



**PUBLIC CONSULTATION PAPER**

**PROPOSAL TO AMEND THE LISTING RULES OF THE COLOMBO  
STOCK EXCHANGE  
TO RELAX THE APPLICATION OF THE MINIMUM PUBLIC HOLDING  
REQUIREMENT FOR COMPANIES LISTING VIA INTRODUCTIONS  
AT THE POINT OF LISTING**

**JUNE 2025**

## **1.0 BACKGROUND**

Listing on a stock exchange is a pivotal milestone for companies, offering a gateway to a host of benefits, including raising capital, unlocking value, heightened visibility, and enhanced credibility. This process not only facilitates growth of a company but also instills investor confidence due to adherence to regulatory standards by such company.

A diverse array of listings enrich the market's vibrancy and competitiveness, fostering economic development and reinforcing the integrity of the financial ecosystem. Hence, the Colombo Stock Exchange (CSE) encourages listings via various methods, including listing via Introductions.

However, during the recent past, the CSE has observed a significant decline in the number of equity listings on the CSE via Introductions, with only 07 such equity listings taking place from 2013 to date. The last equity listing via an Introduction on the Main Board or the Diri Savi Board took place way back in 2020.

The CSE has observed that the main reason for this decline was due to inability of the prospective applicant companies to comply with the applicable Minimum Public Holding (MPH) requirement at the point of listing the company, in terms of the present Listing Rules of CSE. Various stakeholders have expressed their concerns on the prevailing regulatory framework, which imposes restrictions on companies seeking listings via Introduction, especially with regard to the MPH requirement, thereby preventing them from venturing to list on the CSE.

Therefore, with the objective of encouraging listings on the CSE, especially via Introductions, which is rarely utilized at the moment, the CSE is of the view that an alternative mechanism should be implemented for companies which intend to be listed on the CSE via Introductions, specifically relating to compliance with the MPH requirement, at the point of listing the company.

## **2.0 LIMITATIONS IN THE PRESENT REGULATORY FRAMEWORK**

Companies to be listed on the CSE are subject to specific MPH requirements as stipulated in the CSE Listing Rules, including a lock-in of shares introduced in 2013. Several Investment Banks have highlighted to the CSE that potential Issuers face difficulties in complying with the applicable MPH requirement specified by the CSE at the point of listing the company via Introductions, thereby deterring such Issuers from applying for listings on the CSE.

## **3.0 PROPOSED REVISIONS TO THE PRESENT REGULATORY FRAMEWORK**

In consideration of the above, the CSE intends to propose revisions to the existing regulatory framework set out in the Listing Rules, by incorporating certain relaxations with regard to complying with the MPH requirement at the point of listing the company. The same is proposed with the objective of encouraging listings especially on the Main Board and the Diri Savi Board of the CSE based on a "Phased-Out Compliance" approach which allows a company to be listed on the CSE without meeting the MPH requirement on the date of listing, provided that such company complies with the said requirement within a period of eighteen (18) months, on a staggered basis, subsequent to listing on the CSE.

The said approach, coupled with effective monitoring and enforcement mechanisms to evaluate the progress and ensure compliance with the applicable regulatory criteria, seeks to

encourage listings on the Main Board and Diri Savi Board of the CSE by way of Introductions, with the objective of promoting inclusivity, improving market liquidity and efficiency whilst ensuring investor protection.

The said Phased-Out Compliance approach is as below;

Objective of the Proposed Method:

To relax the **MPH** compliance burden at the time of listing the company via **Introduction** on the **Main Board** and **Diri Savi Board**.

Key Relaxations Proposed:

- **MPH Requirement at the point of listing:**
  - Companies applying via Introduction **need not meet the MPH requirement at the point of listing.**
  - These companies will be **granted a period of eighteen (18) months from the date of listing** on the CSE to achieve full compliance with the MPH requirement.
  - However, such companies will be required to **meet all the other listing criteria** as stipulated in **Section 2 of the CSE Listing Rules** at the point of listing.
- **Enforcement:**
  - The CSE will establish **effective enforcement mechanisms** to ensure compliance with the MPH requirement during the post-listing period.
  - **Enforcement measures** will be imposed on the company in the event of failure to comply with the MPH requirement within the given timeframe.
- **Exemption from Lock-in Rule (Rule 2.1.1(f)):**
  - The CSE proposes to **waive the lock-in period** applicable to Non-Public shareholders of companies **who have held their shares for a minimum period of eighteen (18) months** immediately preceding the date of submission of the Initial Listing Application(ILA) in the event of a listing via Introduction if the company is unable to meet MPH requirement at the point of listing.
  - This would result in the **removal of trading restrictions** on existing Non-Public shareholders to facilitate post-listing MPH compliance.
- **Shareholder Retention Requirement:**
  - Despite the lock-in exemption, the existing Non-Public shareholders must **retain at least 30% of their respective shareholding.**

- They **cannot divest** their shares below this threshold until the company becomes **fully compliant with the MPH requirement or for a period of 24 months from the date of listing, whichever comes first.**
- **Exemption from Rule 2.1.2.A.(ii)(c):**
  - Applicant entities will also be **exempt from the rule** requiring that **not more than 50% of public shares** shall be held by the **three largest public shareholders** at the time of listing the company.

Implementation Mechanism:

**A) At the Point of Listing the company**

- Non-Public shareholders who held their shares for at least 18 months prior to the date of the ILA may sell their shares immediately upon listing of the company for the purpose of complying with the MPH requirement within the time periods specified below, provided that 30% of their respective shareholding be retained until the company becomes fully compliant with the MPH requirement, or for a period of 24 months from the date of listing, whichever comes first.

**B) Within Six (6) Months from the date of Listing**

- The company must comply with at least **50%** of the applicable MPH requirement set out in Rules 2.1.2.A.(i) (c) or 2.1.2.A.(ii) (c).
- In the event of non-compliance with the 50% MPH requirement upon completion of six (6) months from listing, the CSE shall impose a fine on the Listed Entity, until compliance of the said 50% is achieved.

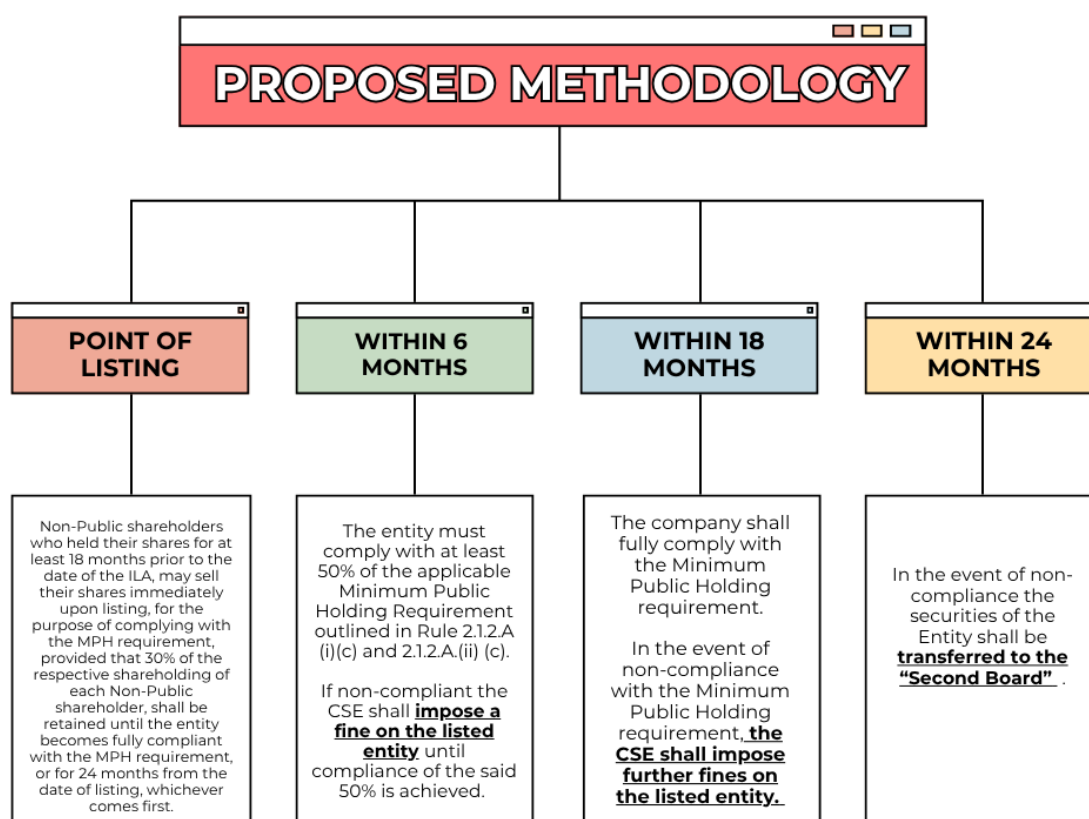
**C) Within Eighteen (18) Months from the date of Listing**

- The company shall fully comply with the MPH requirement.
- In the event of non-compliance with the MPH requirement upon completion of eighteen (18) months from listing, the CSE shall impose further fines on the Listed Entity.

**D) Within Twenty Four (24) Months from Listing**

- If the Listed Entity is unable to comply with the MPH requirement, the securities of the Listed Entity shall be transferred to the “Second Board”.

The above timeline is graphically illustrated below:



#### 4.0 Procedure for Submission of Comments

The CSE invites comments from the public, in writing, on or before 27<sup>th</sup> June 2025, addressed to the **Chief Regulatory Officer** of the CSE, in any of the following methods;

By Registered Post:

Chief Regulatory Officer  
Colombo Stock Exchange  
#04-01, West Block, World Trade Center,  
Echelon Square,  
Colombo 01

By E-mail: [ListingRules@cse.lk](mailto:ListingRules@cse.lk)

Kindly note that the proposed amendments to the existing regulatory framework contained in this Consultation Paper are not final and conclusive, and may change subsequent to the comments received by the CSE pursuant to the public consultation and further deliberations with internal and external parties. Further, the comments received from the public in this regard will be shared with relevant internal parties and the Securities and Exchange Commission of Sri Lanka, for the purpose of further enhancing the proposed amendments to the Listing Rules contained herein.