

22<sup>nd</sup> April 2022

To the Chief Executive Officers of all Licensed Margin Providers

**RE: RELAXATION OF CERTAIN REGULATORY STANDARDS APPLICABLE TO MARGIN PROVIDERS**

Having considered the current situation prevailing in the market and in order to accommodate investors who are facing difficulties with regard to servicing of credit obtained from the Stock Brokers, the Securities and Exchange Commission of Sri Lanka (SEC) discussed with the Colombo Stock Exchange (CSE) and deliberated on certain recommendations made by the CSE on relaxing certain Stock Broker Rules in relation to credit that are extended to clients.

Accordingly, the SEC deliberated on temporarily relaxing the said Rules to permit all licensed Stock Brokers to allow the Market Value of the securities pledged by the client to fall up to a maximum of 40% from the current threshold of 25% at the discretion of the Stock Broker with the written consent of the client. The Stock Brokers may then inform their clients to meet the shortfall by the next market day. This relaxation will only be permitted by the SEC subject to certain conditions being fulfilled by the licensed Stock Brokers.

Similarly, the SEC also decided to extend its concurrence to all licensed Margin Providers who wish at their discretion to relax regulatory standards 5 (d) and (e) applicable to Margin Trading to the benefit of their clients in the following manner;

- 1) Standard 5 (d) of the Specific Standards applicable to Margin Providers provides that the Margin Provider shall ensure a minimum maintenance margin of 30% at all times.

At the discretion of the Margin Provider together with the written consent of the client, may permit the minimum maintenance margin to be at 20% instead of 30% before the Margin Provider informs the client to meet the shortfall within 03 Market Days.

- 2) Standard 5 (e) of the Specific Standard applicable to Margin Providers may also be relaxed in proportion to the relaxed maintenance margin.
- 3) The above mentioned relaxation of the Regulatory Standards are permitted subject to the Margin Provider obtaining the written consent of the client after having clearly explained the risks associated with such relaxation.
- 4) The relaxation of the above mentioned Regulatory Standards are permitted only to the existing clients of the Margin Provider who have entered into a written Margin Provider agreement as at date.

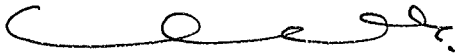
- 5) The above mentioned relaxations of the Regulatory Standards shall not be applicable to the new Margin Trading clients.
- 6) The above mentioned relaxations of the Regulatory Standards shall be effective only up to 31<sup>st</sup> May 2022.

The Margin Providers shall permit the relaxation of the regulatory standards mentioned above strictly in accordance with the conditions stipulated above and such relaxation will not be construed by the SEC as a violation of the Regulatory Standards applicable to Margin Providers.

Kindly note that the relaxation of the Regulatory Standards mentioned above is temporary and should not to be considered as an amendment to the existing Standards.

Please be informed that the SEC shall monitor and review the impact of the above measures from time to time and shall reserve its right to amend, vary or repeal these measures any time before or after 31<sup>st</sup> May 2022 if deemed appropriate.

Sincerely,



Chinthaka Mendis  
**DIRECTOR GENERAL**