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இலங்கைப் பிணையங்கள் மற்றும் பரிவர்த்தனை ஆணைக்குழு
SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA



By Hand

11th October 2013

Ref: SEC/LEG/13/10/16

To: The Colombo Stock Exchange

Directive issued under Section 13 (c) of the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended)

The Securities and Exchange Commission of Sri Lanka (SEC) after much deliberation and public consultation has decided to re-instate Introduction as a method of listing of equity.

Therefore the Colombo Stock Exchange is hereby directed to provide for the reinstatement of Introduction as a method of listing in the Listing Rules of the Colombo Stock Exchange in the following manner;

Eligibility criteria

- (1) To amend the Listing Rules of the Colombo Stock Exchange on the eligibility criteria for entities seeking a listing on the Diri Savi Board by way of introduction to reflect that not more than 50% of the shares in the hands of the public shareholders at the time of listing should be held by the three (3) largest public shareholders;

Lock-in Rules for Introduction

- (2) To introduce the lock-in periods for shares held prior to a listing in the following manner;
 - (i) All shares held by Non-Public Shareholders prior to 12 months from the date of an Initial Listing Application shall be locked-in for a period of 6 months from the date of listing of the Entity.
 - (ii) All shares held by Public Shareholders prior to 12 months from the date of an Initial Listing Application shall not be locked-in.
 - (iii) All shares acquired by way of a transfer from another shareholder (irrespective of being Non-Public Shareholders or Public Shareholders) during the period of 12 months immediately preceding the date of an Initial Listing Application shall be locked in for a minimum of 6 months from the date of listing or 12 months from the date of acquisition of those shares whichever is longer.

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- (iv) All shares acquired by way of an allotment during the period of 12 months immediately preceding the date of an Initial Listing Application shall be dealt with by the discretion vested in the Commission under Section 28A of the Securities and Exchange Commission of Sri Lanka Act No.36 of 1987 where the Commission grants a waiver to an entity in terms of the said provision.
- (v) At the time of listing, where the minimum Public Holding requirement is not satisfied due to shares being locked in as a result of (iii) and (iv) above, the CSE may with the concurrence of the SEC, reject the listing application of such Entity where the CSE is of the view that adequate shares are not available for trading at the time of listing.

Additional contents for Introductory Document

- (3) To amend the Listing Rules of the Colombo Stock Exchange to introduce additional disclosure requirements for contents of an Introductory Document over and above the requirements already specified in the Listing Rules;

Disclosures relating to Reference Price

- (i) An Entity shall in determining Reference Price, shall be duly supported by a fairness opinion prepared by a Competent, Independent third party.
- (ii) The Reference Price and the basis for determining such Reference Price shall be disclosed in the Introductory Document accompanied by a copy of the fairness opinion as an annexure to the Introductory Document.

Details pertaining to Non- Public shareholders

- (iii) The names of the Non-Public shareholders and their relationship with the applicant Entity shall be prominently disclosed in a separate section in the Introductory Document.
- (iv) An Entity at the time of making an application for a listing shall be required to make adequate disclosures pertaining to locked-in / not locked-in shares in the Introductory Document in the format Annexed hereto as Appendix 01 in addition to the conditions already specified by the Listing Rules of the Colombo Stock Exchange and prescribed by the Companies Act No: 07 of 2007

Disclosures relating to financial information in addition to the disclosures required under the Listing Rules pertaining to the Introductory Document

The Colombo Stock Exchange shall have the discretion to request *inter alia*, the following financial information;

- (vi) Dividend policy of the Entity including the classes of securities and rights attached to the respective classes of securities regarding dividends, rates of the dividends, if any, paid by the Entity in respect of each class of shares for three (03) financial years immediately preceding the issue;



- (vii) For companies with limited operating history the CSE may at its discretion require such company to provide the following;
 - a. A statement reflecting the forecasted profit and loss account, balance sheet and cash flow statement for a three (3) year period together with the assumptions and risk factors on which such statements are based on;
 - b. A sector study including the details of how the Entity intends positioning itself in the market stating assumptions and risk factors.
- (viii) Any other complete and accurate information that would have a material impact on making investment decisions;
- (ix) Particulars of loan capital outstanding as at the date of the listing application or an appropriate negative statement;
- (x) Particulars of term loans , other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptance (other than normal trading bills) or acceptance credit or a negative statement;
- (xi) Leasing, lease purchase and hire purchase commitments or an appropriate negative statement;
- (xii) Guarantees and other material contingent liabilities or appropriate negative statement;
- (xiii) A statement of mortgages and charges on the assets of the Entity, as at the date of application or an appropriate negative statement.

Additional Requirements

- (4) The Introductory Document and the Articles of Association of the Entity shall be hosted on the Entity's website and/or the web site of the CSE for a period of not less than seven (07) market days prior to the date of listing on the CSE and not less than fourteen (14) days from the date of listing.
- (5) Interpretation
 - 1. **Non-Public Shareholders** shall mean for the purposes of lock-in only the following parties who hold, directly or indirectly, shares of the applicant entity;
 - a) its parent, subsidiary or associate companies or any subsidiaries or associates of its parent company;
 - b) its directors who are holding office as directors of the entity and their close family members;
 - c) Chief Executive Officer, his/her close family members;
 - d) Key Management Personnel and their Close Family Members;
 - e) any party acting in concert with the parties set out in (a), (b), (c) and (d) above; or
 - f) any individual or Company holding jointly or severally 5% or more of the shares of the applicant entity



2. **Public Shareholders** for the purpose of lock-in only shall mean any party who hold shares of the applicant entity other than the parties identified as Non-Public Shareholders abovementioned.
3. The **date of listing** shall be the first date on which shares of an entity is allowed to be traded on the Colombo Stock Exchange.
4. The **Reference Price** shall mean the initial listing price of shares to be listed by way of an Introduction determined by such Entity.

This directive shall be effective from the date hereof and the directive SEC/LEG/12/03/07 dated 2nd March 2012 is hereby rescinded in *toto*.

Dhammika Perera

Deputy Director General / Officer-in-Charge

aa/sw

Appendix 1

Category of shareholders (Pre-Listing)	Locked-in Shares	The months after which shares will be available for trading	No. of shares	Total no. of shares as a percentage of issued capital
Non Public	Locked-in	6 th month		
Non Public	Locked-in	7 th month		
Non Public	Locked-in	8 th month		
Non Public	Locked-in	9 th month		
Non Public	Locked-in	10 th month		
Non Public	Locked-in	11 th month		
Non Public	Locked-in	12 th month		
Public	Locked-in	6 th month		
Public	Locked-in	7 th month		
Public	Locked-in	8 th month		
Public	Locked-in	9 th month		
Public	Locked-in	10 th month		
Public	Locked-in	11 th month		
Public	Locked-in	12 th month		
Public	Not Locked-in	Not applicable		
Total				
<i>The Company hereby confirms that the information furnished herewith shall remain unchanged till the date of listing.</i>				