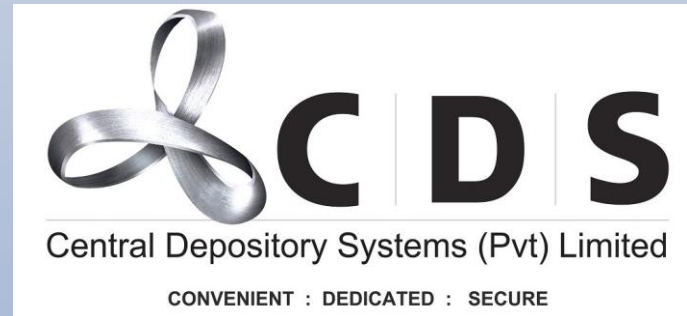
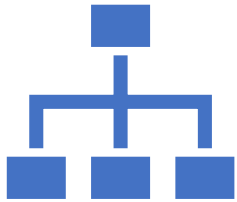


# **New Risks arising from Pandemic Situation in the CSDs Industry Sri Lankan Market**

## **The Mitigation Strategy**



# CONTENT



Business Continuity  
Policy.



Identified Risks.



Mitigation Strategy.

# BUSINESS CONTINUITY POLICY

## **Business Continuity Management System (BCMS)**

### **ISO 22301**

This was adopted by the Colombo Stock Exchange (CSE) the 100% owned parent company of the Central Depository Systems (Pvt) Limited in 2013. Since then, the company reviewed its BCMS on an annual basis with obtaining the services of a recognized consultancy firm.

## **CRISIS MANAGEMENT TEAM (CMT)**

CMT is assigned with the responsibility of making decisions when a disruption happens. The CMT comprises of senior management committee of the Colombo Stock Exchange headed by CEO of CSE and Head of CDS is also a member of this team.

## **What did we focus on as risks till 2020 March**

- Location.
- People.
- Systems.

# RISKS IDENTIFIED: PANDEMIC

## Pre-Lockdown Situation

On 27<sup>th</sup> January 2020 the Sri Lanka recorded its first case of Covid19 when a tourist was found to be positive. The CMT and senior management having looked at the situation in other Asian countries took steps to be ready for a possible lockdown. On 11<sup>th</sup> March 2020 the second Covid positive case was recorded and this time it was a citizen.

## OPERATIONAL RISK

This was the major concern when on 20<sup>th</sup> March 2021 the entire country was locked down in haste. Since 11<sup>th</sup> of March 2020 Sri Lanka found more positive cases and the most effective solution was for the government to lockdown the country immediately in order to stop the spread. However, the operations came to a halt due to the entire country had to go through a hard lockdown which was termed as a Quarantine Curfew. On 11<sup>th</sup> May 2020 the Sri Lankan Stock Market was opened and during the two months time a meticulous and hard plan was formulated to address the below operational areas.

- Accounts Services.
- Depository Services.
  - Securities transfers.
  - Profile updates.
  - Balance and transaction queries.
  - Monthly statement dispatching.
  - Corporate Actions.
- Client to CDS Participant Settlement.
- Corporate Actions.



# RISKS IDENTIFIED: PANDEMIC

## COMPLIANCE RISK

The interaction of participants, the CDS account holders, and all other stakeholders were based on physical documentation and authentication. With the pandemic restrictions these physical interactions were almost restricted. Although the CDS started its operations gradually with limited services, the compliance risk was a concern.

## CYBER SECURITY RISK

The significance of heightened awareness in cyber security was felt seriously after multiple incidents around the world during the pandemic. The digital solutions which were introduced during pandemic were at a greater risk.

## RISK OF LOSING HUMAN RESOURCES

This is the greatest risk of all. Not everyone in a country has expertise in Depository operations. Looking at the rate of infections and death toll due to Covid it was felt that it was our utmost responsibility to protect the staff.

# MITIGATION STRATEGY

## Solutions already in place prior to March 2020.

Although the operation was disturbed due to pandemic in the first two months, the necessary foundation had been laid long before the pandemic by initiating the Digitalization of the Depository Operations.

- In 2017 e-Dividend concept was introduced.
- Digital Front Desk concept was introduced in 2018 for CDS participants.
- Decentralization of CDS account openings were introduced in February 2020.
- Initiated the online client subscription payments for Rights via CDS participants.

## Post March 2020 (After Lockdowns)

- Technological solutions via Digitalization.
- Regulatory changes via Digitalization.

## SEC/CSE Digitalization Joint Committee

The Securities and Exchange Commission (SEC) of Sri Lanka and Colombo Stock Exchange (CSE) jointly did an assessment of the situation which prevailed under the Covid lockdowns. The Digitalization committee was formed and subsequently the CSE and CDS submitted its Master Plan to the committee which the same was approved.

# TECHNOLOGICAL SOLUTIONS

## DIGITALIZATION

### First Phase - Completed

- Re-launch of CSE mobile app.
- Digital onboarding of Local Individuals to open CDS accounts online and initiation of e-KYC via DRP access.

### Second Phase - Completed

- Re-launch of CDS e-Connect with added features. (Eg: Profile updates, transfers)
- Digital onboarding of Local Companies.
- Launch of e-IPOs.

### Second Phase – In progress

- Digital onboarding of nonresidents
- e-Rights.
- Digital onboarding of nonresident companies.
- Deceased and Nominations Repository.
- Digital wallet.

# REGULATORY CHANGES

## DIGITALIZATION

- Conversion of paper-based delivery to electronic based delivery .
  - Mandatory e-statements.
  - Mandatory e-contract notes.
  - Mandatory electronic statement of accounts.
  - Listed company annual reports.
- Conversion of all dividend payments to electronic form.
- Digital signing.



# HUMAN RESOURCES

- Work from Home (WFH) arrangement for all employees.
- Health guidelines and reminders on weekly basis.
- Conducting sessions with medical experts.
- Provision of Laptops, mobile devices, data allowances.