



BY HAND

14 August 2020

Ref: SEC/ER&CME/2020/08/16

TO: TO ALL LICENSED UNIT TRUSTS MANAGING COMPANIES

**DIRECTIVE ISSUED UNDER SECTION 13(C) OF THE SECURITIES AND EXCHANGE
COMMISSION OF SRI LANKA ACT NO 36 OF 1987 (AS AMENDED)**

RE: QUALIFICATION FRAMEWORK FOR UNIT TRUST INDUSTRY

The Commission at its 401st and 412th meetings approved the revised Capital Market Qualification Framework (which was initially introduced in 2008) which necessitates a Certification for the Unit Trust industry. Hence, all licensed unit trusts managing companies are hereby directed to follow the revised Qualification Framework (QF), which enhances the professional standards of the unit trust industry.

The Certificate in Unit Trusts is a sub level of the Certificate in Capital Markets (CCM), which is the first level of certification in the qualification framework. The CCM consists of seven (7) Series:

- Series 1 – Securities Markets and Instruments
- Series 2 – Equity Securities
- Series 3 – Debt Securities
- Series 4 – Derivatives
- Series 5 – Unit Trusts
- Series 6 – Financial Planning, Advising and Marketing
- Series 7 – Securities Regulation and Ethics

Certificate in Unit Trusts and Certified Unit Trusts Advisor

Employees of unit trusts managing companies dealing with clients or who engage in marketing unit trust products to the public for and on behalf of the company shall be required to obtain this qualification mandatorily prior to advising clients. This Certification shall consist of the following four (4) Series:

Series 1 – Securities Markets and Instruments

Series 5 – Unit Trusts

Series 6 – Financial Planning, Advising and Marketing

Series 7 – Securities Regulation & Ethics

On completion of this certification and with six months of relevant industry experience, candidates shall face a *VIVA VOCE* examination conducted by a panel of industry experts in order to obtain the designation, “Certified Unit Trusts Advisor (CUTA)”.

Continuous Professional Development (CPD) for Certified Unit Trusts Advisor (CUTA)

All Certified Unit Trusts Advisors are thereafter shall be required to fulfill the CPD requirements by obtaining a minimum of four CPD seminar credits annually (one-hour equals one seminar credit) and complete a CPD module every two years.

Candidates seeking to complete the CPD module will be tested against updated knowledge and skill thresholds as well as on market and regulatory developments in the financial sector and the Unit Trust industry. The CPD module will be updated annually and testing will be computer based.

Registered Investment Advisor (RIA)

Upon completion of all seven (7) Series mentioned above, a CUTA shall in addition obtain CCM. CCM holders thereafter, shall obtain the RIA designation by completing one year of relevant industry experience and successfully passing a *VIVA VOCE* examination. The RIA designation holder is eligible to advise all asset classes i.e. Equity, Debt, Derivatives and Unit Trusts.

The CPD requirement for RIA designation holders is stated in the SEC Directive Ref: SEC/CMET/2018/12/103

Therefore, all licensed unit trusts managing companies are hereby directed:

- **To ensure that all individuals dealing with clients or who engage in marketing unit trust products to the public for and on behalf of the company follow the revised QF as stated above with effect from 01st September 2020.**
- **Employees of unit trusts managing companies who have previously completed the *Certificate Programme in Unit Trusts* conducted by the SEC are required to mandatorily**

complete series 1, 6 and 7 by way of CPD's in order to obtain the Certificate in Unit Trusts.

- Employees of unit trusts managing companies dealing with clients or who engage in marketing unit trust products to the public for and on behalf of the company and who have not completed the *Certificate Programme in Unit Trusts* shall be required to complete series 1,5,6 and 7 in order to obtain the Certificate in Unit Trusts.
- Holders of Certificate in Unit Trusts with 6 months of relevant industry experience shall be required to sit for a VIVA VOCE examination in order to become a Certified Unit Trusts Advisor (CUTA).
- All Certified Unit Trusts Advisors shall thereafter be required to comply with the annual CPD requirements stipulated by the SEC.

This Directive shall be effective from 01st September 2020.

This Qualification is mandatory to all employees of the unit trusts managing companies dealing with clients or who engage in marketing unit trust products to the public for and on behalf of the managing company from 01st January 2022.



Chinthaka Mendis
DIRECTOR GENERAL

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