directs, every member of a licensed stock exchange shall in addition to any other requirements that may be imposed by the licensed stock exchange, have its accounts audited by a firm of Chartered Accountants who are registered as Auditors.
- (3) The Commission may where it deems necessary, appoint an independent auditor to conduct an audit at any time without prior notice to a member of a licensed stock exchange, and fix the remuneration to be paid by such member to such auditor.

Disciplinary Action.

- 10.(1) Upon the receipt of a report on any inquiry conducted under Section 46 of the Act, into a complaint by the shareholders of a public company listed in a licensed stock exchange or by persons who have contracted to buy or sell securities, the Commission may direct the Governing Body of such stock exchange to take disciplinary action against the offending member. Such disciplinary action may include the imposition of a fine or the expulsion or suspension of the offending member, to be carried out in accordance with the rules of that stock exchange.
- (2) The governing body of the licensed stock exchange shall give effect to any directions that may be given by the commission under paragraph (1), and shall not in any way vary, revoke or modify the action taken in pursuance of such direction without the prior written approval of the Commission.
- (3) Commission may, either on its own motion or on any representation made in that behalf by the members concerned, modify or withdraw any direction issued to a licensed stock exchange under paragraph (1), or in the alternative, take appropriate disciplinary action directly against such offending licensed stock broker or licensed stock dealer as the case may be.

Recording and giving publicity to transactions.

- 11. Every licensed stock exchange shall issue through the public media at the end of each day, details of shares transacted during that day, including the price and number of shares in each company.

Acts committed to create a false/misleading appearance of an active share market.

- 12. No person shall create, cause to be created or do anything that is calculated to create a false or misleading appearance or impression of active trading, or a false or misleading appearance or impression with respect to the market for or the price of any securities listed in a licensed stock exchange.

Acts committed to create a false market in securities listed in the licensed stock exchange.

- 13. No person shall by means of purchase or sale of any securities that do not involve a change in the beneficial ownership of those securities, or by any fictitious transactions or by any other means, create a false market in any securities listed in a licensed stock exchange.

- Front running. 14. No person shall directly or indirectly trade in securities of a company ahead of a significant purchase or sale of securities of that company, for his client, with the intent to profit by trading in such securities thereafter.
- Listed companies to clarify rumours. 15. Where a listed company becomes or is aware of a rumour or report whether true or false, that contains information that is likely to have, or has had an effect on the trading in such company's securities or would be likely to have a bearing on investment decisions, such listed company shall be required to clarify the rumour or report as promptly as possible from the licensed stock exchange in which such company is listed.
- Immediate announcements to be made to the licensed stock exchange. 16. It shall be the duty of a listed Company with immediate effect to supply the licensed stock exchange in which it is listed, any information concerning such listed Company necessary to avoid the establishment of a false market in the Company's securities, or which would be likely to materially affect the price of its securities.
- Directors of listed companies to ensure compliance of the listing requirements. 17. The Board of Directors of every listed company shall ensure that all the listing requirements of the licensed stock exchange in which it is listed are met on a continuing basis, so long as the company remains on the official list of such stock exchange.
- Listing agreement. 18. (1) Every Company which obtains a listing from any licensed stock exchange shall enter into an agreement with such stock exchange under the common seal of the Company, agreeing to comply, so long as such company remains on the official list of such stock exchange, with all the listing requirements and policies of such stock exchange and that it shall not, without the prior written approval of such stock exchange withdraw its listings.
- (2) An agreement entered into under paragraph (1) shall be in such form as specified in the schedule to these rules.
- Definitions 19. In these Rules, unless the context otherwise requires:-
- "Act" means the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987 as amended;
- "Commission" means the Securities and Exchange Commission of Sri Lanka established under the Section 2 of the Act;
- "Listed Company" means any entity which has its securities listed or quoted on a licensed Stock Exchange; and
- "member" means any member of a stock exchange licensed under the Act.
- Rules to be rescinded. 20. Securities Council Rules 1990 published in Gazette Extraordinary No. 625/3 of August 27, 1990 as amended by Rules published in Gazette No. 709 of April 3, 1992, and by Rules published in Gazette No. 873 of May 26, 1995,

are hereby rescind.

SCHEDULE

Form of Agreement

Agreement entered into by the company in support of its application for admission to the official list of the Stock Exchange

To:
The Stock Exchange Ltd.

We..... ("the Company") of in consideration of the Stock Exchange Limited ("the Exchange") granting the Company's application for admission to the official list of the Exchange ("the official list") and for official listing of the securities described in the Company's form of Application. Hereby Acknowledge that the Company shall remain on the official list, and official listing of any of the Company's securities shall be continued only during the pleasure of the Exchange and Hereby undertake and Agree to comply with the listing requirements of the Exchange and be bound by the Rules of the Exchange which shall be in force from time to time in so far as the same shall apply to the Company.

We further undertake that securities of the Company shall not be withdrawn from the official list without prior approval of the Exchange.

Given under the Common Seal of the Company this day of in the presence of

.....
(Name) Director

.....
(Name) Director/Secretary

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.....2000.