

Media Release

29th June 2017

SEC Policy on Enforcement of Revised Rules on Minimum Public Holding to Take Effect from 1st July 2017

The Securities and Exchange Commission of Sri Lanka (SEC) has instructed the Colombo Stock Exchange (CSE) to commence enforcement in respect of its November-2016 Revision of Rules on Minimum Public Holding Applicable to All Listed Public Companies. The enforcement measures were developed by the CSE under the direction of the SEC and are due to take effect from 1st July 2017.

The present rules on minimum public holding were introduced by way of SEC Directive in November 2016, and marked a significant enhancement in opportunities for compliance previously available to listed companies. The rules, envisaged as threshold requirements to be adopted on both an initial and continuing basis, took effect in January 2017, with a grace period of six months ending 30th June 2017 being extended to companies failing to comply with the requirement as of 31st December 2016.

In keeping with the decision to introduce enforcement measures in respect of companies failing to comply with the revised rules on minimum public holding prior to 30th June 2017, the SEC approved policies including the transfer of non-compliant companies to a Watch List (Default Board).

Accordingly, companies found non-compliant with the minimum public holding requirement as of 1st July 2017 would be transferred to the Watch List on 1st July 2018 unless due compliance is achieved prior to that date, while others which become non-compliant following 1st July 2017 would be transferred to the Watch List within six months of such non-compliance or on 1st July 2018, whichever date is later. Companies which become non-compliant on any date following 1st July 2018 would be transferred to the Watch List within six months from the date of non-compliance unless due compliance is achieved in the interim.

Other actions contemplated by the SEC enforcement policy include the making of timely market disclosures on public holding positions of non-compliant companies and disclosures on remedial action proposed by such companies.

This enforcement policy has been introduced following the grant of a period of over three years since the initial introduction of minimum public holding as a continuous listing requirement in 2013 and a further grace period of six months. This extension of time is characteristic of the accommodative and perceptive regulatory approach adopted by the SEC, and takes cognisance of the need for a reasonable

timeframe within which non-compliant companies may take remedial action with respect to public holding requirements.

Issued by

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