

Sri Lankan Stock Market

Today & Future

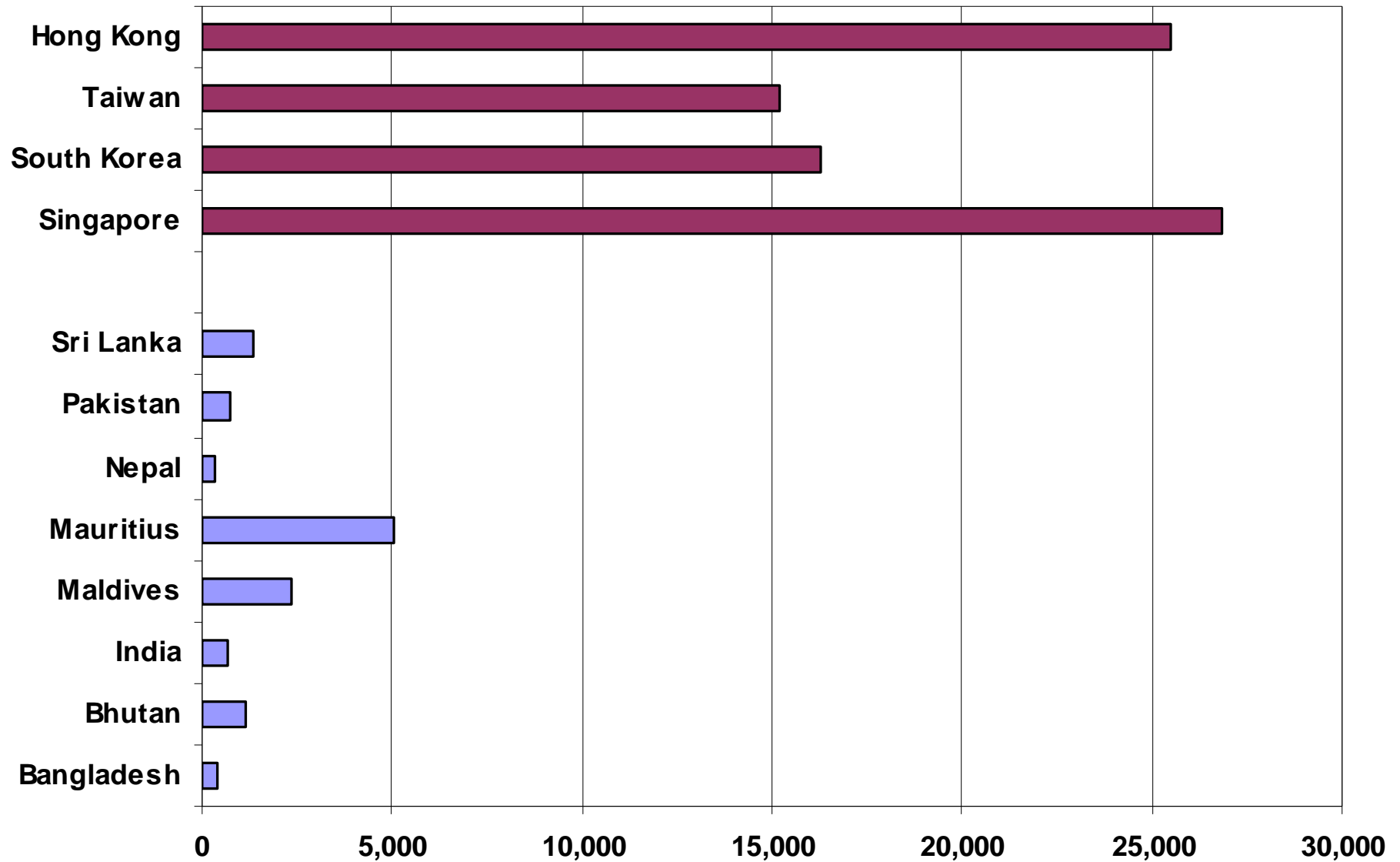
Channa De Silva

Director General, Securities and Exchange Commission of Sri Lanka

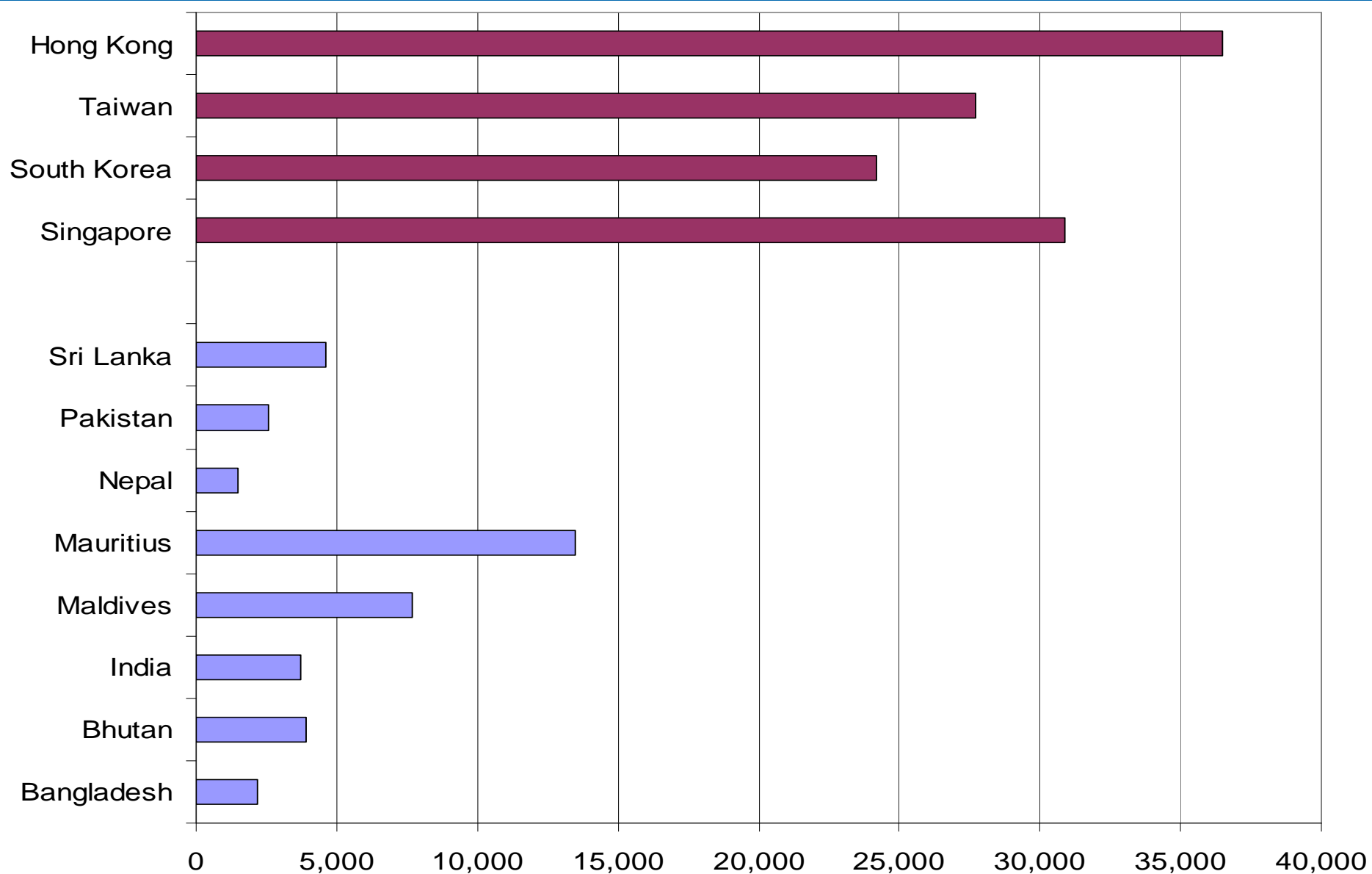


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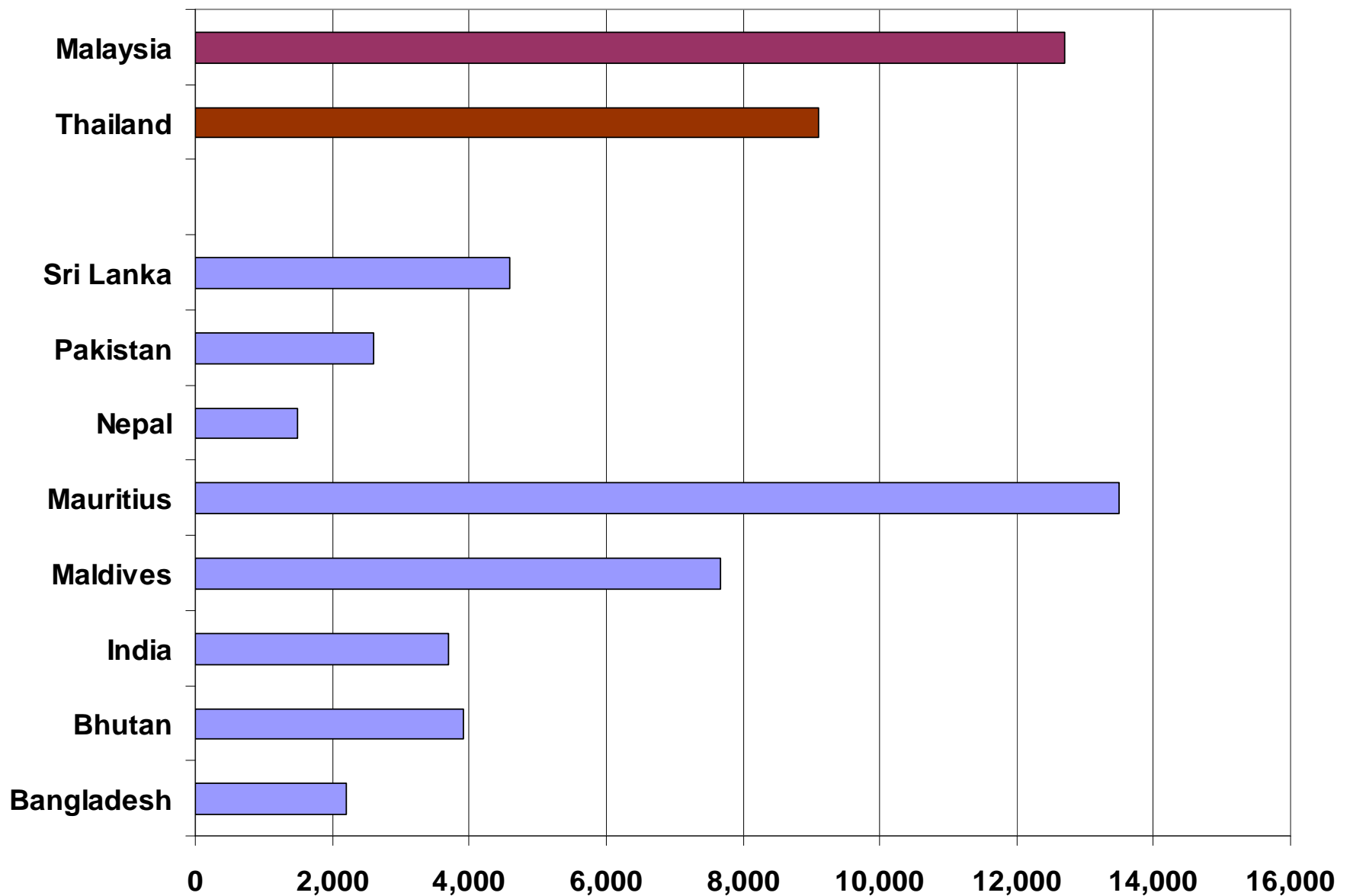
GDP (nominal) \$ per capita: 2006



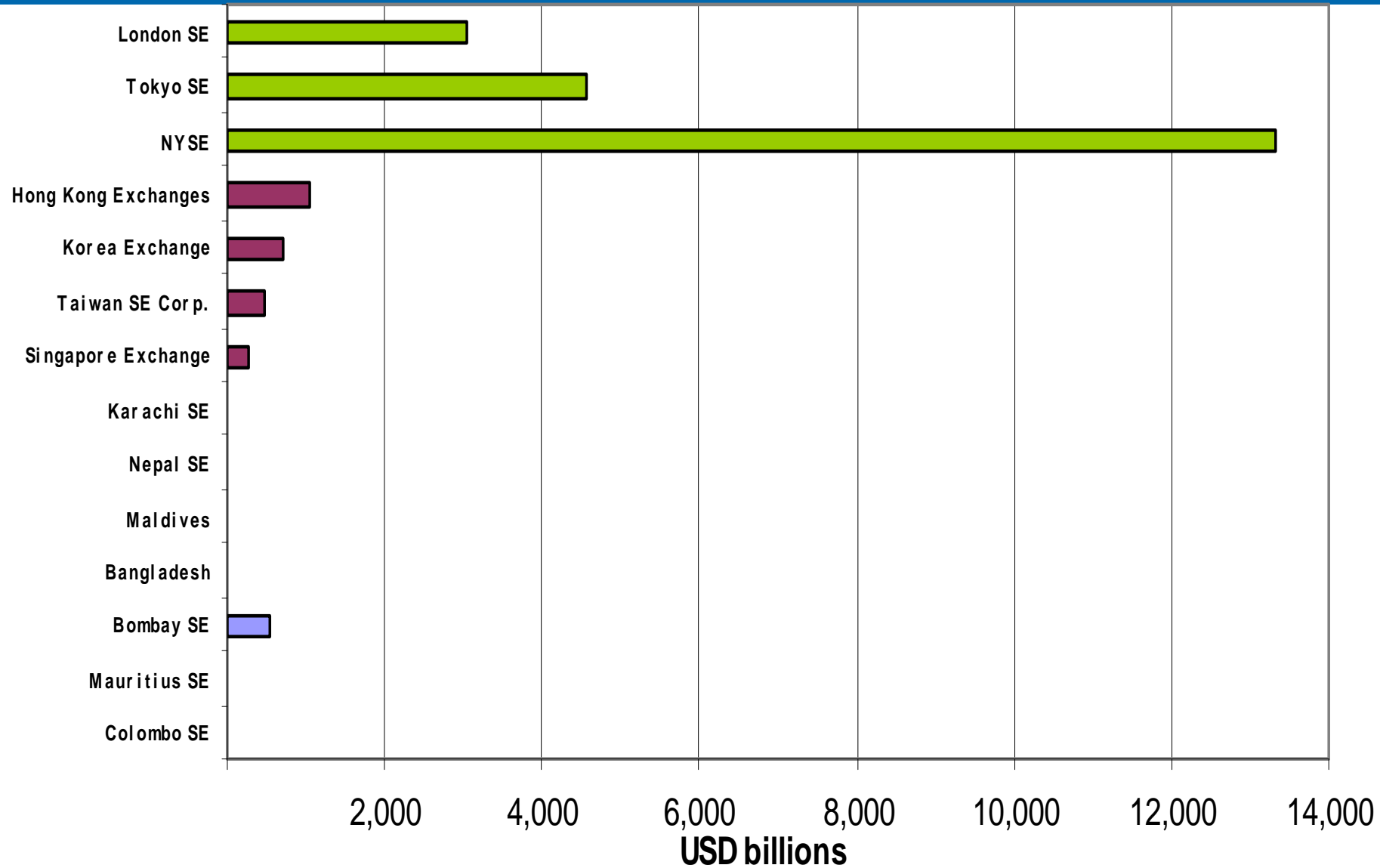
GDP (PPP) \$ per capita: 2006



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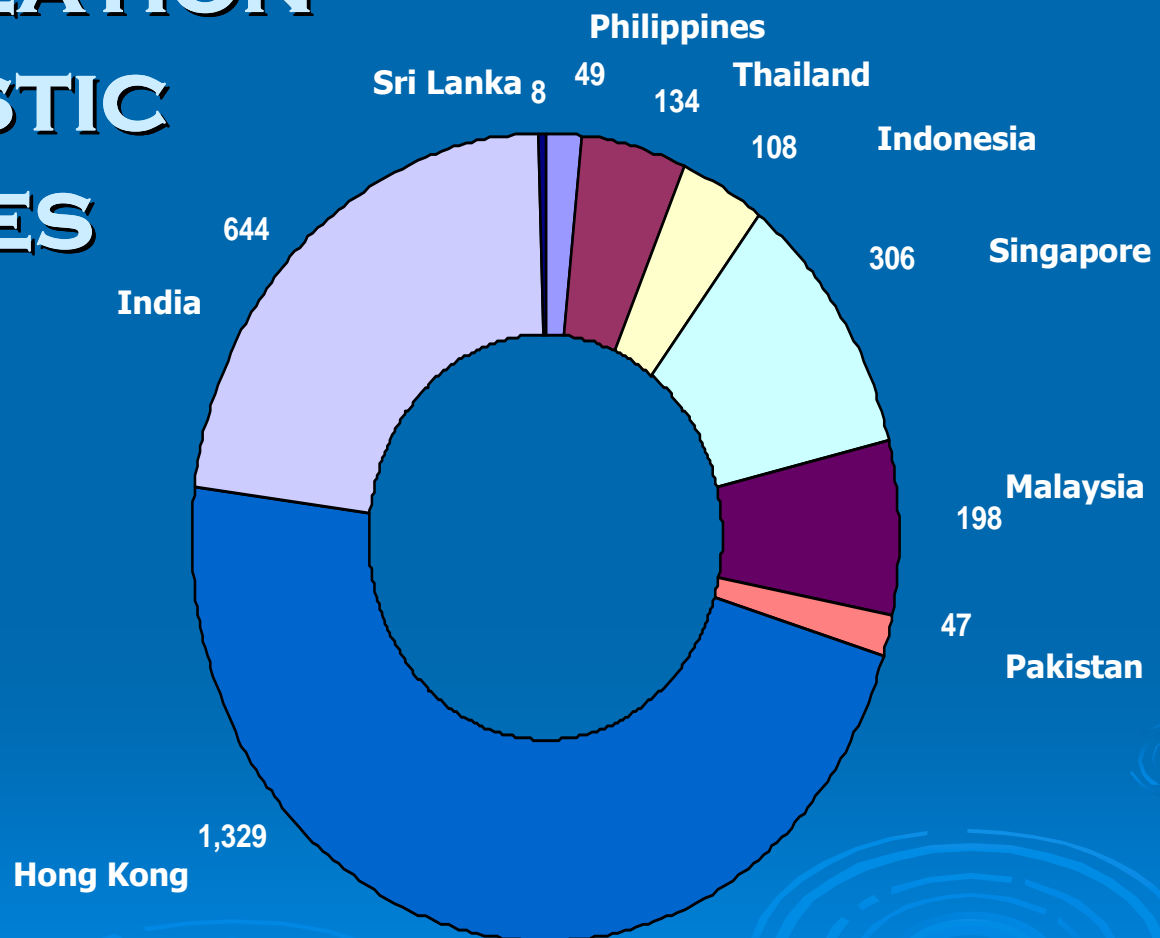


Market Capitalization: 2006



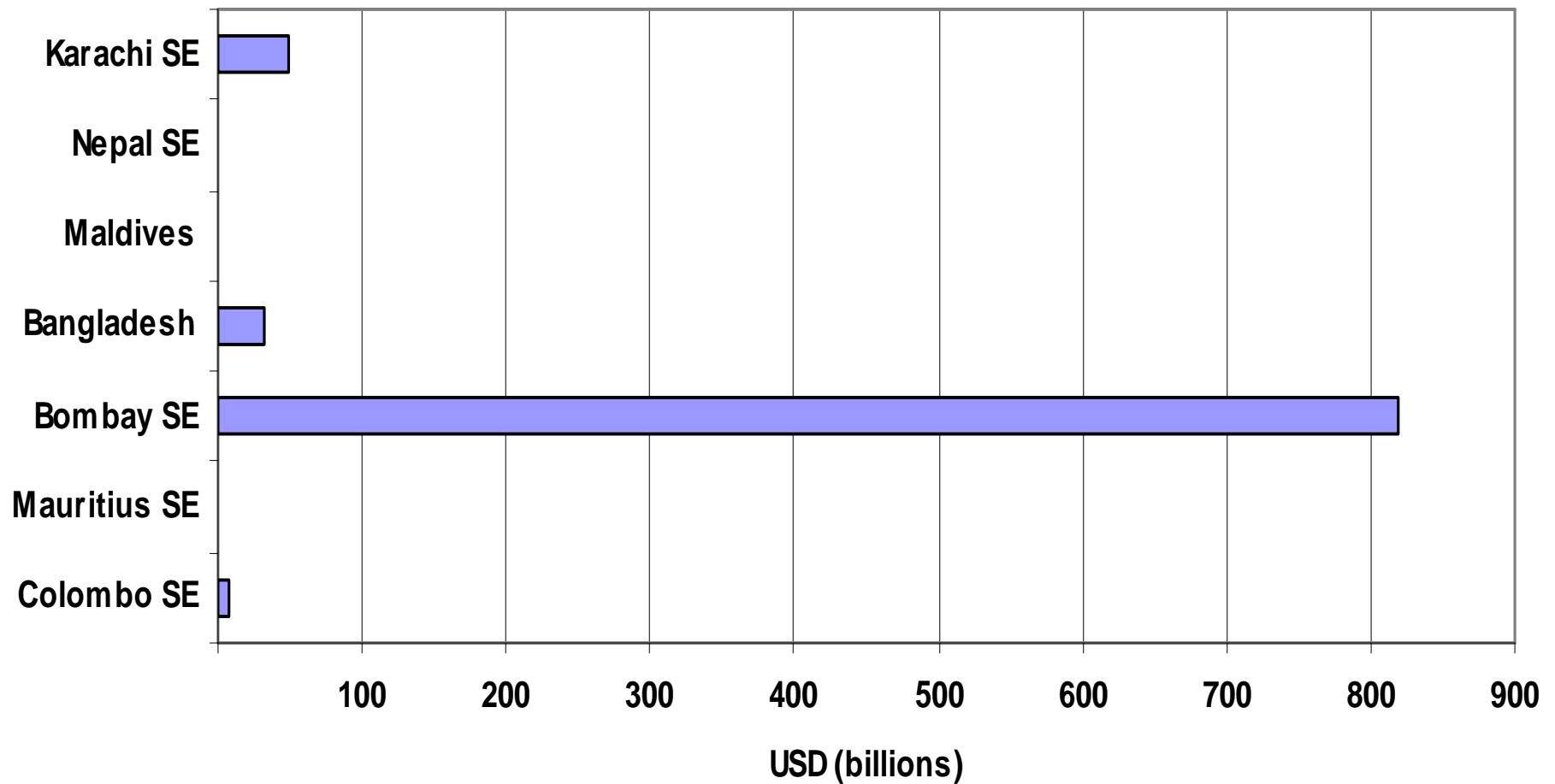
MARKET CAPITALIZATION OF DOMESTIC COMPANIES (2006)

US \$ Bn

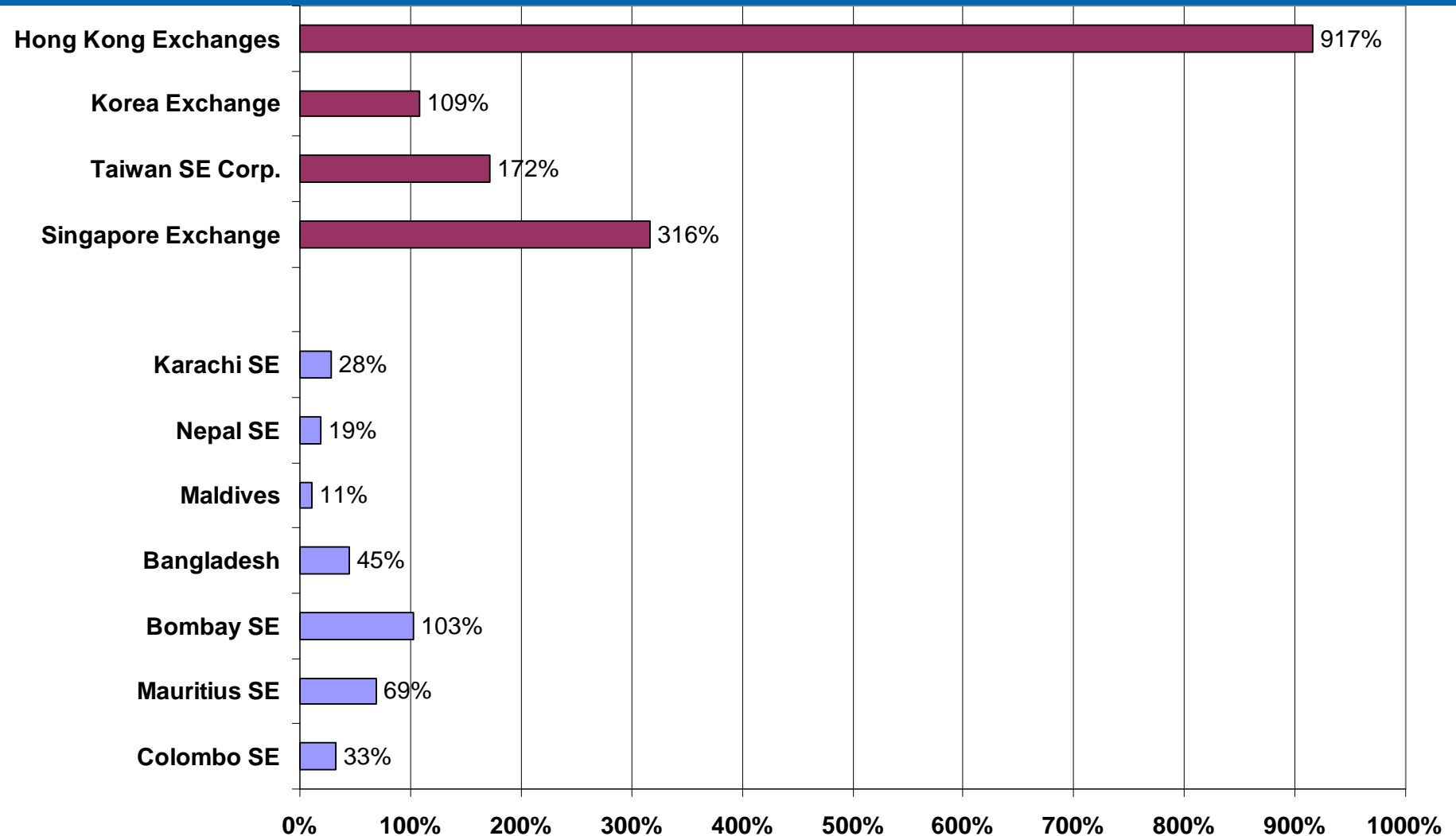


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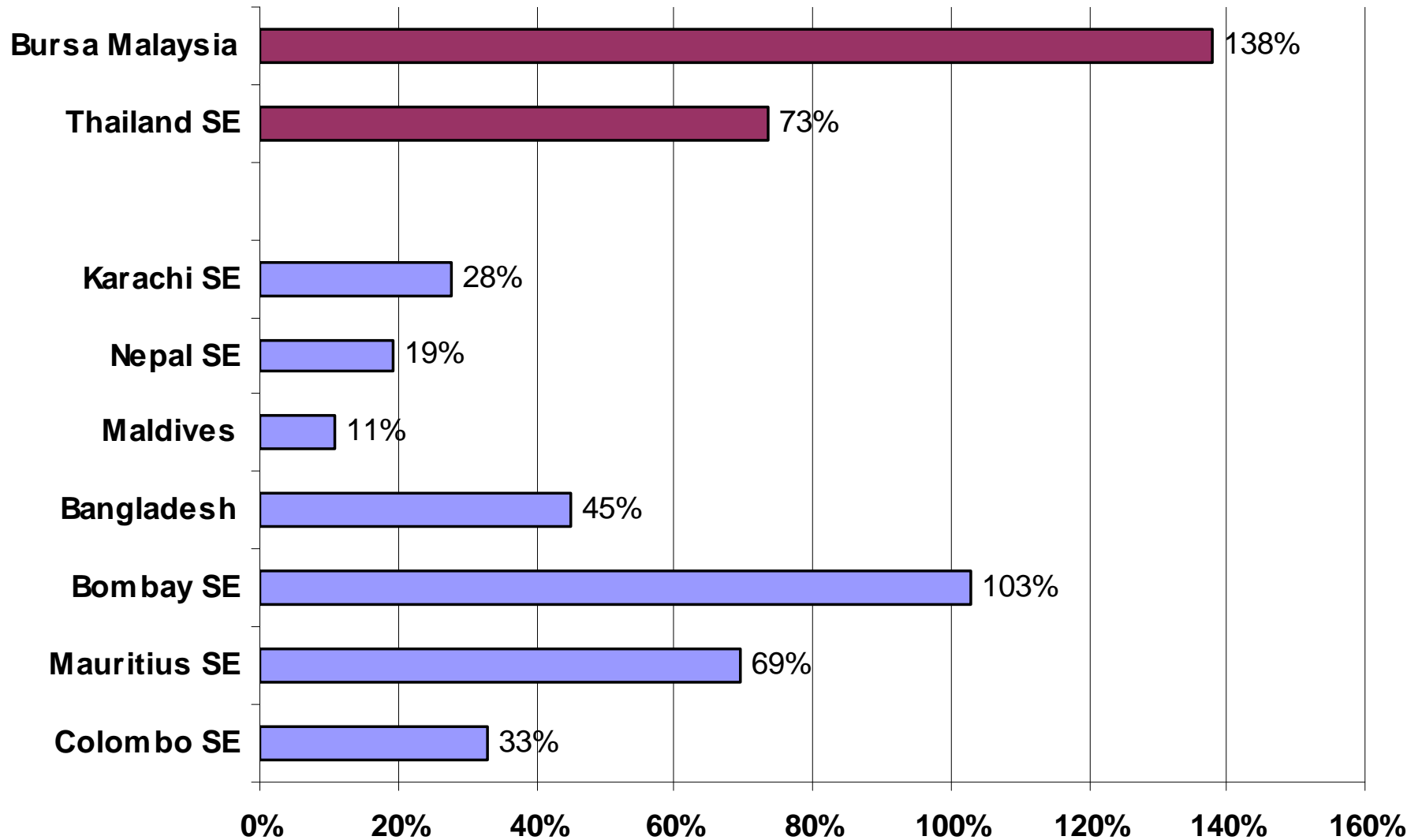
Market Capitalization (SAFE members): 2006



Market Capitalization to GDP: 2006

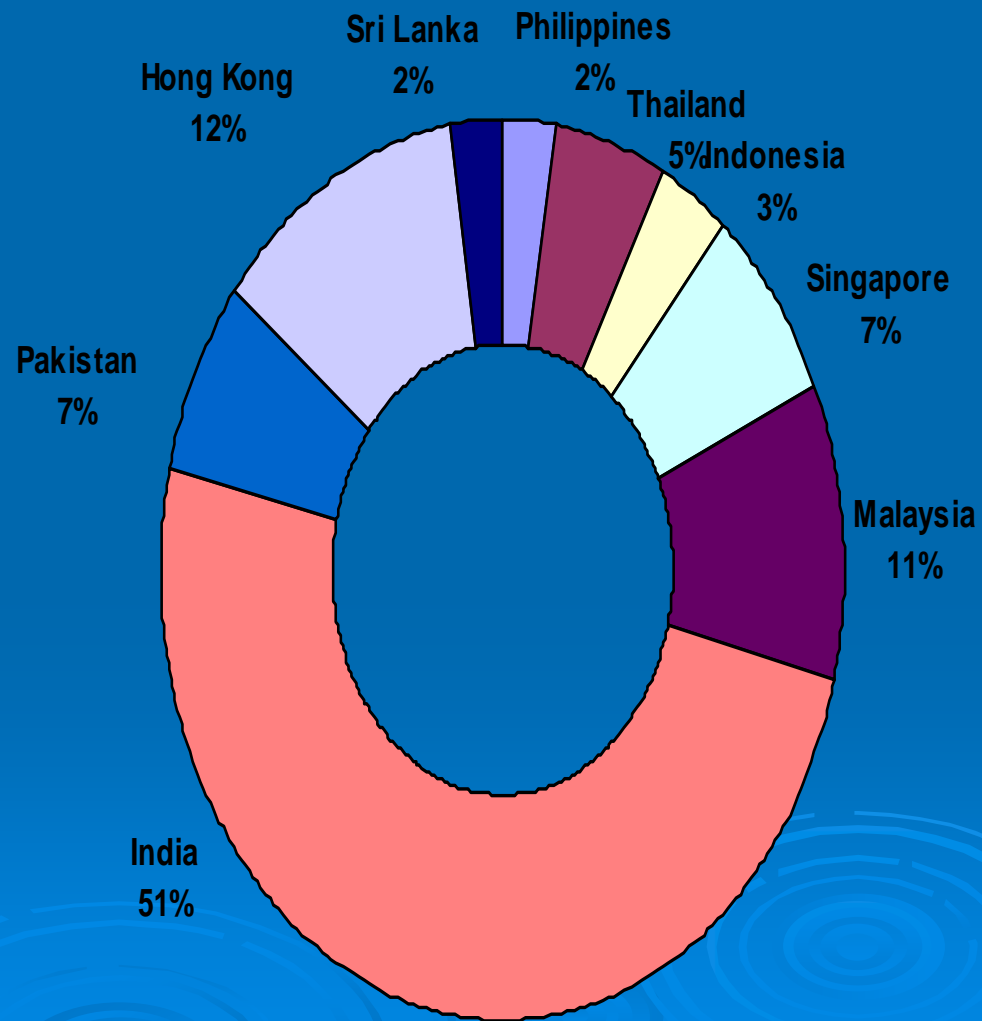


Market Capitalization to GDP: 2006



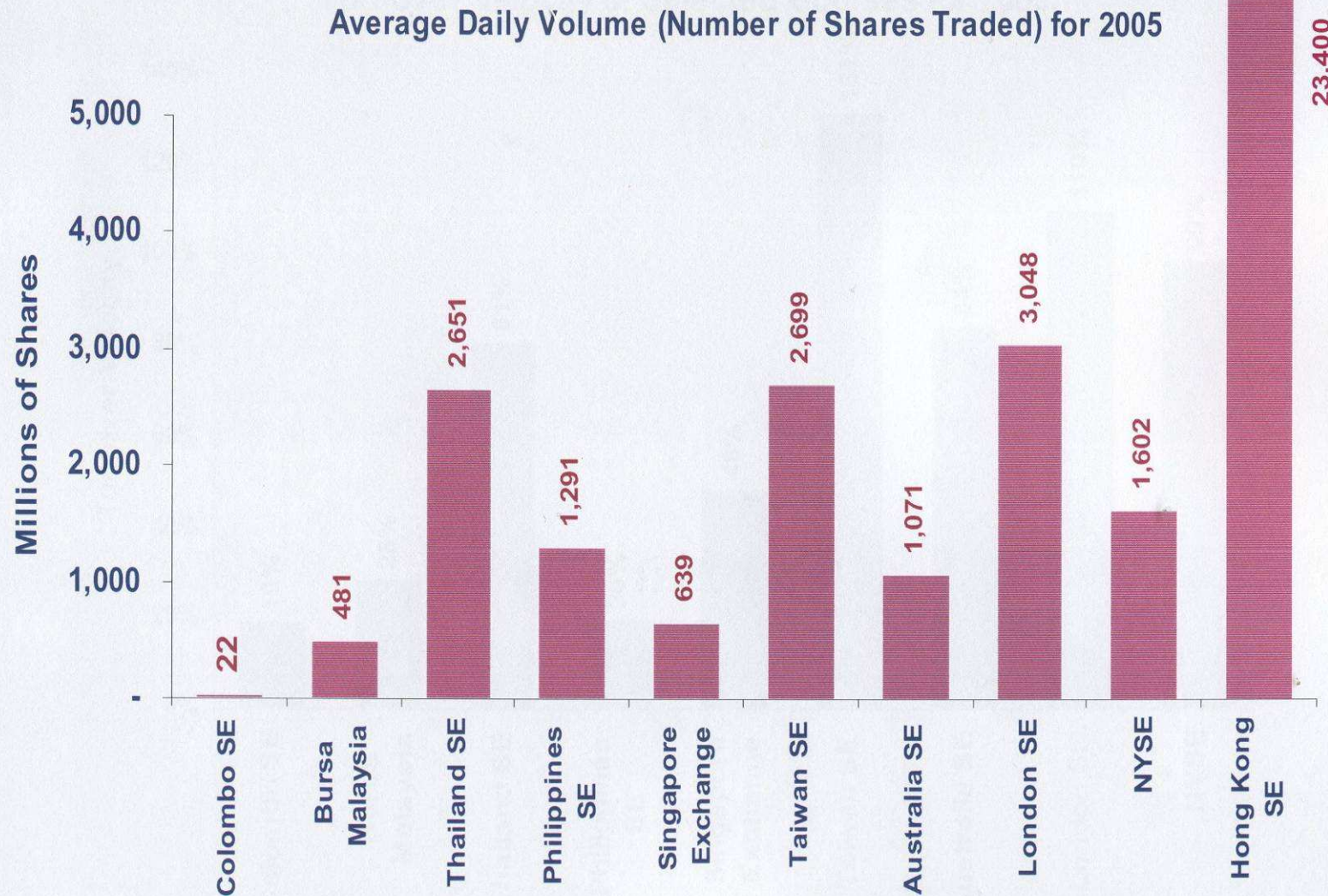
NUMBER OF LISTED COMPANIES (2006)

SL	237
Malaysia	1025
Thailand	518



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The average daily volume of the CSE is low compared to selected bourses in 2005.

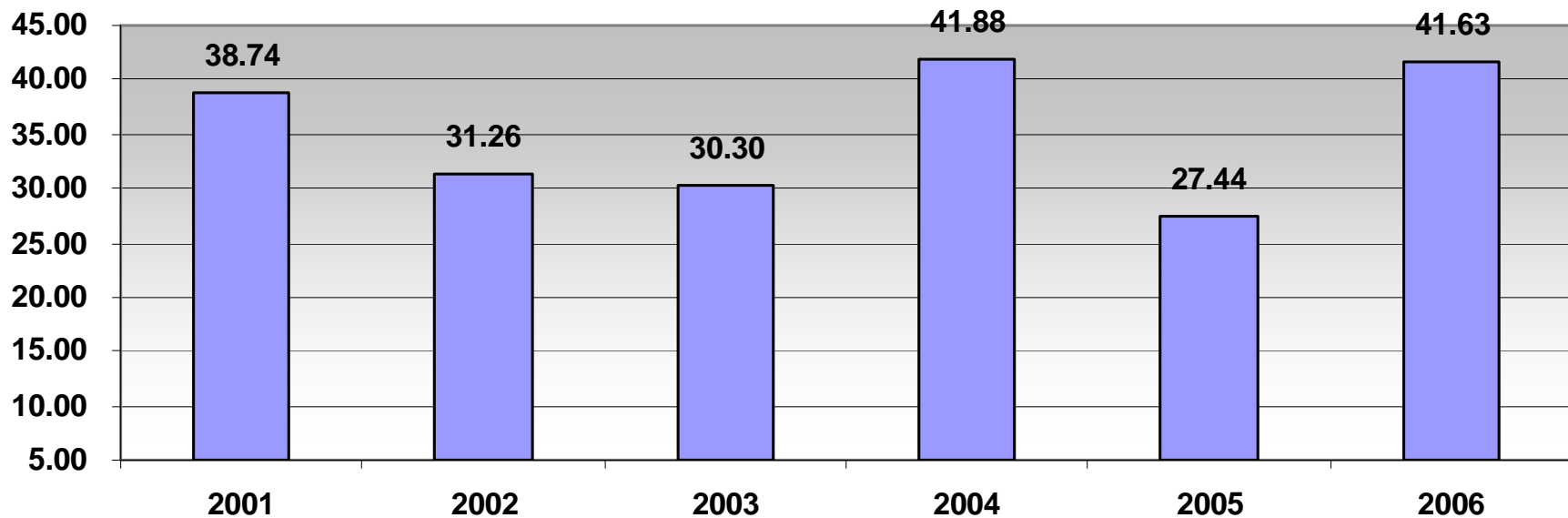


Ratio of capital market size to banking sector assets (2004)



Performance of the market indices

Annual Growth Rates in the ASPI



Recent Performance of the Colombo Stock Exchange

Year	2006	2005	2004	2003	2002
All Share Price Index Return	41.6	27.6	41.9	30.3	31.2
Annual Turnover – Equity(Rs Mn)	105,153	114,599	59,052	73,837	30,183
Market Capitalization (Rs Bn)	834.7	584	382.1	262.8	162.6
Market PER year end (times)	13.9	12.4	10.8	11.1	12.1
Companies Listed (no)	237	239	242	244	238



The Strategic role of the Capital market

“A developing economy if it is to progress, needs a fast expanding capital market. Such a market plays an essential role in the financial and economic sophistication of the country, without which only limited growth is possible”

Dr. Mahathir Mohamad



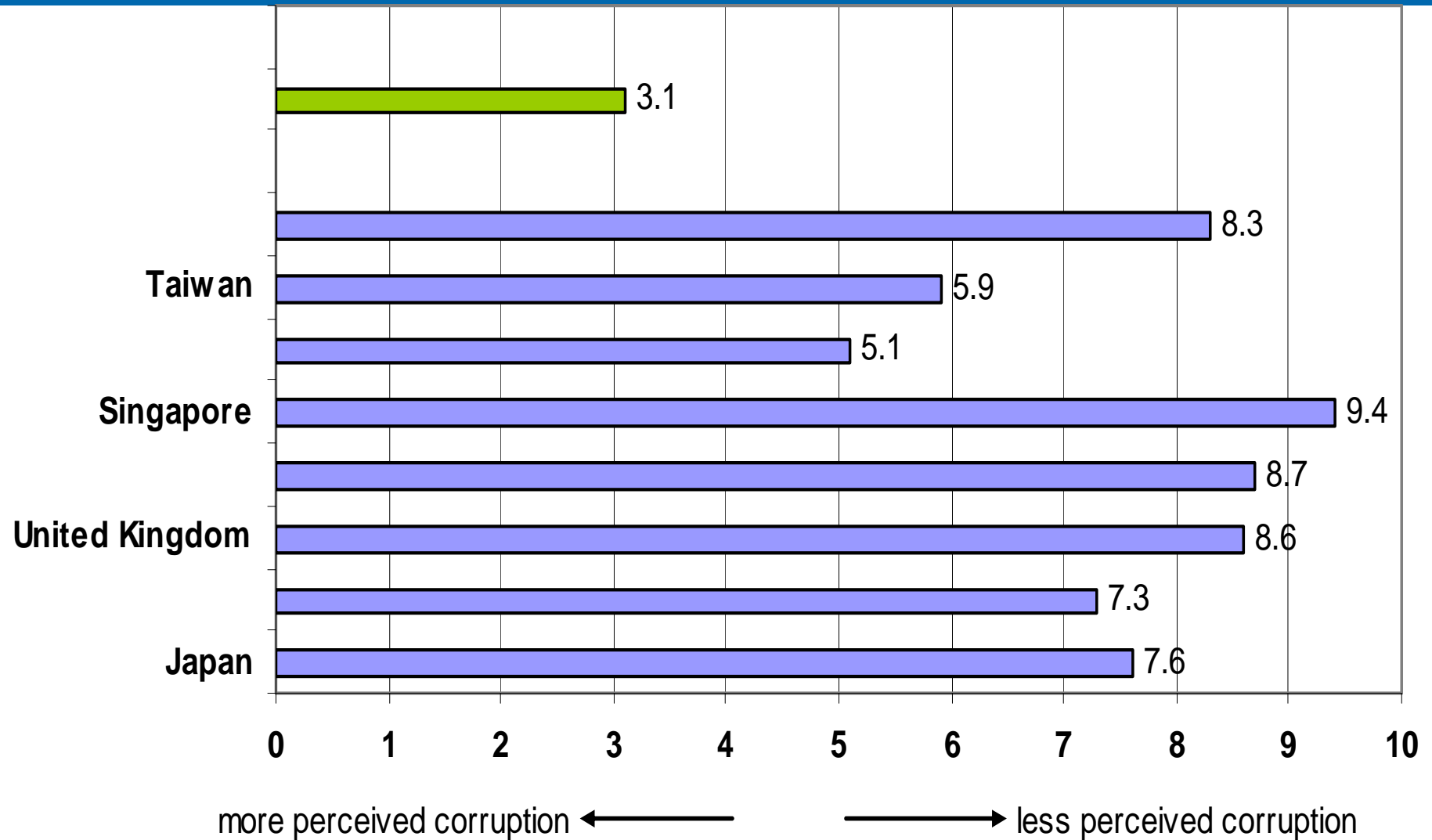
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Importance of the Capital Market

- SL heavily dependent on the banking sector
- Banking sector provides mostly debt finance
- Capital markets provide an alternative lower cost source of finance to complement bank finance
- Caters to match investors' risk appetite
- Enables companies to grow, increase visibility and profile, and realize its market value



Transparency International Corruption Perception Index 2006



Vision of the Sri Lankan Capital Market

By 2010, the Sri Lankan Capital Market will be:

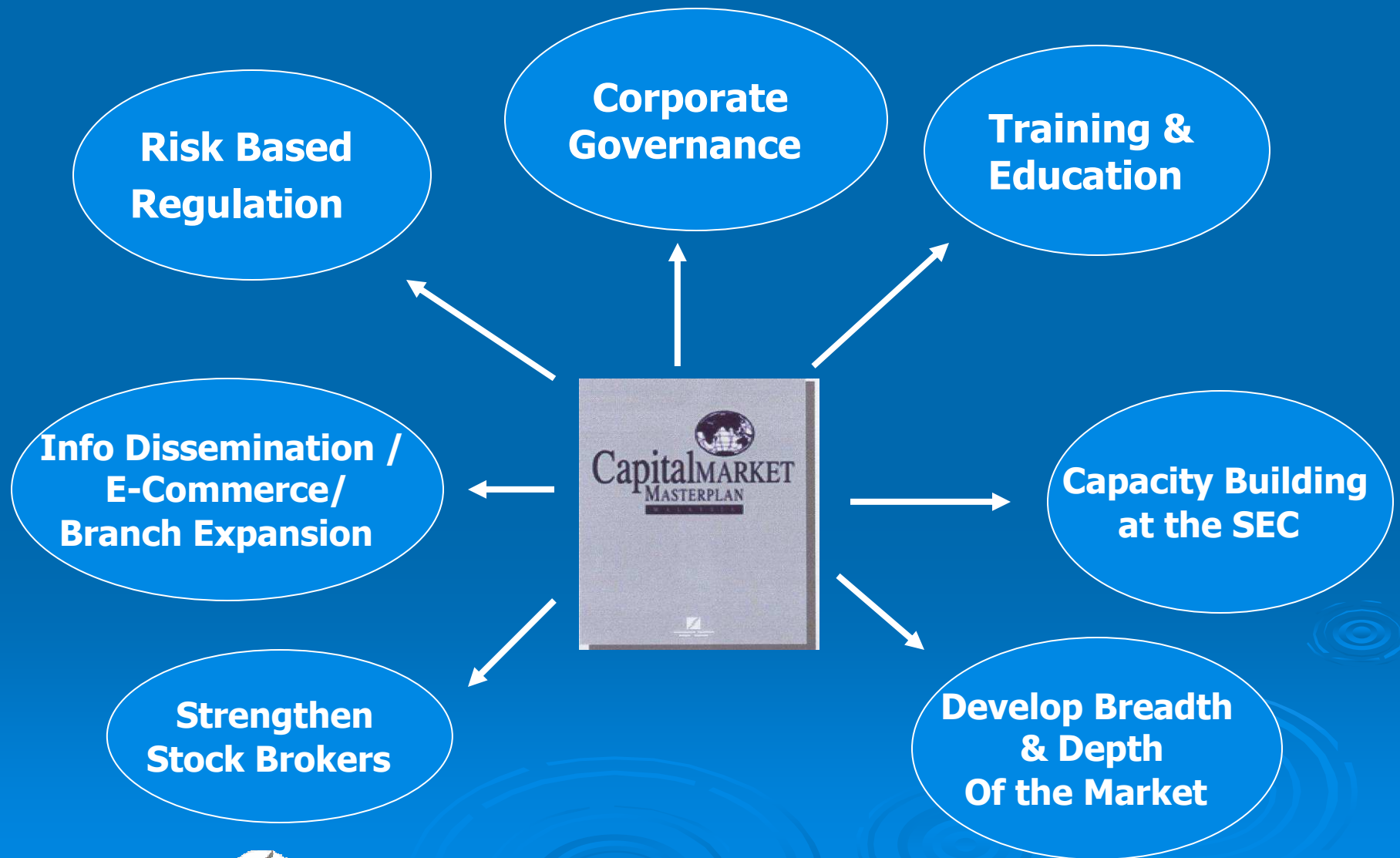
An Engine of growth to facilitate economic development

- A viable alternative source of funds
- A liquid and vibrant market



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A wide range of initiatives actively in progress.



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Corporate Governance

- Non Executive Directors
- Independent Directors
- Remuneration Committee
- Audit Committee
- Disclosures on Directors



Training & Education

➤ Setting up of FSA

➤ Training

- Clusters of Investors
- Diploma in Capital Market
- Specialized Programs
- Program for Directors



Capacity Building at SEC

- Cadre to be Increased
- Specialization
- Intense Focus
- Program Office



Key Recommendations of the Capital Market Master Plan

- Groom 10-20 large corporate to list on the CSE
- Sri Lanka Inc. approach, and get the SOE to list
- National Equity Corporation
- Participation of rural savers
- Infrastructure projects through the market
- Securitization
- Capital Market Institute
- Integration of regional markets
- Enhancement of Corporate Governance



Future Developments

- Emergence of New Industries
- Emergence of New Entities
- Cross border Listings
- Regionalization
- Commodity Exchanges
- Derivatives Markets
- Active Bond Markets



Future Developments

- Strong Capital Market
- Significant local participation
- Flow of International funds
- Emergence of complex instruments
- Emergence of Fund Managers



Challenges to the Future

- To maintain the sanity of the market
- To take challenging decisions
- Dynamism and proactive approach
- The support of the Government and the public



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