**How to buy/sell shares in the**

**Primary Market and the Secondary Market?**

**The Step by Step Process**

**In the Primary market from a new share issue (Initial Public Offering)**

* An investor who wishes to buy shares should open a Securities Account in the Central Depository System (CDS) through a stockbroker or a custodian bank.
* There are 29 licensed stock broking firms (including one Debt Trading Member of the CSE).
* The duly completed Client Account Opening Forms together with the relevant supporting documents (copy of the national identity card and a billing proof) must be handed over to the stockbroker or a custodian bank. Read and understand the contents of the forms prior to submission.
* The CDS system will generate a Client Account Number and this would be handed over to the stockbroker or a custodian bank confirming the CDS account opening.
* Through newspapers, websites, radio channels and television a company gives publicity to prospective investors when it wishes to be listed or is going to issue shares through an Initial Public Offering (IPO).
* In a share issue, the company publishes a booklet called "Prospectus” with information about the company, financial status, future plans and the offer.
* A Prospectus can be obtained free of cost from a stockbroker/ Managers to the issued Colombo Stock Exchange (CSE), its branches and web site/ Bankers to the issue/ company offering the shares or any other place that the company indicates.
* Companies issue prospectus and application forms before the issue opening day.
* Investors over 18 years of age can apply for lPOs.
* The Prospectus must be read carefully, and the application form to purchase the shares must be completed accurately & clearly. If necessary, consult an expert for advice. Remember to indicate your CDS account number National Identity Card number and place your signature on the application form.
* Send this form directly to the company concerned/ a stockbroker/custodian bank/Managers to the issue with payment for the amount due through a cheque or bank draft. For example, if you are aping for 100 shares and the issue price of a share is Rs 20.00 you have to write a cheque/draft amounting to Rs 2,000.
* Prospectus indicates the share issue opening day and the closing day. Make sure to send the applications form along with the cheque/bank draft before the issue closing day. If an issue has more buyers than shares offered the share issue will be closed on the opening day itself.
* Immediately after the share issue closes, the company will evaluate the demand for the issue and if investors have asked for more shares than the company initially planned to issue (i.e. in the event of oversubscription), the company will announce the way that they are going to distribute their shares.
* The allotted shares would be credited to the applicant’s CDS account electronically. Companies will not issue share certificates from the 30'" June 2012.
* Where an application is accepted only in part, the refund payment will be made as specified by the applicant due to oversubscription of the primary issue. For example, if you have applied for 1,000 shares at Rs. 20.00 per share (total value is Rs. 20,000) and due to oversubscription you might only get 600 shares. The company is required to reimburse the money for the balance 400 shares (Rs. 8,000) within 10 Market days (working days) of the closing date, excluding date of closure of allocation list.
* Thereafter the CSE will announce the first trading day of the shares. Trading of shares will commence Market days (working days) after the closing of the IPO.
* If the shareholder wishes to sell his shares, he can contact the stock broker and give instructions to sell these shares once the shares are listed.
* Most often first time investors come to the stock market by applying for shares at an IPO. New comers should pay attention to the following areas of the company going to be listed.
* Business environment
* Management of the company
* Future earnings and valuation
* Competition
* Tax incentives
* Research and valuation reports issued by stock brokers or independent organizations

The above information about the company can be from an investment advisor.

**Buying and selling shares on the Secondary Market**

* This is a market in which an investor could either buy from or sell to another investor, subsequent to the original issuance in the primary market.

You must first find yourself a stock broker /custodian open a CDS account through them.

**How do you place an order with a Stockbroker?**

* If you have the shares by way of certificates you should deposit those in your CDS account on or before 30th June 2012.
* Any investor can maintain one or more CDS accounts through 28 stock broker companies.
* The stock broker company will allocate you an investment advisor to advice you to buy/sell shares.
* Make sure that you deal with only “Certified Investment Advisors”. All investment advisors should obtain this qualification in order to advice investors.
* You can contact your broker through the following ways to trade in the secondary market.
* Phone
* Fax
* Email
* Personal visit or
* The Internet
* You need to provide your stock broker (investment advisor) with the name of the company, price and amount of shares you want to buy/sell. Investment Advisor will advise you as to what to buy/sell.
* The investment advisor will place your order but the ultimate decision to buy/sell should be taken by the investor.
* Once the order is processed, he will inform you of the shares you were able to purchase at the price you required.
* Once the order is executed, you will receive a Bought/Sold note from the broker. This document confirms the transactions that have taken place with your approval.
* Bought/Sold notes are dispatched by the broker to the clients, before commencement of the next trading session.
* The buyer must make payment for shares bought by the 3rd trading day after the purchase (T+3). A first time investor might have to make an advanced payment prior to the purchase of shares. The seller will receive payment for shares sold by the 3rd trading day after the sale (T+3).
* Any investor can change their broker through the CDS without making a payment.
* After buying the shares, an investor can hold the shares for a desired period of time. The selling price and the decision to sell are determined by the investor. You can obtain research reports from your stock brokers to assist you with this decision.
* CDS shall forward to the account holder a monthly statement if such account was active during a particular month (monthly statement). As active account shall be an account with at least one transaction (purchase/sale/deposit/withdrawal/transfer) during the periods referred to above.
* You should check share prices and observe market activity regularly. You can do it by calling the stockbroker, going through daily newspapers, by accessing the website of the Colombo Stock Exchange (CSE) [www.cse.lk](http://www.cse.lk) or by accessing your stockbroker’s website. You can even visit your stockbroker/stockbroker branch office in Matara, Kandy, Kurunegala, Negombo, Anuradhapura, Jaffna, Ratnapura and Ambalantota.
* The investment advisor shall not buy/sell shares without your instructions. If there is a query please contact the Compliance Officer of the stock broking company immediately.