

## Media Release

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### **SEC approves new Listing Board and Rules for SOEs**



Capital market regulator, the Securities and Exchange Commission of Sri Lanka (SEC), has approved the creation of a separate Listing Board and Listing Rules at the Colombo bourse to facilitate the entry of State-Owned Enterprises (SOEs) to the Capital Market. This is in response to the Government's policy to expedite reforms in SOEs, improve their overall governance, efficiency, productivity, profitability, and empower them to add greater value to the economy.

These rules were developed under the guidance and direction provided by the SEC to the CSE, and include consultations with and inputs by the SOE Restructuring Unit of the Government and the Auditor General. The dismal performance of many SOEs in Sri Lanka have become a heavy fiscal burden upon the country with significant macroeconomic implications. Therefore, the SEC believes addressing this issue is crucial in the country's economic reform process.

The Capital Market is the globally accepted platform for raising long- term capital funds for business entities compared to banks which operate on a business model heavily reliant on short-term customer deposits. It also enables business entities to minimize exposure to interest rate volatility. Further, the Capital Market provides opportunities for businesses to attract strategic and other investors through the listing process.

Most SOEs have relied on Government funding, local and foreign borrowings for expansion and modernization. By listing on the Stock Exchange these enterprises will be able to improve their internal governance, operating efficiencies and attract foreign and local investor capital.

The SEC and the CSE have given due consideration to the current levels of governance, organization structure and operational challenges prevailing in the SOE sector and have therefore created a separate Listing Board and Listing rules with a view to enabling SOEs to progressively transition from what they are now to what they should be. Any SOE that meets the Listing criteria of the Main Board or the Diri Savi Board can straightaway list on those Boards.

The new transitional Board, when launched, will facilitate those SOEs seeking a listing to do so on a set of new rules which are designed to enable progressive transition from the initial listing Board to the Main Board or Diri Savi Board.

The salient features of the rules applicable to the new Board include a stated capital of not less than Rs. 250 million; revenue, net asset and market capitalization tests; minimum 3 years operating history; time – bound requirements for financial reporting; and a minimum 10% public float with 300 public shareholder requirement. The Corporate Governance requirements under these rules will be the same as those applicable to the Main Board and Diri Savi Board with a view to aligning the internal governance structures and processes of listed SOEs with the standards set in the market.

**Issued by**

**Tushara Jayaratne**

Deputy Director General



Level 28-29, East Tower, World Trade Center

Echelon Square, Colombo 01, Sri Lanka

Phone: (+94 11) 2143843 ext 190

Direct (+94 11) 2143834

Fax : (+94 11) 2439149

E-Mail: [tushara@sec.gov.lk](mailto:tushara@sec.gov.lk)

Website: <http://www.sec.gov.lk>

<https://www.facebook.com/secsocialmedia/>

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