

RULES APPLICABLE TO CORPORATE FINANCE ADVISORS

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 Corporate Finance Advisors.

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| 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>“Client” means a person who has entered into an agreement with a Corporate Finance Advisor to obtain its services;</p> <p>“Commission” means the Securities and Exchange Commission of Sri Lanka established in terms of the SEC Act;</p> <p>“Corporate Finance Advisor” shall have the same meaning as defined in Section 188 of the SEC Act;</p> <p>“Exchange” 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>“Shareholders’ Advisor” means a Corporate Finance Advisor appointed by the listed entity to prepare an opinion for shareholders of the listed entity.</p> |
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| Applicability | <p>2. The Rules set out herein shall apply to Corporate Finance Advisors licensed under the SEC Act.</p> <p>3. Every Corporate Finance Advisor shall comply with:</p> <p>(a) the Rules set out herein and any amendments made thereto;</p> <p>(b) provisions of the SEC Act;</p> <p>(c) directives issued from time to time by the Commission; and</p> <p>(d) Rules issued by the Commission on the Fitness and Propriety of a Key Management Person of a Market Intermediary as stipulated in Schedule II of these Rules.</p> |
| Requirement for a licence | <p>4. No entity shall engage in the function of a Corporate Finance Advisor without having first obtained a licence from the Commission.</p> <p>5. The period of validity of a licence granted to a Corporate Finance Advisor shall be twelve (12) months.</p> |
| Procedure to obtain a licence | <p>6. The grant of a licence to a Corporate Finance Advisor 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> <p>(a) In order to obtain in-principle approval an applicant shall submit to the Commission:</p> <p>i. a duly completed application form according to the specimen provided on the website of the Commission along with the supporting documents mentioned therein;</p> <p>ii. documents outlining the business model to carry on the functions of a Corporate Finance Advisor;</p> <p>iii. a declaration by the applicant as per the affidavit in Schedule I of these Rules;</p> <p>iv. a copy of the internal compliance manual as set out in Schedule IV of these Rules;</p> <p>v. documentation in support of measures taken to acquire an information processing system as stated in Rules 21 and 22 of these Rules;</p> <p>vi. documentation in support of steps taken to recruit adequate human resources to effectively discharge the obligations in keeping with the identified organizational structure of the applicant; and</p> <p>vii. 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> <p>(b) 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> |

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| <p>Procedure to obtain a licence</p> | <ul style="list-style-type: none"> i. declarations by Key Management Persons and employees dealing with Clients relating to their fitness and propriety to hold such office in terms of Fitness and Propriety of a Key Management Person of a Market Intermediary 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; ii. a confirmation from the chief executive officer and a director of the applicant confirming the implementation of an information processing system as stated in Rule 21 and 22 of these Rules; iii. a confirmation from the chief executive officer and a director of the applicant confirming the recruitment of adequate human resources along with their names and designations; and iv. the licence fee specified by way of regulations made by the Minister from time to time. <p>7. It shall be the duty of the Corporate Finance Advisor to notify the Commission and obtain its prior consent of any change in particulars contained in an application to be licensed as a Corporate Finance Advisor.</p> <p>8. The Commission may refuse an application made to be licensed as a Corporate Finance Advisor on any of the grounds more fully set out in Section 95 of the SEC Act.</p> |
| <p>Renewal of a licence</p> | <p>9. A Corporate Finance Advisor 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 Corporate Finance Advisor 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. In the event the licence of a Corporate Finance Advisor expires as a result of a Corporate Finance Advisor failing to take steps to renew it, the provisions contained in Rule 58 of these Rules with regard to cessation of operations shall apply.</p> <p>13. A Corporate Finance Advisor which has neither taken steps to cease its business operations as a Corporate Finance Advisor nor taken steps to renew its licence in terms of these Rules shall not be entitled to the grant of a new licence as a Corporate Finance Advisor.</p> <p>This disqualification shall also apply to a company whose board of directors comprises of any individual(s) who functioned as a director(s) of the company which has failed to have its licence renewed as aforesaid.</p> <p>14. It shall be the duty of the Corporate Finance Advisor to notify the Commission and obtain its prior consent of any change in particulars contained in an application for the renewal of licence as a Corporate Finance Advisor.</p> <p>15. The Commission may refuse an application made for the renewal of a licence as a Corporate Finance Advisor on grounds more fully set out in Section 95 of the SEC Act.</p> |

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| Licensing fee | 16. A Corporate Finance Advisor shall pay such licensing fee as prescribed by way of regulations made by the Minister from time to time. |
| Submission of reports | <p>17. A Corporate Finance Advisor shall provide the information set out below to the Commission:</p> <p>(a) financial statements prepared quarterly in conformity with the Sri Lanka Accounting Standards signed by a director and the chief executive officer before the twentieth (20th) day of the following month; and</p> <p>(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> <p>18. All audit and non-audit services carried out by the auditors of the Corporate Finance Advisor for the entity itself together with the fees and expenses charged should be disclosed separately in the relevant audited accounts.</p> <p>19. A Corporate Finance Advisor 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, in so far as they relate to Corporate Finance Advisor functions.</p> |
| Change in shareholding of a Corporate Finance Advisor | <p>20. A change in the shareholding of twenty per centum (20%) or more of the total shareholding of a Corporate Finance Advisor shall be made only with prior written consent of the Commission.</p> <p>Provided however if the Corporate Finance Advisor is a Listed Public Company this requirement shall not apply.</p> |
| Infrastructure and related requirements | <p>21. A Corporate Finance Advisor shall at all time have in place appropriate policies and procedures, including adequate financial and human resources, infrastructure and information systems to provide reliable and high-quality corporate finance advisory services and maintain its operations and facilities with adequate security, system capacity, contingency arrangements including business continuity plans and proper review and oversight mechanisms.</p> <p>22. A Corporate Finance Advisor shall have a suitable information recording and retrieval system and maintain such information for inspection by the Commission.</p> <p>23. The Corporate Finance Advisor may outsource part of its work in respect of any area in which the Corporate Finance Advisor has no expertise but is required to prepare or jointly prepare or render an opinion in that area as a Corporate Finance Advisor. The Corporate Finance Advisor may use information obtained from other experts in the area as reference, provided that the Corporate Finance Advisor has verified that the experts are qualified in such area.</p> <p>However, if any function is to be outsourced, such fact shall be brought to the attention of the Client in writing and be included in the agreement entered into with the Client.</p> <p>24. The Corporate Finance Advisor 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 will comply with the laws, rules and directives that the Corporate Finance Advisor is bound to follow.</p> |

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| <p>Qualifications and experience of those performing corporate finance advisory functions</p> | <p>25. Any person who on behalf of a Corporate Finance Advisor is involved in performing corporate finance advisory functions for and on behalf of a Client, shall possess the qualifications set out in subsection (a) and the experience set out in subsection (b) or possess the experience set out in subsection (c):</p> <p>(a) (i) a degree from a recognized university in the fields of Finance, Accountancy, Business Administration and Economics; (ii) Member/Associate of a professional body of Accountants recognized by the International Federation of Accountants; (iii) Chartered Financial Analyst; (iv) Associate of the Chartered Institute of Bankers; (v) Associate of the Institute of Bankers of Sri Lanka; (vi) Associate of the Chartered Institute for Securities and Investments; and (vii) any other professional and/or academic qualification acceptable to the Commission;</p> <p style="text-align: center;"><i>and</i></p> <p>(b) experience in the financial/securities market for a minimum period of two (2) years. The Commission shall consider the relevance, nature, the scope and experience in determining such adequacy;</p> <p style="text-align: center;"><i>or</i></p> <p>(c) experience in the financial/securities market for a minimum period of seven (7) years. The Commission shall consider relevance, nature, scope and experience gained in determining its adequacy.</p> |
| <p>Requirement for minimum number of financial advisors dealing with Clients</p> | <p>26. The Corporate Finance Advisor shall ensure that a minimum of two (2) persons possessing qualifications and/or experience set out in these Rules are employed to deal with Clients.</p> <p>27. The Commission may direct the Corporate Finance Advisor to vary the number of such qualified personnel having considered the volume of business proposed to be undertaken or currently undertaken by such Corporate Finance Advisor.</p> |
| <p>Commission approval to engage in other businesses</p> | <p>28. A Corporate Finance Advisor shall disclose to the Commission all other business activities it is engaged in at the time of applying for its licence and inform the Commission in writing prior to engaging in any other business activity after obtaining a licence from the Commission.</p> <p>29. A Corporate Finance Advisor shall not engage in any other business which in the view of the Commission creates a conflict of interest unless prior written approval of the Commission is obtained.</p> <p>30. In the conduct of any such other business activity, the Corporate Finance Advisor shall ensure that proper processes are in place to have a clear demarcation of the different functions pertaining to such businesses.</p> |

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| <p>Written agreement and material information</p> | <p>31. A Corporate Finance Advisor shall execute a written agreement with each Client prior to carrying out any business for and on behalf of a Client containing all the terms and conditions agreed to by and between itself and the Client. Without prejudice to the generality of this clause it shall <i>inter alia</i> contain the following terms and conditions:</p> <ul style="list-style-type: none"> (a) the procedure to be followed in carrying out the duties and functions; (b) the fees to be charged by the Corporate Finance Advisor; and (c) the rights and liabilities of each party in respect of the duties and functions carried out. <p>32. A Corporate Finance Advisor shall ensure that the agreement entered into is in a language mutually agreed upon by the parties. The subsequent amendments to the agreement, if any, shall be mutually agreed upon by the parties and be in writing.</p> |
| <p>Duties with regard to the issue of securities</p> | <p>33. The Corporate Finance Advisor shall perform the following duties in respect of the issue of securities:</p> <ul style="list-style-type: none"> (a) prepare and file an application on behalf of the issuer or offeror of securities, to Offer for Sale/Offer for Subscription/Introduction together with a draft prospectus and other relevant documents for the approval of the Commission/Exchange; (b) take steps to verify that information submitted by an issuer of securities in an application for the sale of newly issued shares submitted for approval of the Commission/Exchange and the information contained in the draft prospectus is accurate and complete and that all the information for consideration by the Commission/Exchange and investors has been disclosed and is not misleading to those relying on such information; (c) notify the Commission/Exchange that the issuer of securities has satisfied the requirements contained in the Listing Rules and therefore qualified to Offer for Sale/Offer for Subscription/Introduction; (d) advise or take any action required to ensure that the issuer or the offeror of securities is aware of its duties, responsibilities, rules, regulations, conditions and other relevant procedures and ensure that the issuer of securities implements good corporate governance and sound management and operations for accountability to its shareholders; (e) ensure that the assumptions and rationale for relying on such assumptions in preparing pro forma financial statements are reasonable and feasible; (f) submit to the Commission/Exchange a written certification of the performance of the duties set out in Rules 33(a), 33(b), 33(c), 33(d) and 33(e); and (g) notify the Commission/Exchange that the issue and Offer for Sale of securities has concluded as indicated in the application for the sale of newly issued shares submitted for approval by the Commission/Exchange. |

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| | <p>34. In the event the Corporate Finance Advisor or the Group Company wishes to publish any article or research paper prepared by itself or on its behalf, on the securities relevant to it, the said Corporate Finance Advisor or Group Company shall comply with the following requirements:</p> <p>(a) such article or research paper shall be prepared by a work unit or company that is engaged in the conduct of research and whose function is distinctly independent and separate from the function of the Corporate Finance Advisor and securities Underwriter if any for the issuance;</p> <p>Provided however, the above shall not apply to a research report that has been prepared by a Corporate Finance Advisor/ Initial Public Offer (IPO) Manager to a particular issue justifying the IPO price or price band and the basis and methodologies used to determine the IPO price/price band.</p> <p>(b) the said article or research paper shall be based on the information contained in the draft prospectus except for information emanating after the closing date of the securities offering;</p> <p>(c) the said article or research paper shall be prepared in a prudent and unbiased manner; and</p> <p>(d) the said article or research paper shall expressly state any conflict of interest or any other interest in the respective securities that a Corporate Finance Advisor may have. In the event the said article or research paper is published prior to the closing date of the offer for sale of securities, investors shall be cautioned to peruse the prospectus thoroughly prior to making any investment decisions and such a statement of caution shall be in a legible print.</p> <p>For the purpose of this Rule, “Group Company” shall mean:</p> <p>(i) a company which holds twenty per centum (20%) or more of the total shares with voting rights of the Corporate Finance Advisor; or</p> <p>(ii) a company in which the Corporate Finance Advisor holds twenty per centum (20%) or more of its total shares with voting rights; or</p> <p>(iii) a company whose shareholders hold shares in the said company and the Corporate Finance Advisor amounting to twenty per centum (20%) or more of the total shares with voting rights of such company and Corporate Finance Advisor.</p> |
| <p>Maintenance of records</p> | <p>37. A Corporate Finance Advisor shall maintain the following records pertaining to Clients:</p> <p>(a) all agreements entered into between the Corporate Finance Advisor and the Clients;</p> <p>(b) all internal records and working papers as a record and evidence in performing the duties as Corporate Finance Advisor; and</p> <p>(c) a written record of all complaints received from Clients and action taken thereon by the Corporate Finance Advisor.</p> |

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| | <p>38. All of the above records shall be retained by the Corporate Finance Advisor for a period of six (6) years.</p> <p>39. A Corporate Finance Advisor shall ensure confidentiality of all information at all times relating to Clients including such Client's identity and functions carried out for such Client unless and to the extent such disclosure is required by law.</p> |
| <p>Keeping of books and furnishing of returns</p> | <p>40. A Corporate Finance Advisor shall:</p> <p>(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 true and fair Income Statement and Statement of Financial Position in keeping with the Sri Lanka Accounting Standards adopted by the Institute of Chartered Accountants of Sri Lanka;</p> <p>(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</p> <p>(c) retain such accounting records or other books for a period of not less than six (6) years.</p> |
| <p>Duty to furnish information and co-operate with auditors appointed by the Commission</p> | <p>41. Where the Commission having considered that it is in the interests of the Corporate Finance Advisor or those of its Clients, 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 Corporate Finance Advisor:</p> <p>(a) to produce any books, accounts and records of any assets held by the Corporate Finance Advisor relating to its business;</p> <p>(b) to produce any records of any systems, processes or procedures adopted by the Corporate Finance Advisor relating to its business;</p> <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>42. A Corporate Finance Advisor shall not destroy, conceal or alter any records, property or books relating to the business of the Corporate Finance Advisor 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>43. A Corporate Finance Advisor shall furnish such returns and provide such information relating to its business as the Commission may require from time to time.</p> <p>44. 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 Corporate Finance Advisor shall comply with such requirements.</p> |

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| <p>Compliance manual</p> | <p>45. A Corporate Finance Advisor 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.</p> |
| <p>Regulatory compliance and internal controls</p> | <p>46. A Corporate Finance Advisor shall have a compliance officer on a full-time basis who shall:</p> <ul style="list-style-type: none"> (a) be an Attorney-at-Law having a minimum period of five (5) years of experience in matters relating to compliance or possesses any other qualification/ experience as specified in Rule 25 of these Rules; (b) report directly to the board of directors/board sub-committee dealing with risk of the Corporate Finance Advisor; and (c) not perform any other duties that may compromise or be in conflict with the responsibilities of the compliance officer. <p>47. The Corporate Finance Advisor 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 Corporate Finance Advisor shall also give notice to the Commission no later than two (2) weeks from its effective date.</p> <p>48. The compliance officer on behalf of the Corporate Finance Advisor shall make a quarterly 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 and the Financial Transactions Reporting Act, No. 06 of 2006 where applicable and forward same to the Commission, before the twentieth (20th) day of the following month.</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 as to the steps that have been taken by the board of directors to rectify such non-compliance.</p> <p>49. Employees of the Corporate Finance Advisor shall obtain the prior written approval from the compliance officer in respect of all personal account dealings. Such dealings shall be conducted in a manner that will not prejudice the interests of its Clients.</p> <p>50. A Corporate Finance Advisor shall maintain procedures to ensure that complaints of Clients relating to the conduct of its business are handled in a timely and effective manner.</p> <p>51. A Corporate Finance Advisor shall adhere to the Know Your Client (KYC) and due diligence procedures specified by the Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka where applicable from time to time.</p> |

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| <p>Notification on the happening of certain events</p> | <p>52. Without prejudice to the generality of the duties imposed under the SEC Act, these Rules and directives, the Corporate Finance Advisor shall forthwith provide written notice to the Commission if:</p> <ul style="list-style-type: none"> (a) the Corporate Finance Advisor is in the course of being wound up or otherwise dissolved whether within or outside Sri Lanka where a receiver, liquidator or an equivalent person has been appointed in respect of any property of the Corporate Finance Advisor; (b) the Corporate Finance Advisor ceases to carry on the business to which the licence relates; (c) the Corporate Finance Advisor 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 and the Rules specified herein or any other directive issued by the Commission from time to time; (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; (e) any execution against the Corporate Finance Advisor in respect of a judgment debt has been returned unsatisfied in whole or in part; (f) the Corporate Finance Advisor 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; (g) any director or 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 (h) any director or chief executive officer of the Corporate Finance Advisor becomes an undischarged bankrupt. |
| <p>Advertisements</p> | <p>53. A Corporate Finance Advisor shall ensure that the content in advertisements promoting its services is accurate, complete and is not misleading.</p> <p>54. A Corporate Finance Advisor shall submit a copy of all advertisements proposed to be published, for the perusal of the Commission at least one (1) week prior to its publication in the media.</p> |
| <p>Cancellation or suspension of a licence</p> | <p>55. The cancellation or suspension of a licence granted to a Corporate Finance Advisor shall be governed by the provisions contained in Section 105 of the SEC Act.</p> |
| <p>Commencement of operations</p> | <p>56. If the Corporate Finance Advisor 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.</p> |

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| <p>Licence of a Corporate Finance Advisor deemed to be revoked</p> | <p>57. A licence of a Corporate Finance Advisor shall be deemed to be revoked if the company to whom a licence has been assigned is wound up or otherwise dissolved.</p> |
| <p>Ceasing of operations and surrender of a licence</p> | <p>58. In the event a Corporate Finance Advisor decides to cease its business operations as a Corporate Finance Advisor, it shall:</p> <ul style="list-style-type: none"> (a) submit to the Commission within seven (7) working days from the date of the decision of the board of directors to cease business operations together with a certified extract of the board resolution together with a status report of its Clients as at that date and measures to mitigate possible impacts on the Client; (b) within fourteen (14) working days of the decision of the board of directors to cease business operations, communicate to its Clients in writing its decision to cease operations as a Corporate Finance Advisor; (c) within twenty-one (21) working days of the decision of the board of directors to cease business operations publish a notice in all three (3) languages in national newspapers announcing its decision to cease business operations as a Corporate Finance Advisor; and (d) the Corporate Finance Advisor shall keep the Commission informed in writing upon the completion of the steps (b) and (c) mentioned above. <p>59. The Corporate Finance Advisor shall complete the task as stated in Rule 59 hereof and resolve any complaints by Clients within a period of not more than three (3) months from the date of the decision of the board of directors to cease business operations (or any extended period permitted by the Commission in writing) and submit to the Commission a declaration from the board of directors of the Corporate Finance Advisor in the form of an affidavit confirming that:</p> <ul style="list-style-type: none"> (a) all of its agreements entered into with Clients have been terminated; (b) together with the affidavit as stated in Rule 59 hereof, the Corporate Finance Advisor shall return the licence to the Commission; (c) all outstanding amounts to Clients if any have been settled upon obtaining their consent; (d) the Corporate Finance Advisor has published the paper notice; and (e) there are no pending complaints in relation to the operations of the Corporate Finance Advisor. <p>60. The surrender of a licence shall not take effect until the Commission informs the Corporate Finance Advisor in writing that such surrender has been accepted upon satisfying itself that all steps with regard to the cessation of operations have been duly satisfied in terms of these Rules.</p> |

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 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 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 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 with clients, making investment decisions on behalf of Unit Holders, 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 with clients 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 and persons and employees dealing with clients 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 and employees dealing with clients 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. Conflicts of Interest:

- (a) an internal control network to ensure that there will be no conflict of interest in terms of its corporate finance advisory functions;
- (b) procedures to ensure its independence from the parties it serves including related parties and disclose actual and potential conflicts of interest in a clear, complete, timely, concise and specific manner and submit all such information; and
- (c) reporting lines for Corporate Finance Advisor staff and their remuneration arrangements should be structured to eliminate or effectively manage actual and potential conflicts of interest.

2. Corporate Governance:

- (a) good business practices and just and fair principles in the conduct of its business;
- (b) compliance requirements contained in any Code or Best Practices introduced by the Commission in respect of Corporate Finance Advisors ;
- (c) procedure to ensure that the directors and staff of a Corporate Finance Advisor act with due diligence and a reasonable degree of care in carrying out their functions; and
- (d) procedures to establish, maintain and implement written policies, controls and procedures to ensure that non - public information acquired during the corporate finance advisory process is only used for the purpose of performing such duties and functions and prevent the misuse of non-public information.

3. Risk Management:

- (a) sound risk management policies and processes.

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 Commission of Sri Lanka Act, No. 19 of 2021;
- (b) Rules issued by the Commission;
- (c) Rules of an Exchange (as applicable); 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.