



Feature Interview

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Colombo:

An outlook from the Head of CSE's Clearing Arm Mr. Nalin Fonseka

The breakthrough for Central Depository Systems (Pvt) Limited (CDS) was made in 1991 when it was established by the Colombo Stock Exchange (CSE). 2016 marks a corporate milestone for the CDS, as it is the 25th year of operation since inception. In this in-depth interview, Mr. Nalin Fonseka, Head of CDS speaks on operations at the CDS and future plans.

Could you speak on the role and significance of the CDS over the years?

When first launched in 1991, CDS was the first depository in South Asia and among the first few depositories globally. We are to date the only depository for the shares of companies listed in the CSE and are licensed as a market intermediary and clearing house by the Securities and Exchange Commission of Sri Lanka (SEC).

It is a known fact that an efficient and dynamic depository contributes to a proficiently functioning capital market. In that regard, we have played a crucial role in the Sri Lankan capital market by minimizing risk, reducing costs, ensuring safety of investor assets and by providing value added services to investors. Over the years, we have evolved to meet the changing dynamics of the Sri Lankan capital market where we have embraced technology, built on our foreign relations and maintained focus on our stakeholders. We will continue this crucial role as the Sri Lankan capital market grows.

Can you comment on how the CDS has embraced technology to offer value to your stakeholders?

Expanding on value offered to our stakeholders by embracing innovation has continued to be a key objective of the CDS over the years.

In 2015, we launched the Settlement Schedule Digitization Solution DS3, which was an innovation entirely driven by CDS. This solution provides a mechanism to digitally sign settlement schedules using digital signatures embedded in a USB Crypto token which can be downloaded by the settlement banks through a web portal. Currently we are performing live operations through DS3 with three settlement banks.

In the perspective of our account holders, we recently launched SMS alerts and eStatements, adding a new dimension to information dissemination. The SMS alert service offers investors the ability to verify their account activities on a daily basis and this service will enhance the transparency in the order execution process of the stockbrokers. The CDS eStatement on the

other hand, offers account holders the ability to access their statements at the click of a button. These endeavors encourage investors to take an active role in the management of their investment portfolios and illustrate the value technology offers in the business that we are in.

We will continue to use technology to offer value and efficiency to the various stakeholders of the CDS, including brokering firms, CDS account holders, company secretaries, registrars of listed companies and various other parties that engage with us.

Elaborate on the importance of bridging the gap between investors and the CDS using eConnect

I believe that ease of connectivity always matters when offering value to customers. Bridging the gap between investors and the CDS has long been an objective of ours, and the CDS eConnect facility will play an important role in that regard.

eConnect will take accessing of CDS account transaction details to a new level because of the accessibility through personal computers, Tablet PCs or Mobile devices. We will be able to enhance client security, offer convenience and create immediate awareness on changes to the CDS account details through this service. Especially from the perspective of the foreign investors, this would provide a platform for them to verify both their account information and portfolio information, which simplifies the process to a large extent.

You mentioned that the CDS was the first depository of South Asia. Speak about your partnerships and presence at a regional level.

Our history and credentials built over the years offers us the leverage to actively contribute in the international stage. Being an active member of the Asia-Pacific Central Securities Depository Group (ACG), which is an association of securities depositories and clearing organizations in the Asia-Pacific region is one such key partnership. On the other hand, the MOU signed with National Securities Depository (Pvt) Ltd of India (NSDL) in May 2015 is another linkage through which we hope to achieve operational benefits.

Hosting the 17th ACG Cross Training Seminar in Sri Lanka in 2015 and being recognized for our innovative approach to depository operations at the 18th ACG Cross Training Seminar held in Ho Cho Minh City Vietnam this year, I could say, were a couple of highlights for the CDS in recent times.

One of the initiatives presented by our Head of Operations who participated at 18th ACG Conference was the e-Dividend concept which is an initiative of the e-Payment arm of the CDS. This was highly commended by the member depositories of the ACG for being an innovative product aimed at serving both foreign and local investors. Some member depositories were even so keen to study the concept further because of its potential to fast-track the current dividend payment process, making life easy for foreign investors, fund managers, and custodians.

Interaction and collaboration fostered through regional affiliations help us in ensuring that our current operational model corresponds to internationally accepted practices followed by other Asia-Pacific counterparts, which is an important part of the CSE's bid to develop into a truly world-class exchange.

What other process improvements are you looking at?

Upon the successful implementation of the state-of-the-art depository system, CDS is currently working on a project to upgrade the investor account opening process. This initiative will decentralize the account opening process and enable broker firms to open client accounts from their offices without sending the documents to the CDS. With this de-centralization, both investors and brokering firms can enjoy more flexibility. This will also bring the CDS to be in-par with other depositories in the region.

We have also taken steps to expedite the process of opening accounts for Foreign Funds, as the CSE makes a conscious effort to increase foreign investor participation in the Sri Lankan capital market. We have worked under the guidance of the Securities and Exchange Commission of Sri Lanka (SEC) when implementing this improvement. Foreign applicants (Funds) can now open CDS accounts within a period of two market days upon the submission of the relevant documents.

Are you looking at expanding the services offered through the CDS going forward?

As I mentioned earlier, the improvements we make in future will be strictly stakeholder focused and will be in-line with the vision of the CSE. We are looking at introducing a fully-fledged E-IPO system. This system will facilitate inward and outward payments from investors efficiently and will offer other benefits such as facilitation of allotments for different categories of investors. The overall IPO handling process would be short cycled with the implementation of the E-IPO system. E-Voting is another new project which is underway and has been planned to be implemented during this year. This system will address the problems faced by investors who are unable to attend and vote in more than one meeting held by listed companies on the same day.

All-in-all, I believe that we are well placed to provide a full range of post trade services to meet the evolving needs of our stakeholders while maintaining a strong focus on operational efficiency. Our intention is to drive continued growth in the Sri Lankan capital market through the provision of world-class custody and settlement services.



Mr. Nalin Fonseka – Head of Central Depository Systems (Pvt) Limited (CDS)

About CSE

The Colombo Stock Exchange (CSE) operates the only stock 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 21 Trading Members. All Members and Trading Members are licensed by the SEC to operate as Stockbrokers. For more information, please visit: www.cse.lk.

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