

(3) An application by such person for registration under this Chapter shall provide documents to prove that the arrangements are made by such platform for the clearance and settlement of the trades executed on the platform to the satisfaction of the Commission.

CHAPTER 2

ROLE OF A RECOGNISED MARKET OPERATOR

120. The functions and duties of a recognised market operator shall be-

Functions and
duties of a
recognized
market operator

- (a) to provide a platform for the sale and purchase of unlisted securities in Sri Lanka;
- (b) to provide information relating to unlisted securities in Sri Lanka to the local and international financial community;
- (c) to provide criteria for admission and regulatory standards of its trading members;
- (d) to comply with any directive issued by the Commission, whether of a general or specific nature; and
- (e) to provide such assistance to the Commission, or to a person acting on behalf of or with the authority of the Commission, as the Commission or such person reasonably requires.

121. Any person buying and selling securities on a platform shall execute their orders through trading members admitted by the platform.

Trading on a
platform

122. The Commission may make rules or require the market operator to make rules subject to the approval of the Commission -

Rules to be
made by the
Commission or
the market
operator

- (a) to determine the type of unlisted securities that can be traded on a platform;
- (b) to determine the type of issuers who can report trades to a platform;
- (c) to determine the type of investors that may trade on the platform;
- (d) to determine the type of trading members that may trade on the platform;
- (e) for the admission of trading members on the platform;
- (f) to determine the level of disclosures required to be made by the platform; and
- (g) to determine the standard of business conduct in the sale or purchase of unlisted securities.

Cancellation of
registration

123. (1) Subject to subsection (3), where the Commission is satisfied that it is appropriate to do so in the interest of the investors or for the maintenance of an orderly and fair market, the Commission may, by notice in writing, cancel the registration of a recognised market operator with effect from a date that is specified in the notice.

(2) The grounds for the cancellation of the registration shall be stated in the notice referred to in subsection (1).

(3) Notwithstanding the cancellation under subsection (1), the Commission may permit the person to continue on or after the date on which the cancellation is to take effect, to carry on such activities affected by the cancellation as the Commission may specify in the notice for the purpose of –

- (a) closing down the operations of the recognised market operator to which the cancellation relates;
or
- (b) protecting the interest of the investors.

(4) Where the Commission has granted permission to a person under subsection (3), such person shall not, by reason of its carrying on the activities in accordance with the permission, be regarded as having contravened any provision of this Act.

(5) The Commission shall not exercise its power under subsection (1) in relation to a recognised market operator unless it has given the recognised market operator an opportunity of being heard.

(6) Any cancellation of registration made under this section shall not operate so as to –

- (a) avoid or affect any agreement, transaction or arrangement entered into by the recognised market operator whether the agreement, transaction or arrangement was entered into before or where subsection (3) applies, after the cancellation of the registration under subsection (1); or
- (b) affect any right, obligation or liability arising under such agreement, transaction or arrangement.

124. (1) The Commission may from time to time review the performance of a recognised market operator under this Part.

Review of the performance of a recognised market operator

(2) The Commission may have regard to the following when reviewing the status of the recognised market operator:-

- (a) the systemic risk inherent in a platform;
- (b) the public interest;
- (c) the size and structure of the platform;
- (d) the class of unlisted securities traded on the platform; and
- (e) the nature of the investors and the participants using the platform.

(3) The Commission shall not exercise its powers under subsection (1) without giving the recognised market operator an opportunity of being heard.

Application of
the provisions of
the Act to
unlisted
securities

125. The rules relating to unlisted securities applicable to such trading platform made by the Commission or the recognised market operator under this Part shall prevail over any other rules relating to unlisted securities.

PART V

Market Misconduct

Object and
purpose of this
Part

126. The object and purpose of this Part shall be to facilitate for the deterrence and the taking of enforcement action against –

- (a) all types of market manipulation including false trading, market rigging and securities fraud; and
- (b) insider trading,

with a view to establishing a fair, orderly and transparent securities market.

Application of
this Part

127. This Part shall apply unless specified otherwise therein-

- (a) in respect of securities-
 - (i) to acts or omissions occurring within Sri Lanka in relation to securities of any listed public company or any unlisted company that has made a public offer of securities in accordance with section 80 which is established or is carrying on business within or outside Sri Lanka;
 - (ii) to acts or omissions occurring outside Sri Lanka in relation to securities of any listed public