

Media Release

10th March 2024

SEC Calls for a More Active Unit Trust Industry

The Securities and Exchange Commission of Sri Lanka (SEC) as part of its continuous engagement process with stakeholders in the capital market landscape, held a meeting with the CEOs of the Unit Trust industry last week. The main purpose of the meeting was to address the current state of the Unit Trust industry and urge it to become vibrant, dynamic and attract more investors to mutual funds and Collective Investment Schemes.

SEC Chairman, Faizal Salieh, Deputy Director General SEC, Tushara Jayaratne, Director Supervision SEC, Dilum Mahawatte, and other officials of the SEC participated at the meeting.



From Left to Right - SEC Deputy Director General, Tushara Jayaratne, Chairman, Faizal Salieh, and Director Supervision, Dilum Mahawatte

The SEC Chairman emphasized the importance of product innovation and sales promotion with attractive and relevant value propositions and urged the industry participants to invest their time and effort in that direction. The SEC, under the Collective Investments Code 2022 (CIS Code) has introduced the regulatory framework for the operation of Exchange Traded Funds (ETFs) and Umbrella Schemes. However, the SEC

is yet to receive applications from Managing Companies for the establishment of such schemes. The Chairman urged the industry representatives to identify the interests of different investor categories, target segments and design new and relevant products that would enhance the overall attractiveness of the Unit Trust industry to the investor public. He suggested that the Unit Trust industry introduces capital protected investment schemes where the Managing Company would be able to provide a return to their clients whilst preserving the capital.

The meeting also discussed barriers to Real Estate Investment Trusts (REITs) and what is required to be addressed in this regard to generate value for the product. Stock Borrowing and Lending (SBL), which was introduced in November last year is restricted for Unit Trusts due to concerns related to risk management. The SEC officials stated that the SEC will consider permitting SBL under new Schemes with proper risk management controls in place.

Industry representatives discussed the issues encountered in launching US Dollar denominated products and sought SEC's assistance in resolving the issues. The SEC officials noted the concerns raised by the industry and undertook to make necessary representations to the relevant authorities.

The importance of investor education with regard to the Unit Trust industry was also emphasized. SEC's Deputy Director General, Tushara Jayaratne, assured that in order to support their investor awareness role, the Unit Trust industry will be given a specific opportunity to make presentations to the public during investor education programs organised by the SEC as well as the CSE.

SEC officials urged the Unit Trust Association to play an active part in promoting and developing the industry's image, products and schemes across the industry. The SEC Chairman stated that product innovation and creating new value propositions to the market will be considered as factors in the licensing process of Managing Companies in future.

SEC's Director Supervision, Ms. Dilum Mahawatte drew the attention of participants to some of the general operational concerns that had arisen during regulatory supervisions of Managing Companies.

Currently there are 17 licensed Managing Companies which establishes and operates 86 Unit Trust Schemes in Sri Lanka.

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

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

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

https://twitter.com/SEC_SriLanka