

## Investor Education and FAQs

### What is the Colombo Stock Exchange?

The Colombo Stock Exchange (CSE) operates the only share market in Sri Lanka and is responsible for providing a transparent and regulated environment where companies and investors can come together. The CSE is a company that is limited by guarantee established under the Laws of Sri Lanka. The CSE is licensed by the Securities and Exchange Commission of Sri Lanka (SEC) and is a mutual exchange consisting of 15 Members and 14 Trading Members.

All Members and Trading Members are licensed by the SEC to operate as Stockbrokers. At present the CSE functions as a market operator and through its fully owned subsidiary, Central Depository Systems (Pvt.) Limited (CDS), acts as a clearing and settlement system facilitator. The CSE also oversees compliance through a set of rules, promotes standards of corporate governance among listed companies and is actively involved in educating investors. In the course of its operations, the CSE interacts with many customers and stakeholders which include issuers (such as companies, corporations and unit trusts), commercial banks, investment banks, fund managers, stockbrokers, financial advisors, market data vendors and investors.

### What are the CSE Trading Times

The Exchange is open for continuous trading from Monday to Friday from 9.30 a.m. to 2.30 p.m.

The trading sessions are as follows:

Market Phase	Time	Days
Open Auction Call	9:00a.m. - 9:30a.m.	
Regular Trading	9:30a.m. - 2:30p.m.	Monday - Friday (Except Public Holidays)
Market Close	2:30pm	

### Open Auction Call

During Open Auction call (9.00 am to 9.30 am) the system accepts orders. These orders can be amended and cancelled during this session. However, no trades take place during this stage. Orders during this period are held in the ATS and will be forwarded to the execution engine at Regular Trading session, and at 9.30am the system starts matching orders according to the algorithm. It establishes the opening price and determines the orders to be executed according to the rules for the open auction call session (Automated Trading Rule 4).

### Regular Trading

During regular trading (09.30 am to 2.30 pm) new orders are continually matched to existing orders in the order book. If an order cannot be executed, it is stored in the order book.

### Market Close

Market closes at 2.30 pm.

## **Market Halt**

In the event the S&P SL20 Index (or the index that may replace the S&P SL20 in the future) drops by 5% within the day from the previous market day's close, a "Market Halt" will be imposed on all equity securities for a period of 30 minutes. In case if the above scenario takes place at 2.00pm or later, the market will be halted and closed at 2.30pm. This is effective from 2nd January 2009. Market wide index based circuit breakers are imposed by stock exchanges to halt trading of equity securities in order to provide a "cooling off" period when there is an unusual movement in the index. Broker Firms may cancel any pending orders during the "Market Halt". However Broker Firms cannot enter new orders or amend pending orders during the "Market Halt".

## **What are the listing boards in CSE ?**

Equity securities of a public company can be listed on either the Main or Diri Savi Board of the CSE. The Main Board consists of companies which have a larger capital base while medium to small companies and start-up companies are listed on the Diri Savi Board.

### *Listing Criteria for Main Board :*

- (a) Stated Capital of not less than Rupees Five Hundred Million (Rs.500, 000,000/-) at the time of listing.
- (b) Net profit after tax for three (3) consecutive years immediately preceding the date of application.
- (c) Positive Net Assets as per the consolidated audited financial statements for the last two (2) financial years immediately preceding the date of application.
- (d) A minimum Public Holding of 25% of the total number of shares for which the listing is sought which shall be in the hands of a minimum number of 1,000 public shareholders holding not less than 100 shares each. The Exchange may accept a percentage lower than 25% of the total number of listed shares if the Exchange is satisfied that such lower percentage is sufficient for a liquid market in such shares.

### *Listing Criteria for Diri Savi Board :*

- a. Stated Capital of not less than Rupees Hundred Million(Rs.100, 000,000/-) at the time of listing.
- b. Positive Net Assets as per the consolidated audited financial statements for the financial year immediately preceding the date of application.
- c. A minimum Public Holding of 10% of the total number of shares for which the listing is sought shall be in the hands of a minimum number of two hundred (200) Public Shareholders. In the event the applicant Entity is seeking a listing on the Exchange by way of an Introduction, such Entity shall ensure that not more than 50% of the shares in the hands of the Public Shareholders are held by the three (03) largest Public Shareholders of the Entity at the time of listing.
- d. An operating history of at least one (1) year immediately preceding the date of application.

## What are the price Indices in CSE ?

The CSE has two main price indices, the All Share Price Index (ASPI) and the S&P Sri Lanka 20 Index (S&P SL 20). These index values are calculated on an on-going basis during the trading session, with the closing values published at the end of each session. ASPI is a market capitalization weighted index of all the companies listed in the Colombo stock exchange. The base value is established with average market value as of the year 1985. S&P SL20 Index is a market capitalization-weighted and provides liquid exposure as it covers the most liquid stocks from CSE.

Additionally Total Return Indices (TRI) are calculated to track the market performance on a Total Returns basis. The TRI exceeds the scope of existing price indices (ASPI and S&P SL20) and incorporates returns from dividends into its computation. CSE publishes TRI based on the ASPI and S&P SL20. Price indices and TRI are also calculated for each of the 20 business sectors based on the ASPI.

## What are the Market Charges ?

Transaction cost applicable for equity & debt securities given below:

Equity - with effect from 27<sup>th</sup> June 2017

Transactions up to Rs. 100 Million - 1.12%

Divided as follows:

Brokerage Fees	0.6400%
CSE Fees	0.0840%
CDS Fees	0.0240%
SEC Fees	0.0720%
Govt.Share Transaction Levy	0.3000%

Transactions over Rs. 100 Million – Step up Basis

Divided as follows:

Brokerage Fees	Negotiable (minimum of 0.2%)
CSE Fees	0.0525%
CDS Fees	0.0150%
SEC Fees	0.0450%
Govt.Share Transaction Levy	0.300%

Example :

Transaction Value	Rs	102m		
		100m	2m	102m
Consolidated Fees	%	1.12%	0.6125%	-
	Rs	1,120,000	12,250	1,132,250

The CSE trading records will indicate the brokerage as zero for transactions over Rs. 100 Mn. The Broker Firms are expected to insert 0.2% or a higher percentage which is negotiated with the client as the brokerage before printing the Bought/Sold Notes.

### **Corporate Debt**

Brokerage - Negotiable

Fees (SEC, CSE & CDS) - 2 Basis Points (Divided equally amongst the three institutions)

### **Government Debt**

Brokerage - Negotiable

### **Closed End Funds**

Fees based on a Percentage (%) of the Transaction value

<b>Brokerage</b>	<b>Negotiable with a Cap of 1 %</b>
CSE Fee	0.02%
CDS Fee	0.01%
SEC Cess	0.02%

Share Transaction Levy will not be applicable for units of Closed-end Funds.

### **Intra day Trading**

With effect from 15th February 2006, the transaction fee due to the broker, CSE, CDS and SEC on intraday trades, where a client buys and sells or sells and buys the same security on the same day through the same broker will not be charged on one side of the transaction.

In the event the total number of shares purchased does not equal the total number of shares sold, the transaction fees as detailed above will not be levied on the lower quantity of shares either purchased or sold.

In the event the total quantity purchased is equal to the total quantity sold the transaction fees will not be levied from the sales transaction.

Please note that the total purchases and sales of a client in the same security will be considered for purpose of determining the exemption of the Brokerage, CSE, CDS and SEC fees (transaction fee). Share Transaction Levy will be charged from both sides of the transaction.

### **What is a IIA account?**

A Inward Investment Account (IIA) is a LKR account which eligible investors could open to invest in Government Securities (Treasury Bills and Treasury Bonds), Equity capital of companies incorporated in Sri Lanka and Units of Unit Trusts in Sri Lanka. The IIA account has to be opened at any commercial bank to facilitate the inward and outward remittance of investments of non-resident investors.

Where the application includes a Global Custodian and the application is forwarded through a Custodian Bank, a copy of the SWIFT message or similar document issued by the Global Custodian instructing the local Custodian Bank to open the account on behalf of the beneficiary company, should be submitted together with a declaration from the Global Custodian that a Custody arrangement or agreement exists between the Global Custodian and the beneficiary.

Note: At the time of IIA account opening, we advise you to provide a letter to the bank informing them to honor purchase orders send from Asia Securities. If no such authorization is provided, you will need to authorize each purchase done for the bank to issue pay orders and this could result in delay for purchase payments more than t+3.

### **What are the Global Banks operating in Sri Lanka?**

HSBC, Citi Bank, Standard Chartered Bank, Deutsche Bank

### **What will happen to the dividends that I get?**

The dividends you get can be directly remitted to your local bank /IIA account. When filling the application, fill the bank account /IIA account details in dividend instruction section in e Service Form, section 03.

### **How to handle Corporate Actions?**

You will need to liaise with your IIA bank and Advisor assigned to you by Asia Securities.

### **How can I take my money out of Sri Lanka?**

You are able to wire any amount available in your IIA account via your bank.

### **Are there any other taxes applicable apart from my transaction costs?**

Withholding tax of 10% is applicable for dividend income. Currently there are no capital gains tax.

### **Can a foreigner buy from IPO?**

Yes. You will need to have an active CDS account and an Active IIA account. If you fill the forms and instruct the IIA bank to issue cheque in favor of the IPO issuing company, you can apply.