

**Capital Markets Development Project**

PD ABD-625  
75253

# **PROJECT WORK PLAN**

**June 1, 1989 — July 31, 1992**

**Securities Council  
Colombo Stock Exchange**

**USAID/Sri Lanka  
August 1989**

**International Science and Technology Institute, Inc.  
Washington, DC**



SUMMARY TIMETABLE

CONTRACT YEAR 1

CONTRACT YEAR 2

CONTRACT YEAR 3

	1989		1990			1991		1992
	3Q	4Q	1Q	2Q	3/4Q	1/2Q	3/4Q	1/2Q
Supply/Demand Analysis for Securities	—————		—————				REVIEW -----	-----
Develop Capital Market		-----	-----	-----	-----	-----	-----	-----
Post Trade Automation	—————		—————	—————	—————	-----		
CSE Organisation Review, Committees and Staff	—————		-----					
Broad Public Awareness Campaign	—————		—————	—————	—————	—————	—————	-----
Securities Industry Training and Education	—————		—————	—————	—————	-----		
Distribution System Expansion	-----		-----	-----	-----	-----	-----	-----
Regulatory/Investor Confidence Building			—————	—————	—————	—————	—————	-----
Enforcement Capability			—————	—————	—————			-----
CSE/Broker Participation with Presidential Commission on Privatisation	-----		MONITORING, ADVICE AND COUNSEL			-----	-----	-----
Investor Protection/Compensation Fund	—————		-----					
Organisation of Securities Council Secretariat	—————		—————	—————	—————	-----	-----	-----
SC and CSE Office Automation and Equipment	—————		—————			—————		







POST TRADE AUTOMATION (CONTD..)

- o Develop system and operational implementation plan incl. documentation and staffing JK, Ernst & Whinney
- o Begin Government, Industry, staff Registrar and broker education/training program in conjunction with steering committee
- o Implement in pilot
- o Review results and develop and implement necessary corrections in systems and procedures, JK with Ernst & Whinney and CSE
- o Begin expansion from Pilot
- o Test for volume constraints JK & Ernst & Whinney
- o Formulate enhancements for 1992 1st., CSE and Steering Committee with possible assistance from ISTI

1989		1990				1991		1992	
3q	4q	1q	2q	3q	4q				
		ISTI/CSE							
		ISTI/CSE		Ongoing					
				ISTI/CSE					
						ISTI/S.Comm.			
								CSE/St.Com.	
			TEST CRITERIA				CSE		
								CSE	

5.

**REVIEW CSE ORGANISATION  
STRUCTURE INCLUDING  
SUB-COMMITTEES AND  
FUNCTION RESPONSIBILITIES**

Responsible Advisor -  
J. Kinnaman

Results of this work will enable  
the CSE to have a more compre-  
hensive operating structure  
capable of dealing with a  
broader market with enhanced  
regulation

- o Document Organisation
- o Determine CSE objectives with  
Chairman, Executive Committee,  
Manager, Consultant and  
Brokers
- o Identify functions that need to  
be added or changed
- o Review conclusions with CSE  
Executive Committee and  
Securities Council, JK, BW
- o Develop formal Recommenda-  
tions including committee(s)  
make up required job descrip-  
tions
- o Examine financing of CSE, JK
- o Present organisational and  
financial recommendations to  
executive committee
- o Executive Committee reviews  
with Securities Council as  
appropriate
- o Implement changes, CSE with  
SC and required
- o Review change impact for any  
adjustments

1989		1990				1991	1992
3Q	4Q	1Q	2Q	3Q	4Q		
	■						
	■						
	ISTI/CSE						
		■					
		■					
	■						
		■					
		ISTI/CSE					
		COMM. STAFF					
						■ CSE	
							■ CSE



**SECURITIES INDUSTRY  
TRAINING AND EDUCATION  
PROGRAM**

Responsibility - Joint  
ISTI - B.Warner and J.Kinnaman  
SC - L. Namasivayam  
CSE - R Peiris

Relates to the general objective  
of having market professionals  
in all sectors with a better  
understanding of securities  
industry operations thereby  
better able to support a broader  
Sri Lanka Capital Market

- o Review existing professional standards and awareness, eg. brokers, CSE staff, SC Secretariat, others as appropriate
- o Prepare training and needs plan
- o Review against programs sponsored by other agencies
- o Assess sources of training - education (in country or travel) for all categories
- o Identify candidates by type and name
- o Submit draft professional training plan to AID
- o Modify as required
- o Prepare appropriate travel plans for country external programs
- o Begin development of in-country training programs

1989		1990				1991	1992
3Q	4Q	1Q	2Q	3Q	4Q		
	X						
	X						
	X						
		ISTI/SC/CSE   ONGOING					
		ISTI/SC/CSE					
			X				
				TRAVEL			
				X	SEMINARS, ETC.		

X ISTI/SC/CSE

8.

**DEVELOPMENT OF EXPANDED  
SHARE DISTRIBUTION SYSTEM**

**Responsible Advisors -  
J. Kinnaman and B Warner**

**Output of this work may well  
dictate additional programs for  
1990, 1991 and 1992**

**Relates to overall contract  
objective to facilitate growth of  
capital markets, broader  
public equity participation in the  
economy and increased  
capital resources for investment  
in new and/or expanding  
business opportunities**

- o Review present distribution system (Sept-Oct 1989)
  - CSE, BW, JK, E&W
  - Focus on incentive commission structure for sale of securities in primary and secondary markets
  - Review Broker/Agent structure - Regional distribution
- o Preparation of Report and initial recommendations
  - BW, JK
- o Preparation of legal and regulatory actions in conjunction with outside counsel as required

1989		1990				1991	1992
3Q	4Q	1Q	2Q	3Q	4Q		
	[ ]						
	[ ]						
		[ ]					

5.

**REGULATORY/INVESTOR  
CONFIDENCE BUILDING**

Responsible Advisor -  
J. Kinnaman

Relate to the overall objective  
of having a growing capital  
market, but with specific relevance  
to the need to have an effective  
regulatory regime in Sri Lanka  
for the Capital Markets.

- o Review existing regulatory framework for investor protection against malfeasance or fraud
- o Review standards for Company reporting; quality and quantity JK with Institute of Chartered Accountants
- o Develop incentive scheme for Company Reporting/Disclosure
- o Establish monitoring and enforcement facility eg. SC or CSE for company compliance
- o Recommend investor complaint adjudication process, test the process and adjust as required
- o Recommend broker firm complaint - adjudication process in conjunction with CSE rules and SC oversight
- o Review the state of investor and regulatory protection from fraud, rule breaking and malfeasance
- o Review results of company reporting incentive scheme

1989		1990				1991	1992
3q	4q	1q	2q	3q	4q		
			IST1/SC				
				IST1/SC/CSE			
				IST1/SC/CSE			
				IST1/SC/CSE			
				IST1/CSE			
					SC/CSE		SC/CSE
						X	

X IST1/SC/CSE

10



**EXCHANGE/BROKER  
PARTICIPATION IN THE  
PRIVATIZATION PROGRAM**

Responsible Advisors -  
J. Kinnaman and  
B. Warner to monitor

Relates to contractual objectives  
of increased capital resources  
for investment

o Develop presentations to  
lobby the PCP and Government  
to obtain membership by CSE  
representative on a consulting  
basis by issue

o Determine candidates and  
qualifications

o Develop monitoring function for  
performance of privatized issues

X ISTI/SC/CSE

1989		1990				1991	1992	
3Q	4Q	1Q	2Q	3Q	4Q			
	SC/CSE							
	X							
	X	SC/CSE ONGOING						

**ESTABLISH AN INVESTOR PROTECTION/COMPENSATION FUND**

Responsible Advisor -  
B. Warner

SC - L. Namasivayam

Relates to the broad objective of having a sound operating regulatory agency with the ability to provide investor confidence in the capital market

o Review GSL plan for compensation fund including funding issues

ISTI/SC

o Review current efforts by ADB to implement a compensation fund

SC

o Review responsibility for development of rules and systems for proper operation of the fund

ISTI/SC

o Ensure fund meets emerging market requirements of GSL and is in keeping with FIBV and group of 30 approach

[Shaded box]

o Provide training to the SC as required for operation of the fund as trustee, eg. SIPC in US, SIB/TSA in UK, MAS in Singapore

ISTI/SC/MOF

1989		1990				1991	1992
3Q	4Q	1Q	2Q	3Q	4Q		
	ISTI/SC						
	SC						
	ISTI/SC						
	[Shaded box]						
	ISTI/SC/MOF						

6

**ORGANISATION OF THE  
SECURITIES COUNCIL  
SECRETARIAT**

Responsible Advisor -  
B. Warner

Relates to development of  
appropriate regulatory environ-  
ment and broad educational  
campaign.

- o Identify staffing needs  
(L. Namasivayam)
- o Training staff in consultation  
with USAID and ISTI  
- Study Tours
- o Office Equipment Procurement  
(J. Kinnaman - 1989)  
(B. Warner - 1991)

1989		1990				1991	1992
3Q	4Q	1Q	2Q	3Q	4Q		
	SC		ISTI/SC				
	■					■	

146

**SECURITIES COUNCIL AND  
COLOMBO SECURITIES  
EXCHANGE - OFFICE  
EQUIPMENT**

Responsible Advisor -  
J. Kinnaman - 1989/90  
B. Warner - 1991/92

Relates to an overall objective  
to provide computer and office  
equipment sufficient to have  
modern operating environments  
in both the SC and CSE to  
support a growing capital  
market.

- o Review immediate office automation, production, communication and meeting requirements for each organisation
- o Review USAID procurement procedure and prepare waiver requests if necessary
- o Prepare initial RFQs as required and order directly as appropriate for agreed purchases
- o Review RFQ responses, select and order
- o Obtain SC and CSE agreement
- o Accept delivery, ensure proper installation and training of user staff
- o Review subsequent office equipment requirements, repeat above as agreed with SC, CSE and USAID

1989		1990				1991	1992
3Q	4Q	1Q	2Q	3Q	4Q		
	<input checked="" type="checkbox"/>						
	<input checked="" type="checkbox"/> ISTI/USAID						
	<input checked="" type="checkbox"/>						
	<input checked="" type="checkbox"/>						
	<input type="checkbox"/> X						
	<input checked="" type="checkbox"/>						
		<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>	

X ISTI/SC/CSE

15