



Media Release

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Colombo:

CSE and SEC invite family businesses to achieve new heights through a stock market listing

The Colombo Stock Exchange (CSE) in association with the Securities and Exchange Commission of Sri Lanka (SEC) recently engaged the family business community in Sri Lanka through the inaugural Issuer Forum for 2021 hosted on the theme 'Founder to Family - Leveraging Going Public', at the Shangri-La Hotel Colombo. The event was organized to highlight how a Family Business can take advantage of going public while ensuring the Family retains control and continues to guide the vision of the business and to address the misconceptions regarding listing which deter businesses from exploring an Initial Public Offering.

Globally, companies access public markets for varying reasons including, diversification of funding options in order to lower bank credit exposure, funding for growth, attracting strategic investors who believe in the company growth story, strengthening management and corporate governance structures and to ensure survivability post-founding generation.

The Chairman of the Securities and Exchange Commission Mr. Viraj Dayaratne shared his perspectives and stated "One of our objectives is to increase liquidity of the market. There are many misconceptions in the market. One is that listing process is cumbersome, that it takes time and also that it can be very expensive. But it is not cumbersome or expensive as many would perceive. It is one of the best options to raise capital. And that is why we want businesses to come to the capital market and make use of the opportunities. Government has created a healthy environment. The last budget proposal has given many tax incentives which are open until the end of the year. So it is the best time to come and list your company."

Speaking during the event, Mr. Dumith Fernando the Chairman of CSE noted "It's an interesting juncture in our equity markets and in our capital markets with an environment that has become much more conducive to more companies accessing capital markets. We thought now is the right time to start speaking to companies, especially family-owned businesses about the types of benefits, the types of processes and the types of multigenerational value that you could get from being listed on the Stock Exchange. With family Businesses, One of the most important things that listing can do for you is strengthening your governance and creating a legacy where your company can withstand various issues that might come as a private company."

The Forum drew an encouraging response from the family business community and was attended by over 70 representatives of prominent family businesses in Sri Lanka. The content discussed at the event included sessions on how best to structure an IPO, the preparatory process for a Family business prior to an IPO and Wealth Management for Family Businesses, as well as Regulatory benefits and tax advantages post IPO, which will help in balancing the Family's needs as well as those of future stakeholders.

Mr. Deshan Pushparajah Managing Director, Global Markets and Investment Banking at CAL added his insight on taking family businesses public stating “When you think of it as a family business, it is important to take a view from a strategic perspective which is right for the family. In that perspective, the critical thing to think about is the longevity of the business. Only 3 to 4 percent of family businesses make it beyond the 3rd generation. So when you approach a listing what should be considered is that what is right to ensure the continuation of the business. One of the biggest objections to listing is losing control. In essence control is being able to direct the future of the company and that could be achieved in many different forms such as having a private trust, multiple classes of shares, brand ownership and other options.”

Dr. Naveen Gunawardane Managing Director at Lynear Wealth shared his insight on creating a governance structure for family matters prior to an IPO and aspects of family wealth management. He mentioned when managing wealth “We see a lot of people make the mistake of taking a piece meal approach. So the key thing to think about here is that you need to institutionalize a process in which you actually make your investments and manage your wealth. Ultimately a business needs to place a governance structure in place. And with such a structure your investment portfolio starts to diversify with time, which in parallel provides you with better risk management. Ninety percent of family wealth is lost by the 3rd generation and an IPO is a fantastic way for you to ensure longevity of your family business.”

Mr. Jithendran Gajendran, Partner at GAJMA & Co spoke to a few misconceptions associated with listing including the perception of increased regulation, financial disclosures, loss of control and the perception of high costs adding “Listing is viewed as expensive [with costs associated with] tax consultants, brokers, PR agencies and auditors. But the truth is, it is not like that, when you go through the process you realize you save money – might be tax, cost optimization or for other reasons. Listing also helps you in transitioning from generation to generation by professionalizing the business in a speed that will allow you to get the benefits.”

The program also featured an interactive panel segment where Mr. Manil Jayesinghe SEC Commission Member, Mr. Chinthaka Mendis Director General SEC, Mr. Renuke Wijayawardhane CSE Chief Regulatory Officer and Mr. Purasisi Jinadasa the Head of Origination and Issuer Relations at the CSE joined the discussion. They covered key considerations for family businesses that are interested in going public and addressed the questions raised by members of the audience.

Mr. Manil Jayesinghe SEC Commission Member shared the SEC perspective on how the Commission enables efficiency and protection as opposed to the myths surrounding the rules created to ensure safety of the parties involved in the Capital Market. He elaborated on how the capital market benefits business owners as it provides credibility and a debt free capital acquisition to grow.

Mr. Chinthaka Mendis Director General SEC commented on how SEC stands to facilitate listing while ensuring confidence for the issuers and investors to approach the market, market operator and the market mechanics and thereby unleash the full potential of the wealth of all the parties.

Offering insight on the CSE view Mr. Renuke Wijayawardhane CSE Chief Regulatory Officer discussed how CSE has liberalized the listing framework, listing boards and listing options in consideration of the changing market dynamics. He further highlighted how CSE over a period has been quite flexible and amenable to the market dynamics by explaining diverse approaches they have initiated in order to improve the regulatory framework.

The CSE as part of its Issuer Relations activities will continue to directly reach out to companies regarding providing clarity on the listing process, the associated benefits and why a listing is an ideal opportunity to consider given the current business context. Companies interested in engaging CSE to find out more information regarding listing are invited to contact Purasisi at purasisi@cse.lk or on + 94 112356402.

Photographs



The Chairman of the Securities and Exchange Commission Mr. Viraj Dayaratne



Mr. Dumith Fernando the Chairman of CSE



Mr. Rajeeva Bandaranaike the CEO of CSE



Mr. Deshan Pushparajah Managing Director, Global Markets and Investment Banking at CAL



Dr. Naveen Gunawardane Managing Director at Lyneer Wealth



Mr. Jithendran Gajendran, Partner at GAJMA & Co



Panel Discussion and Q&A Session

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 15 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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