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01st May 2020

**To: Chief Executive Officers
Member Firms/Trading Members**

CIRCULAR NO: 01-05-2020

Dear Sir/Madam,

DIRECTIVE ISSUED UNDER AND IN TERMS OF SECTION 13 (C) OF THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA ACT NO.36 OF 1987 (AS AMENDED)

INDEX BASED CIRCUIT BREAKERS

Please find enclosed a copy of the Directive dated 30th April 2020 (SEC/DG/2020/04/08) issued by the Securities and Exchange Commission of Sri Lanka, the contents of which are self-explanatory.

Yours faithfully,



**Renuke Wijayawardhane
Chief Regulatory Officer**



30th April 2020

Ref: SEC/DG/2020/04/08

TO: THE COLOMBO STOCK EXCHANGE

DIRECTIVE ISSUED UNDER AND IN TERMS OF SECTION 13 (C) OF THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA ACT NO.36 OF 1987 (AS AMENDED)

INDEX BASED CIRCUIT BREAKERS

The Securities and Exchange Commission of Sri Lanka having taken in to consideration the prevailing market conditions has deemed it necessary to amend the current methodology pertaining to Index-Based Circuit Breakers by introducing a Three Tiered Circuit Breaker structure which is to be attached to the S&P SL20 Index.

Accordingly, a Three Tiered Circuit Breaker structure is hereby introduced in order to strengthen the capital market and ensure that precautionary measures are in place to eradicate distortion in the S&P SL20 Index by providing a layered approach as enumerated below;

Three Tiered Circuit Breaker Structure

- i. First Circuit Breaker –After commencement of trading of the Colombo Stock Exchange (CSE) for the day, a Market Halt to be imposed for 30 minutes in the event the S&P SL20 index drops by 5%.
- ii. Second Circuit Breaker – Having re-commenced trading after the cooling off period of 30 minutes following the S&P SL20 drop of 5%, if the S&P SL20 index drops again by another 2.5%, a Market Halt to be imposed for another 30 minutes.
- iii. Third Circuit Breaker - Upon re-commencing trading subsequent to cooling off period of 30 minutes following the S&P SL20 drop of 2.5% (altogether S&P SL20 has dropped by 7.5%) if the S&P SL20 index drops by a further 2.5% (S&P SL20 index has fallen altogether by 10% for the day), trading will be halted and the market shall be closed for the day.

The CSE is hereby directed to implement the aforementioned Three Tiered Circuit Breaker structure.

The aforesaid circuit breaker mechanism shall take effect from the date the market re-opens and shall remain in force until further notice notwithstanding anything to the contrary contained in the ATS or the CDS Rules of the CSE or any decision of the Board of Directors of the CSE that may have been taken in respect of market wide circuit breakers.

The CSE is further directed to inform all broker members and participants of the CDS forthwith of this directive.

Chinthaka Mendis
Director General