**MEMORANDUM OF UNDERSTANDING BETWEEN THE
SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA
AND THE SRI LANKA ACCOUNTING & AUDITING STANDARDS MONITORING BOARD**

WHEREAS the Securities and Exchange Commission (SEC) established by the Securities and Exchange Commission Act. NO. 36 of 1987 as amended by Act No. 26 of 1991, and the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB), established by Act No. 15 of 1995 have been vested with certain powers and responsibilities in relation to the annual reports of entities;

AND WHEREAS it is important for the above mentioned two statutory bodies to co-ordinate their regulatory functions to the extent feasible with a view to preventing any overlap or duplication in activities;

**IT IS HEREBY AGREED**

1.that the SEC will scrutinize annual reports and financial statements of listed companies in respect of compliance with the Companies Act and Colombo Stock Exchange rules, and statements of Corporate Governance;

2. that the SLAASMB will scrutinize annual reports and financial statements of companies in relation to their compliance with Sri Lanka Accounting Standards (SLAS) and Sri Lanka Auditing Standards (SLAuS);

3. that the SEC, if it is considered relevant, will keep the SLAASMB informed of any non-compliance by listed companies with Sri Lanka Accounting Standards (SLAS) and Sri Lanka Auditing Standards (SLAuS) that the SEC will become aware of;

4. that the SEC will share with SLAASMB its final decisions or rulings following its examination of annual reports and financial statements which are considered necessary for the SLAASMB to be aware of;

5. that the SEC will share copies of its communications with listed companies concerning matters pertaining to SLAS;

6. that SLAASMB will keep the SEC promptly informed of any investigations it initiates on entities regulated by the SEC which SLAASMB considers relevant for the SEC to be aware of;

7. that the final findings by SLAASMB on matters mentioned in paragraph (5) above which the Board considers relevant for the SEC to know will be conveyed to SEC promptly;

8. that the SLAASMB will keep the SEC informed of any directions issued to entities regulated by the SEC or agreements reached with such entities to amend, update or disclose any item in their annual financial statements, interim reports or any other publications;

9. that the SEC will share with the SLAASMB complaints relating to non-compliance with SLAS and SLAuS and that the two Secretariats will decide in consultation with each other which institution or institutions should assume responsibility for addressing the issues pertaining to such complaint; and

10. that the SEC and the SLAASMB will engage in joint public awareness activities pertaining to transparency and Good Corporate Governance practices.

Signed on this ............................ day of ....................... 2001

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| On behalf of: THE SECURITIES AND EXCHANGE AND COMMISSION OF SRI LANKA | On behalf of: THE SRI LANKA ACCOUNTING AUDITING STANDARDS MONITORING BOARD  |
| ...............................................Deshamanya Ken Balendra CHAIRMAN  | .................................W. A. Wijewardena CHAIRMAN  |