

taken, and such disclosure shall be recorded in the minutes of the meetings of the Commission and such member shall not take part in any deliberation or decision of the Commission with regard to that matter, and shall withdraw from such meeting while such deliberation is in progress or such decision is being made.

14. No proceeding, act or decision of the Commission shall be invalidated by reason only of the existence of a vacancy among its members or of any defect in the appointment of a member thereof.

Proceedings,
acts or decisions
not invalidated
by reason of a
vacancy

15. (1) The seal of the Commission shall be in the custody of the Commission.

Seal of the
Commission

(2) The seal of the Commission may be altered in such manner as may be determined by the Commission.

(3) The seal of the Commission shall not be affixed to any instrument or document except in the presence of one member of the Commission and the Director-General of the Commission or in the absence of the Director-General, in the presence of any two members of the Commission, who shall sign the instrument or document in token of their presence.

CHAPTER 3

POWERS, DUTIES AND FUNCTIONS OF THE COMMISSION

16. The powers, duties and functions of the Commission shall be-

Principal
functions,
powers and
duties of the
Commission

- (a) to advise the Government on the development of the securities market and to assist in the effective implementation of the policies and programmes of the Government with respect to the securities market;

- (b) to encourage and promote the development of securities markets in Sri Lanka including research and training in connection therewith;
- (c) to give general or specific directives or instructions to market institutions, market intermediaries, registered persons, clearing members, trading participants, depository participants, issuers, investors, recognized market operators or such other person or persons as may be necessary to give effect to the provisions of this Act from time to time;
- (d) to give general or specific directives or instructions to supplementary service providers of market institutions, market intermediaries, collective investment schemes or listed public companies from time to time;
- (e) to grant a licence to a body corporate to operate as a market institution and to ensure its proper conduct;
- (f) to grant a licence to any person to operate as a market intermediary and to ensure its proper conduct;
- (g) to register a person advising clients on sale or purchase of securities for and on behalf of a market intermediary as a registered person and to regulate their conduct in the discharge of their duties;
- (h) to register any person as a market operator;
- (i) to issue general or specific directives to listed public companies or listed foreign entities from time to time;
- (j) to issue general or specific directives to an acquirer, an offeror or persons acting in concert with an offeror or an offeree or a target company in relation to a takeover or a merger of a listed public company;

- (k) to issue specific directives to any person to prevent the imminent infringement of this Act, regulations or rules and to restrain infringement;
- (l) to regulate the listing and trading of securities in an exchange;
- (m) to regulate the issuance of securities;
- (n) to prohibit or suspend the listing of any securities or to delist the listed securities or to prohibit or suspend the trading of any securities or to take such steps as the Commission considers necessary or expedient for the protection of investors or for ensuring fair and orderly securities market or for ensuring the integrity of the securities market;
- (o) to employ such officers and servants as the Commission may consider necessary and to fix the salaries and wages or other remuneration and benefits of such officers and servants for the purposes of carrying out the objectives and functions of the Commission;
- (p) to acquire in any manner whatsoever and hold, take or give on lease or hire, mortgage, pledge, sell or otherwise dispose of any immovable or movable property;
- (q) to regulate a takeover or merger of a listed public company or any matter connected therewith or incidental thereto;
- (r) to inquire and conduct investigations into any activity of a market institution, market intermediary, a registered person, a listed public company or a listed foreign entity;

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- (s) to conduct investigations into any alleged violation or contravention of the provisions of this Act or any regulation or any rule or directive made or any instruction given thereunder or by any person and to take any enforcement measures provided under this Act as considered necessary by the Commission;
- (t) to enter into agreements or memoranda of understanding with any organization or a foreign regulatory authority in relation to any matter which comes within the purview of this Act;
- (u) to publish findings of wrongdoing by any market institution, market intermediary or registered person, supplementary service provider, any listed public company or any listed foreign entity;
- (v) to carry out surveillance of securities transactions;
- (w) to levy fees or charges, for any services rendered by the Commission;
- (x) to take such steps as the Commission may deem necessary to mitigate systemic risk to the financial system;
- (y) to give specific or general directions to companies that have made an offer to the public to subscribe for securities;
- (z) to exempt certain public offers or issues from the provisions of this Act;
- (aa) to appoint experts as the Commission deems expedient for the purposes of this Act; and
- (ba) to do all such other acts as may be considered necessary, incidental and ancillary to the performance of the Commission's objects, duties and functions under this Act.

17. The Commission shall in addition to the powers specified in section 16 also have the power to –

Additional
powers of the
Commission

- (a) carry out supervision or inspections of the activities of market institutions or market intermediaries or registered persons or trustees of collective investment schemes in order to ascertain and determine whether they are operating in conformity with the provisions of this Act, regulations, rules or directives made thereunder and to charge the costs incurred in carrying out such inspections from the market institution or a market intermediary or a registered person or a trustee of a collective investment scheme as the case may be;
- (b) require market institutions or market intermediaries to file with the Commission, audited financial statements and the interim financial statements, certified by a qualified auditor in the form and manner specified by the Commission; and
- (c) require the licensed managing company of a collective investment scheme to file reports with the Commission, in respect of every year and at least two reports of the activities of that collective investment scheme for that year. Every such report shall contain such particulars as may from time to time be determined by the Commission. The first report shall be filed not later than the thirtieth of September of that year and the second report shall be filed not later than the thirty-first of March of the subsequent year.

18. The Chairman of the Commission may authorise any officer of the Commission who is an Attorney-at-Law or any officer of the Attorney-General's Department to appear on behalf of the Commission in any legal proceedings by or against the Commission or in any proceedings in which the Commission has a substantial interest.

Representation
of the
Commission in
legal
proceedings

CHAPTER 4

DIRECTOR-GENERAL AND THE STAFF OF THE COMMISSION

Director-General **19.** (1) The Minister shall on the recommendation of the Commission, appoint a Director-General of the Commission, who shall be its chief executive officer. The conditions of employment including remuneration of the Director-General shall be determined by the Commission.

(2) The Commission shall not recommend the appointment of any person as the Director-General of the Commission, if such person-

- (a) has been previously found guilty of serious misconduct by a court or tribunal or has been subject to a disciplinary action by a regulatory body;
- (b) has been previously dismissed from office; or
- (c) has committed a breach of the provisions of this Act, regulations, rules or directives made thereunder.

(3) The Director-General shall, subject to the general direction and control of the Commission, be charged with the direction of the affairs and transactions of the Commission, the exercise, discharge and performance of its powers, functions and duties, and the administration and control of the officers and servants of the Commission.

(4) The Director-General may, with the approval of the Commission, whenever he considers it necessary to do so, delegate to any officer and servant any power, function or duty conferred or imposed on or assigned to him by this Act and such officer or servant shall exercise, discharge and perform such power, function or duty subject to the general or special directions of the Director-General.