



Media Release

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Colombo:

IPO Basis of Allotment for Public Comments

The Colombo Stock Exchange (CSE) is in the process of revisiting the listing rules governing the basis of allotment of shares in an IPO to ensure greater transparency and fairness in allotting shares to applicant subscribers by prospective issuers.

In this regard, the CSE has formulated a revised regulatory framework to be adopted by prospective issuers when allocating shares offered under an IPO.

Present Rule 2.1.1 (g) of the Listing Rules of the CSE sets out the manner in which shares of IPOs should be allotted to certain categories of investors. The CSE is in the process of revising same to ensure greater transparency and fairness in the share allocation amongst applicant subscribers by the Issuers.

The revised regulatory framework to be adopted in respect of the basis of allotment in an IPO is enumerated and such revised regulatory framework strives to address the following aspects:

- Where the value of the IPO is less than Rs. 3 billion, expanding the definition of 'retail individual investors' to accommodate investors applying for a value of Rs. Two Hundred and Fifty Thousand (Rs. 250,000/-). This would increase the number of applicant subscribers, who would be classified as 'retail individual investors' and thereby be eligible for the mandatory allotment of 40% of the shares of the IPO under the said category.
- Where the value of the IPO is above Rs. 3 billion, specifying a minimum percentage of shares that could be made available to the retail individual investors and to define 'retail individual investors' as those investors who would apply shares in the IPO for a value of Rs. Five Hundred Thousand (Rs. 500,000/-).
- Requiring the Issuer to identify the categories/types of investors who would be considered by the Issuer as 'strategic investors' and receiving shares of the IPO on a preferential basis.

- Where the value of the IPO is less than Rs. 3 billion, specifying a maximum percentage of shares that could be made available to such 'strategic investors'.
- Specifying a maximum percentage (%) of shares that could be made available to employees in any IPO.

This would ensure that no undue advantage is offered to the such 'strategic investors' or employees of the Issuer over and above the investing public at large.

- To introduce a requirement to lock-in of the shares allotted to all persons on a preferential basis.
- Mandating the disclosure of shares allotted to persons on preferential allotments.
- The allocation of shares to the unit trust category to be expanded to include any unit trust approved by the SEC.
- Where the value of the IPO is above Rs. 3 billion, specifying a minimum percentage (%) of shares that must be made available to the unit trust investor category.

The above proposed regulatory framework is now available on the website of the CSE (www.cse.lk) for public comments. The CSE invites the public to submit comments or opinions in writing on or before February 11, 2022.

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 13 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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