

RULES APPLICABLE TO STOCK DEALERS

THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA ACT, NO. 19 OF 2021

RULES made by the Securities and Exchange Commission of Sri Lanka, in terms of Section 183 of the Securities and Exchange Commission of Sri Lanka Act, No. 19 of 2021.

VIRAJ DAYARATNE PC
Chairman
Securities and Exchange Commission of Sri Lanka.

Colombo,
15th March, 2022.

Rules

These Rules may be cited as the Rules applicable to Stock Dealers.

General interpretation	<p>1. The words and terms defined in the Securities and Exchange Commission of Sri Lanka Act, No. 19 of 2021 shall unless the context requires otherwise have the same meaning assigned to them in the said Act:</p> <p>“Commission” means the Securities and Exchange Commission of Sri Lanka established in terms of the SEC Act;</p> <p>“Dealing in its Own Account” means buying and selling of securities by a Stock Dealer to its Securities Account;</p> <p>“Exchange” shall have the same meaning as defined in Section 188 of the SEC Act;</p> <p>“Issuer” shall have the same meaning as defined in Section 188 of the SEC Act;</p> <p>“Key Management Person” means directors (executive or otherwise) and shall include alternate directors, a chief executive officer, a compliance officer and persons having authority and responsibility for planning, directing and controlling the activities of a company/entity either directly or indirectly;</p> <p>“Listed Public Company” shall have the same meaning as defined in Section 188 of the SEC Act.</p> <p>“SEC Act” means the Securities and Exchange Commission of Sri Lanka Act, No. 19 of 2021;</p> <p>“Securities” shall have the same meaning as defined in Section 188 of the SEC Act;</p> <p>“Securities Account” means an account opened in a Central Depository;</p> <p>“Stock Broker” shall have the same meaning as defined in Section 188 of the SEC Act;</p> <p>“Stock Dealer” shall have the same meaning as defined in Section 188 of the SEC Act;</p> <p>“Trading Participant” shall have the same meaning as defined in Section 188 of the SEC Act;</p>
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Applicability	<p>2. The Rules set out herein shall apply to Stock Dealers licensed under the SEC Act.</p> <p>3. Every Stock Dealer shall comply with:</p> <ul style="list-style-type: none">(a) the Rules set out herein and any amendments made thereto;(b) provisions of the SEC Act;(c) directives issued from time to time by the Commission;(d) Rules issued by the Commission relating to Fitness and Propriety of a Key Management Person of a Market Intermediary as stipulated in Schedule II of these Rules; and(e) the Trading Participant Rules of an Exchange approved by the Commission.
Requirement for a licence	<p>4. No entity shall engage in the function of a Stock Dealer without having first obtained a licence from the Commission.</p> <p>5. The period of validity of a licence granted to a Stock Dealer shall be twelve (12) months.</p>
Procedure to obtain a licence	<p>6. The grant of a licence to a Stock Dealer shall be a two (2) stage process. An applicant may in the first instance apply for in-principle approval upon satisfying the requirements as set out in (a) hereof and after having obtained in-principle approval may thereafter apply for final approval upon satisfying the requirements as set out in (b) hereof:</p> <ul style="list-style-type: none">(a) In order to obtain in-principle approval, an applicant shall submit to the Commission:<ul style="list-style-type: none">(i) a duly completed application form according to the specimen provided on the website of the Commission along with the supporting documents mentioned therein;(ii) confirmation from the Exchange on the grant of provisional Trading Participant status;(iii) declaration by an applicant as per the specimen in Schedule I of these Rules;(iv) declaration by directors relating to their fitness and propriety according to the Fitness and Propriety of a Key Management Person of a Market Intermediary as stipulated in Schedule II of these Rules. Such declaration shall be in the form of an affidavit prepared in accordance with the specimen provided in Schedule III of these Rules; and(v) the fee payable for processing the application for in-principle approval specified by way of regulations made by the Minister from time to time.

	<p>No later than six (6) months from the date of obtaining in-principle approval, the applicant shall fulfill the following requirements and submit the following documents as proof thereof in order to obtain the licence:</p> <ul style="list-style-type: none"> (i) a written confirmation from the Exchange confirming that the applicant has satisfied all entry requirements stipulated in the Rules of the Exchange to be admitted as a Trading Participant of the Exchange and therefore a recommendation that the applicant be granted a licence as a Stock Dealer; (ii) declarations by Key Management Persons (excluding directors) and employees Dealing in its Own Account relating to their fitness and propriety to hold such office in terms of the Fitness and Propriety of a Key Management Person of a Market Intermediary as stipulated in Schedule II of these Rules. Such declaration shall be in the form of an affidavit prepared in accordance with the specimen provided in Schedule III of these Rules; (iii) a copy of the internal compliance manual as set out in Schedule IV of these Rules; (iv) the licence fee specified by way of regulations made by the Minister from time to time; and (v) any other information that the Commission may require the applicant to submit in the evaluation of the application for the licence. <p>7. It shall be the duty of the Stock Dealer to notify the Commission and obtain its prior consent for any change in particulars contained in an application to be licensed as a Stock Dealer.</p> <p>8. The Commission may refuse an application made to be licensed as a Stock Dealer on any of the grounds morefully set out in Section 95 of the SEC Act.</p>
Renewal of a licence	<p>9. A Stock Dealer shall submit an application for renewal three (3) months prior to the expiry of the licence along with the renewal fee.</p> <p>10. An application for renewal shall be in the format provided by the Commission on its website along with the supporting documents mentioned therein.</p> <p>11. Any Stock Dealer who fails to submit an application for renewal within the aforesaid time period shall be charged a late fee as prescribed by way of regulations made by the Minister from time to time.</p> <p>12. It shall be the duty of the Stock Dealer to notify the Commission and obtain its prior consent for any change in particulars contained in an application for the renewal of a licence as a Stock Dealer.</p> <p>13. The Commission may refuse an application made for the renewal of a licence as a Stock Dealer on any of the grounds morefully set out in Section 95 of the SEC Act.</p>
Licensing fee	<p>14. A Stock Dealer shall pay such licensing fee as prescribed by way of regulations made by the Minister from time to time.</p>

<p>Minimum financial requirements and submission of reports</p>	<p>15. A Stock Dealer shall:</p> <ul style="list-style-type: none"> (a) at all times maintain minimum shareholders' funds as determined by the Exchange of which it is a Trading Participant; (b) at all times maintain minimum liquid capital as determined by the Exchange of which it is a Trading Participant; (c) at all times maintain minimum Capital Adequacy Requirements (CAR) as determined by the Exchange of which it is a Trading Participant; (d) inform the Commission immediately if shareholders' funds, liquid capital and/or the minimum Capital Adequacy Requirements fall below the requirements stipulated in the Rules of the Exchange of which it is a Trading Participant; and (e) not carry on its activities as a Stock Dealer if the minimum financial requirements as determined in the Rules of the Exchange of which it is a Trading Participant are not met, unless the prior written approval of the Commission is obtained. <p>16. A Stock Dealer shall provide the information as set out below to the Commission:</p> <ul style="list-style-type: none"> (a) financial statements prepared monthly as determined by the Exchange of which it is a Trading Participant within twenty (20) days from the end of the particular month signed by a director and the chief executive officer of such Stock Dealer; and (b) a copy of the statement of audited accounts prepared annually in accordance with the Sri Lanka Accounting Standards and audited in accordance with the Sri Lanka Auditing Standards within a period of four (4) months from the close of each financial year. <p>17. A Stock Dealer shall, within three (3) months from the date of the auditor's report or any additional period of time permitted by the Commission, take steps to rectify the deficiencies if any, made out in the auditor's report.</p>
<p>Change in shareholding of a Stock Dealer</p>	<p>18. A change in the shareholding of twenty percentum (20%) or more of the total shareholding of a Stock Dealer shall be made only with the prior consent of the Commission.</p> <p>Provided however, this Rule shall not be applicable to a Stock Dealer, which is a Primary Dealer or a Licensed Commercial Bank regulated by the Central Bank of Sri Lanka.</p>
<p>Directors' duty of a Stock Dealer</p>	<p>19. A director of the Stock Dealer, who has Information of another Listed Public Company acting in his capacity as a director or employee of such Listed Public Company, shall not use such Information for the purpose of Dealing in its Own Account.</p> <p>For the purpose of this Rule, 'Information' shall mean information held by a director relating to a listed entity in which the director acts as a director or an employee, which would not otherwise be available to him.</p>

Employees Dealing in its Own Account	<p>20. A Stock Dealer shall ensure that a minimum of one (1) person who is a Registered Investment Advisor (RIA) possessing qualifications and/or experience set out in Rules of an Exchange of which it is a Trading Participant is employed to Deal in its Own Account.</p> <p>21. Any person employed by a Stock Dealer to Deal in its Own Account shall follow Continuous Professional Development (CPD) programmes conducted by the Commission on rules and other applicable regulations.</p> <p>22. A Stock Dealer shall ensure that any person employed to Deal in its Own Account shall comply with Rules issued by the Commission relating to Fitness and Propriety of a Key Management Person of a Market Intermediary.</p> <p>23. In the event a Stock Dealer also operates as a Stock Broker, persons employed to Deal in its Own Account shall not trade on behalf of Clients of the Stock Broker.</p> <p>24. The Commission may direct the Stock Dealer to vary the minimum number of such qualified persons to Deal in its Own Account, depending on the volume of business proposed to be undertaken or currently undertaken by such Stock Dealer.</p>
Lower priority to orders relating to Dealing in its Own Account	<p>25. In the event a Stock Dealer operates as a Stock Broker, the Stock Dealer shall ensure that orders relating to Dealing in its Own Account are treated with lower priority level over the orders of the Clients.</p>
Restricted Securities	<p>26. A Stock Dealer shall not execute any trade in respect of its own account in relation to a Security which is subject to financial advice or research, during such period that the Stock Dealer holds material non-public information relating to such Security or issuer of such Security.</p>
Maintenance of a separate bank account	<p>27. A Stock Dealer shall maintain a separate bank account for the purpose of making settlement of funds in respect of Dealing in its Own Account.</p>
Settlements in respect of Dealing in its Own Account	<p>28. A Stock Dealer, prior to carrying out purchase of Securities for its own account shall ensure that there is an adequate cash balance in hand or in its bank account.</p> <p>29. In the event a Stock Dealer operates as a Stock Broker, a Stock Dealer shall at no time utilize its Clients' money for settlement of purchase of Securities to its own account.</p>
Dealing limits	<p>30. A Stock Dealer shall comply with dealing limits applicable, when Dealing in its Own Account as specified in Rules of the Exchange of which it is a Trading Participant.</p>
Dealing in its Own Account	<p>31. When Dealing in its Own Account, a Stock Dealer shall act in compliance with the provisions contained in Section 106 of the SEC Act.</p>
Infrastructure and related requirements	<p>32. A Stock Dealer shall at all times ensure that the requirements with regard to infrastructure and related requirements of an Exchange of which it is a Trading Participant are complied with and in any event ensure that steps are taken to:</p>

	<ul style="list-style-type: none"> (a) maintain proper systems including an order management system and a back office system and processes relating to information technology; (b) maintain adequate human resources suitable and adequate to support the proper conduct of its business as a Stock Dealer; (c) ensure that an effective system of functional barriers is in place to prevent the flow of information that may be confidential and/or price sensitive between the functions; and (d) have appropriate information recording and retrieval systems and maintain such information for inspection by the Commission. <p>33. A Stock Dealer shall not be entitled to outsource its core function to any other party. However, if any other function other than the core function of the Stock Dealer is to be outsourced, the Stock Dealer shall enter into a written agreement with the party to whom any work is outsourced. Such agreement shall contain an undertaking from the party to whom any work is outsourced that they shall comply with the laws, rules and directives that the Stock Dealer is bound to follow.</p>
<p>Regulatory compliance and internal controls</p>	<p>34. A Stock Dealer shall have a compliance officer on a full-time basis who shall:</p> <ul style="list-style-type: none"> (a) possess a degree in Business Administration/Finance/Accounting/Law or an equivalent professional qualification in Finance/Accountancy/Law; (b) report directly to the board of directors of the Stock Dealer; (c) not perform any other duties that may compromise or be in conflict with the responsibilities of the compliance officer; and (d) be employed by the Stock Dealer at a managerial level. <p>35. The Stock Dealer shall inform the Commission on the appointment of such compliance officer no later than one (1) week prior to the effective date of appointment. In the event of a cessation of employment of a compliance officer, the Stock Dealer shall also give notice to the Commission no later than two (2) weeks prior to its effective date.</p> <p>36. The compliance officer on behalf of the Stock Dealer shall make a monthly compliance report which shall include amongst others the contents specified in Schedule V of these Rules approved by the board of directors and signed by a director and the chief executive officer confirming compliance with the provisions of the SEC Act, the criteria set out herein, any other rules or directives issued by the Commission from time to time.</p> <p>However, in the event any non-compliance or breach is detected, the compliance officer shall immediately report such matter to the board of directors for rectification and inform the Commission within a period of twenty-eight (28) days from the date on which the board of directors were informed together with steps that have been taken by the board of directors to rectify such non-compliance.</p>

Compliance manual	37. A Stock Dealer shall have an internal compliance manual applicable to its directors and employees which shall include amongst others adequate compliance procedures and practices as set out in Schedule IV of these Rules.
Maintenance of records	38. A Stock Dealer shall maintain the records as required under the Trading Participant Rules of the Exchange of which it is a Trading Participant and in any event maintain the following records: (a) all documents pertaining to the opening and maintenance of Securities Accounts; (b) trade information and any obligations arising out of such trades; (c) notifications pertaining to partially and/or fully unsettled trades; (d) trade confirmation notes; and (e) books of accounts. 39. All of the above records shall be retained by the Stock Dealer for a period of six (6) years.
Keeping of books and furnishing of returns	40. A Stock Dealer shall: (a) maintain or cause to be maintained, such accounting records and other books as will truly reflect the transactions and financial position of its business and enable the preparation of a true and fair Income Statement and a Statement of Financial Position in keeping with the Sri Lanka Accounting Standards adopted by the Institute of Chartered Accountants of Sri Lanka; (b) maintain or cause to be maintained such accounting records and other books in such manner as will enable them to be accurately audited; and (c) retain such accounting records or other books for a period of not less than six (6) years.
Commission approval to engage in other business	41. A Stock Dealer shall not engage in any other business activity which is not regulated by the Commission unless the prior written approval of the Commission is obtained. However, this Rule shall not be applicable in respect of Stock Dealers who are Commercial Banks licensed by the Central Bank of Sri Lanka (CBSL) and Primary Dealers authorized by the CBSL.
Duty to furnish information and co-operate with auditors appointed by the Commission	42. Where the Commission having considered that it is in the interest of the Stock Dealer appoints an independent auditor or such other person or a body of persons to examine, audit and report either generally or in relation to any particular matter, it shall be the duty of such Stock Dealer: (a) to produce any books, accounts and records of any assets held by the Stock Dealer relating to its business; (b) to produce any records of any systems, processes or procedures adopted by the Stock Dealer relating to its business;

	<p>(c) to provide all information within its knowledge or which it is capable of obtaining; and</p> <p>(d) to ensure that all the information which is furnished to the auditor or independent auditor as the case may be is not false or misleading in any particulars.</p> <p>43. A Stock Dealer shall not destroy, conceal or alter any records, property or books relating to the business of the Stock Dealer which are in its possession or under its control with the intention of defeating, preventing, delaying or obstructing the carrying out of any examination.</p>
<p>Submission of information to the Commission</p>	<p>44. A Stock Dealer shall furnish such returns and provide such information relating to its business as the Commission may require from time to time.</p> <p>45. The Commission may determine that any information required herein shall be submitted within such period at such intervals in such manner or in such form as the Commission may specify and the Stock Dealer shall comply with such requirements.</p>
<p>Notification on the happening of certain events</p>	<p>46. Without prejudice to the generality of the duties imposed under the SEC Act, these Rules or directives, the Stock Dealer shall forthwith provide written notice to the Commission if:</p> <p>(a) the Stock Dealer is in the course of being wound up or otherwise dissolved whether within or outside Sri Lanka or where a receiver, liquidator or an equivalent person has been appointed in respect of any property of the Stock Dealer;</p> <p>(b) the Stock Dealer ceases to carry on the business to which the licence relates;</p> <p>(c) the Stock Dealer has failed to comply with the provisions of the SEC Act, Rules relating to Fitness and Propriety of a Key Management Person of a Market Intermediary specified herein or any other directive issued by the Commission from time to time;</p> <p>(d) it comes to know that any information or document furnished to the Commission is false or misleading or there is any change in any information or document furnished to the Commission;</p> <p>(e) any execution against the Stock Dealer in respect of a judgment debt has been returned unsatisfied in whole or in part;</p> <p>(f) the Stock Dealer whether within or outside Sri Lanka has entered into a compromise or scheme of arrangement with its creditors being a compromise or scheme of arrangement that is still in operation;</p> <p>(g) any director or the chief executive officer has been convicted of any offence involving fraud or dishonesty or a violation of securities law within or outside of Sri Lanka; or</p> <p>(h) any director or the chief executive officer of the Stock Dealer becomes an undischarged bankrupt.</p>

Licence of a Stock Dealer deemed to be revoked	47. A licence of a Stock Dealer shall be deemed to be revoked if the company to whom a licence has been granted is wound up or otherwise dissolved.
Cancellation or suspension of a licence	48. The cancellation or suspension of a licence granted to a Stock Dealer shall be governed by the provisions contained in Section 105 of the SEC Act.
Commencement of operations	49. If the Stock Dealer fails to commence its business operations no later than six (6) months after the issue of the licence, the licence will cease to be valid.
Cessation of operations	50. In the event a Stock Dealer decides to cease its business operations as a Stock Dealer or his status as a Trading Participant is terminated by the Exchange of which it is a Trading Participant, such Stock Dealer shall comply with the procedure set out in the Rules of such Exchange and simultaneously keep the Commission informed of every step that is taken.

SCHEDULE I

Declaration by the Applicant

To: Chairman
Securities and Exchange Commission of Sri Lanka
Level 28 & 29, East Tower
World Trade Centre
Echelon Square, Colombo 01, Sri Lanka.

In consideration of being licensed to operate as (category of the market intermediary), we (name of the applicant entity) being duly incorporated and having our registered office/ principal place of business at(address)..... hereby undertake and agree:

1. to be licensed at the sole discretion of the Commission and for such period as may be determined by the Commission; and
2. to be bound by the applicable laws, rules, regulations and directives of the Commission as amended or replaced from time to time.

We further declare that no finding has been made against the applicant the Applicant entity by a court of law in Sri Lanka or abroad for the commission of any criminal offence/ capital market offence or any other act which involves fraud, deceit, dishonesty, misrepresentation, breach of contract or breach of fiduciary duty and that the statements made and information provided along with the application for the grant/renewal of a licence are true and accurate to the best of our knowledge.

Given under the common seal of the entity on this day of in the presence of

.....

(Name)

Director

.....

(Name)

Director/Secretary

or,

Signed by the duly authorized signatories of the entity on this day of

.....

(Name)

Authorized Signatory

Note: Please attach a certified true copy of the board resolution/Power of Attorney in proof of such authority.

SCHEDULE II

Fitness and Propriety of a Key Management Person of a Market Intermediary

General interpretation

1. The words and terms defined in the Securities and Exchange Commission of Sri Lanka Act, No. 19 of 2021 shall unless the context so requires have the same meaning assigned to them in the said Act :

“Commission” means the Securities and Exchange Commission of Sri Lanka established in terms of the SEC Act;

“Key Management Person” means directors (executive or otherwise) and shall include alternate directors, a chief executive officer, a compliance officer and persons having authority and responsibility for planning, directing and controlling the activities of a company/entity either directly or indirectly;

“Market Intermediary” shall have the same meaning as defined in Section 188 of the SEC Act;

“SEC Act” means the Securities and Exchange Commission of Sri Lanka Act, No. 19 of 2021.

Submission of an affidavit to the Commission

2. No individual shall be appointed, elected, nominated or continue to serve as a Key Management Person or employee Dealing in its own Account of a Market Intermediary unless that individual is a fit and proper person to hold such office in such entity as morefully described in these Rules.

3. An individual proposed to be appointed, elected or nominated or who intends to continue to serve in the capacity of a Key Management Person and employees Dealing in its own Account with, shall submit an affidavit to the Commission affirming that such person is not subject to any of the infirmities morefully described in these Rules prior to such individual being appointed and at the time a Market Intermediary seeks a licence or a renewal of licence.

4. The information contained in the affidavit shall not be misleading or vague and shall contain a statement that the contents are true and accurate.

5. Adherence to these Rules shall be a continuous requirement and the compliance officer of a Market Intermediary shall immediately inform the board of directors of any matter that may disqualify the appointment or the continuation in office of a Key Management Person and the board of directors shall immediately notify the Commission the decision made in respect of such matter.

Honesty, integrity and reputation

6. The Key Management Person and employees Dealing in its own Accounts shall not:

(a) be a person who has been found guilty/held responsible by a court of law in Sri Lanka or abroad for the commission of any criminal offence;

(b) be a person who has been found guilty/held responsible by a court of law in Sri Lanka or abroad for the commission of a capital market offence or against whom an offence has been compounded in terms of the SEC Act during a period of three (3) years immediately preceding the date of the application;

- (c) have been a Key Management Person of a body corporate who has been found guilty/held responsible by a court of law in Sri Lanka or abroad for the commission of any criminal offence or capital market offence having proved to have been committed with the knowledge or involvement or negligence attributable to such person;
- (d) be a person who has been subject to an administrative sanction by the Commission during a period of three (3) years immediately preceding the date of the application;
- (e) be a Key Management Person of a company, partnership or other organization whose licence has been suspended or cancelled by the Commission for violating any provision of the SEC Act or any rules or regulations made thereunder;
- (f) be a person who has been censured, disciplined, suspended or refused membership or registration by the Commission and any other regulatory authority in Sri Lanka or elsewhere during a period of three (3) years immediately preceding the date of the application;
- (g) be a person against whom a finding has been made by the Commission or any other regulatory/supervisory authority/professional body in Sri Lanka or abroad that such individual has committed any act which involves fraud, deceit or dishonesty;
- (h) be a person who has been disqualified from acting as a director of a company or has been dismissed or requested to resign from any position or office due to mismanagement of funds or the commission of financial fraud by the Commission, any other regulatory body or professional body;
- (i) be a person against whom an inquiry and/or investigation by the Commission and/or an Exchange or any other regulatory/professional body in Sri Lanka or elsewhere is presently pending for the commission of suspected capital market offences or any matter that involves fraud, deceit or dishonesty; and/or
- (j) be a person who has contravened any written law enacted for the protection of the members of the public against financial loss due to dishonesty or malpractice of such person.

Financial soundness

7. The Key Management Person shall not:

- (a) have proceedings instituted to be declared bankrupt or have been declared bankrupt and/or had assets sequestered;
- (b) have been subject to any judgment debt or award in Sri Lanka or abroad that remains unpaid in whole or in part; and/or
- (c) have been a person of a company in a position that exercises significant influence in a company that:

- i. has been subject to any judgment debt or award in Sri Lanka or abroad that remains unpaid in whole or in part; or
- ii. has in Sri Lanka or abroad, made any arrangements in composition with its creditors, filed for bankruptcy, been declared bankrupt, had assets sequestered, involved in winding-up proceedings ordered by a court of law or been involved in proceedings relating to any of the foregoing.

Competence and capability

8. The Key Management Person shall:
 - (a) not have been declared by a court of competent jurisdiction in Sri Lanka or abroad to be of unsound mind;
 - (b) possess the qualifications required to provide the services for which a licence has been sought/obtained from the Commission;
 - (c) have satisfied the relevant training and competence requirements in relation to the regulated function the person performs or intends to perform;
 - (d) possess adequate time to perform the regulated function and meet the responsibilities associated with that function; and/or
 - (e) have not contravened any written law enacted for the protection of the members of the public against financial loss due to incompetence of such person.

SCHEDULE III

Specimen of an Affidavit for Fitness and Propriety of a Key Management Person of a Market Intermediary

I, _____ [Full name] holder of NIC No./Passport No. (In the case of a foreign national) _____ of _____ [Address], being a [Buddhist/Hindu/Muslim do hereby solemnly, sincerely and truly declare and affirm] / [Christian/Catholic make oath and swear as follows]:

1. I am the [affirmant/deponent] above named.
2. I affirm/state that I am a _____ [Designation] of _____ [Name of the applicant entity].
3. I affirm/state that I possess the following academic and/ or professional qualification/s:
.....
.....
.....
4. I affirm/state that I have not been found guilty / held responsible by a court of law in Sri Lanka or abroad for the commission of any criminal offence / capital market offence.
5. I affirm/state that I have not been a Key Management Person of a body corporate which has been found guilty / held responsible by a court of law in Sri Lanka or abroad for the commission of any criminal offence/ capital market offence, proved to have been committed with the knowledge or involvement or negligence attributable to me.
6. I affirm/state that I am not a person against whom an offence has been compounded in terms of the Securities and Exchange Commission of Sri Lanka Act, No.19 of 2021 ('SEC Act') nor an administrative sanction has been imposed by the Commission during a period of three (3) years immediately preceding the date of this affidavit.
7. I affirm/state that I have not been a Key Management Person of a company, partnership or other organization whose licence has been suspended or cancelled by the Commission for violating any provision of the SEC Act, any rules or regulations made thereunder.
8. I affirm/state that I have not been a person who has been censured, disciplined, suspended or refused membership or registration by the Commission, an Exchange or any other regulatory authority in Sri Lanka or abroad during a period of three (3) years immediately preceding the date of this affidavit.
9. I affirm/state that I have not been a person who has been disqualified by the Commission, an Exchange or any other regulatory body or professional body from serving as a director of a company or has been dismissed or requested to resign from any position or office due to mismanagement of funds or the commission of a financial fraud.
10. I affirm/state that I am not a person against whom an inquiry and/or investigation by the Commission/an Exchange or any other regulatory/ supervisory authority/ professional body in Sri Lanka or abroad is presently pending, for the commission of suspected capital market offences or any act which involves fraud, deceit or dishonesty or that a finding has been made by the Commission/an Exchange or any other regulatory/ supervisory authority/ professional body in Sri Lanka or abroad that I have committed any act which involves fraud, deceit or dishonesty.
11. I affirm / state that I have not contravened any written law enacted for the protection of the members of the public against financial loss by dishonesty, incompetence or malpractice.

12. I affirm / state that no proceedings have been instituted in a court of law in Sri Lanka or abroad requesting that I be declared bankrupt or that I have not been declared bankrupt and that my assets have not been sequestered.
13. I affirm/state that I have not been subject to any judgment debt or award in Sri Lanka or abroad that remains unpaid in whole or in part.
14. I affirm/state that I am not a person/ director of a company or a shareholder in a position that exercises significant influence in a company that:
 - (a) has been subject to any judgment debt or award in Sri Lanka or abroad, that remains unpaid in whole or in part; or
 - (b) has in Sri Lanka or abroad made any arrangements in composition with its creditors, filed for bankruptcy, been declared bankrupt, had assets sequestered, involved in winding-up proceedings ordered by a court of law or been involved in proceedings relating to any of the foregoing.
15. I affirm/state that I have not been declared as a person of unsound mind by a court of competent jurisdiction in Sri Lanka or abroad.
16. I affirm/state that I have the relevant training, competence and expertise in the nature of the business being conducted by the entity.
17. I affirm/state that I have adequate time to perform the regulated functions and meet the responsibilities associated with such function of the entity.
18. I affirm/state that I have the technical knowledge and ability to perform the prescribed duties which I am engaged in, especially recognised professional qualifications and membership of relevant professional institutions.
19. I affirm/state that I have not contravened any written law enacted for the protection of the members of the public against financial loss due to my incompetence.
20. I affirm/state that all of the above are true and accurate to the best of my knowledge.

The averments contained herein were read over to the [affirmant/deponent] who having understood the contents hereof and having accepted same as true, [affirmed/ swore] to and placed his/her signature at on this day of.....



Affix stamps as applicable

Before me
JUSTICE OF THE PEACE/
COMMISSIONER FOR OATHS

SCHEDULE IV

Minimum Contents of a Compliance Manual

1. Conflict of Interest:

- (a) an effective internal control framework to prevent abuse or detect inappropriate investment practices and in the event a Stock Dealer operates as a Stock Broker, conflicts of interest between dealing in Securities on its behalf and trading on behalf of its Clients
- (b) procedures to prevent taking advantage of material non-public information held by the Stock Dealer in respect of a Security or issuer of a Security during the period of financial advice or research being carried out.
- (c) procedures to prevent or control the exchange of information between persons engaged in activities that give rise to a risk of a conflict of interest;
- (d) procedures to ensure that key duties and functions of the front office and back office are clearly segregated to avoid any conflict of interest;
- (e) procedures for the prevention or limitation of any person from exercising inappropriate influence over the manner in which a relevant person carries out services or activities;
- (f) a mechanism to monitor and identify non-compliance with the conflict of interest policy and steps to address such non-compliance in an appropriate and in a timely manner;
- (g) procedures to minimize and manage any conflict of interest that may arise in carrying out a combination of regulated activities; and
- (h) procedures to ensure that it does not carry out any activities, which could cause a conflict of interest with its functions of a Stock Dealer.

2. Corporate Governance:

- (a) a code of conduct and ethics, good business practices and the requirement to follow just and fair principles in the conduct of its business;
- (b) compliance requirement with the SEC Act, applicable rules and regulations and requirements of any regulatory authority in respect of functioning under the capacity of a Stock Dealer;
- (c) compliance requirements contained in any code or best practices introduced by the Commission in respect of Stock Dealers;
- (d) sound financial and business reporting structure;
- (e) best practices to ensure that the best interest of the investing public to remain over the interests of the Stock Dealer.

3. Risk Management:

- (a) sound internal controls and risk management policies and processes;
- (b) internal audit systems;
- (c) regular review of adequacy and effectiveness of financial, operational and compliance controls;
- (d) regular review of the principal risks (including financial, operational, compliance and information technology risk categories) applicable to the Stock Dealer and the manner in which such risks are being managed or mitigated;
- (e) approach towards identifying, measuring and monitoring the key risks, and its approach towards the governance and management of these risks; and
- (f) regular review of adequacy and effectiveness of risk management policies and procedures.

SCHEDULE V

Minimum Matters to be Disclosed in a Compliance Report

1. Confirmation that the business has been conducted in conformity with the:
 - (a) Securities and Exchange of Sri Lanka Act, No. 19 of 2021;
 - (b) Rules issued by the Commission;
 - (c) Rules of an Exchange of which it is a Trading Participant; *and*
 - (d) Rules and Regulations of the Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka including Rules and Regulations pertaining to Anti Money Laundering.

2. If not:
 - (a) give information as to the nature of the non-compliance or breach;
 - (b) action taken to prevent or mitigate the non-compliance or breach; and
 - (c) the outcome.

3. Whether any Suspicious Transaction Reports (STRs) have been generated.
If so:
 - (a) the number generated and submitted to the FIU; and
 - (b) outcomes if any.