



Ref: SEC/DG/2023/07/200

July 24<sup>th</sup>, 2023

**TO: MARKET INTERMEDIARIES**

**DIRECTIVE ISSUED IN TERMS OF SECTION 16(c) OF THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA ACT NO. 19 OF 2021**

**MINIMUM GOVERNANCE REQUIREMENTS APPLICABLE TO MARKET INTERMEDIARIES**

The Securities & Exchange Commission of Sri Lanka at its 485<sup>th</sup> Meeting held on 6<sup>th</sup> June 2023, resolved to stipulate minimum Governance requirements applicable to Market Intermediaries.

**I. BOARD COMPOSITION**

Market Intermediaries shall, as a minimum requirement, comply with following;

- i. Board of Directors of a Market Intermediary shall comprise of a minimum of 3 Directors in total; of whom at least One (1) shall be a Non-executive Director.
- ii. Where the Chairman is a Non-independent director, the Non-executive Director shall be 'Independent'.
- iii. Further, in the event the Chairman and CEO roles are combined, the Board shall appoint the Independent Non-executive Director to be the 'Senior Independent Director' (SID) with powers equivalent to that of the Chairman, as specified in the Board Charter and/or Terms of Reference.

**II. CHIEF EXECUTIVE OFFICER (CEO)**

Market Intermediaries shall comply with following requirements applicable to the Chief Executive Officer (CEO) of such entity.

- i. The CEO shall be a full time employee, dedicated for the entity and shall;
  - a. possess a degree or a professional qualification from a recognized university/institute with a minimum five (05) years of executive experience;
  - or,
  - b. a minimum of ten (10) years of senior managerial experience.

- ii. However, where the entity holds more than one category of license issued by the SEC, a dedicated Business Head with adequate competence, reporting to the CEO shall be appointed for each license category; whilst ensuring appropriate processes are in place to have a clear demarcation of the different functions pertaining to such businesses.

This Directive shall be effective from 24<sup>th</sup> July 2023 with a transitional period of a maximum of 06 months to fully comply.



Chinthaka Mendis  
**DIRECTOR GENERAL**

-/dm/sp/hm

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'Independent' – Reference; item A.5.5 'Code of Best Practice on Corporate Governance 2017' issued by the Institute of Chartered Accountants of Sri Lanka (CASL)