



Media Release

August 17, 2021

Colombo:

Implementation of Delivery Vs. Payment (DVP) mechanism at CSE

The introduction of Delivery Versus Payment (DVP) is the most meaningful change to the Colombo Stock Exchange (CSE) trading infrastructure in several decades. The CSE implemented the DVP Settlement mechanism as scheduled on 16th August 2021. The DVP mechanism was implemented pursuant to extensive testing and industry-wide mock runs being carried out over a period of 7 months, involving Broker Systems. The most recent mock run of the DVP trading environment was performed during the period 5th July to 11th August 2021 with the involvement of the CSE, Broker Systems vendors and stock brokerage firms resulted in a smooth operation of the market in the test environment. The CSE is pleased that its operating infrastructure and all market participants' trading systems have worked seamlessly during active market operations during the first two days of the DVP environment.

However, on Monday 16th August 2021, one external Broker System Vendor had technical difficulties connecting to the CSE's Trading System, resulting in a delay of pre-open session.

Today (Tuesday 17th August 2021), the CSE observed certain inconsistencies in the client securities balances of a particular Broker System Vendor. In order to provide additional time for Stockbroker Firms to verify their client securities balances, the Open Auction Call Session was extended up to 11.45 a.m. and Eventually, trading commenced at 11.45 a.m. today.

It should be noted that the CSE Systems were upgraded to facilitate DVP after extensive testing and the Broker level systems also underwent similar rigorous testing and several test runs. In addition, the current situation in the country in which many market participants are operating remotely, had no bearing on the issues experienced by Broker System vendors mentioned above.

The delay in the market opening on both days was to ensure that the two Broker level systems that had issues were duly rectified and this was the responsible course of action to ensure the functioning of a fair and orderly market. The decision was taken to ensure that all market participants and investors were given an opportunity to fully participate in the trading session, given the importance of the transition to the DVP environment.

The implementation of a DVP settlement mechanism is a result of a three-year long project and executed through a substantial amount of planning, hard work and resource allocation as a collaboration effort of all stakeholders; the CSE, SEC the Stock Broking community, Broker System Vendors and other market intermediaries. It is also an essential part of the CSE's roadmap to modernize and mitigate settlement risk while also enabling new products on the exchange. The Board of Directors of the CSE has already begun a thorough investigation into the technical difficulties experienced by the Broker Systems vendors and will take firm action to ensure there is no repeat of such incidents.

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 14 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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