

BUSINESS TODAY

JANUARY 2019



FT Person of the Year: George Soros

The philanthropist has become a standard bearer for liberal democracy, an idea under siege from populists.



Lex in-depth: SoftBank's credibility problem

The group's shares trade at a discount but an IPO of its mobile unit could change attitudes.



Tim Leissner: Goldman Sachs banker at the heart of 1MDB scandal

The once rising star now poses one of the greatest threats to the bank.



Passive attack: the story of a Wall Street revolution

The explosive growth of index funds has changed markets. How far can they go?



TIME FOR REAL CHANGE

The Janatha Vimukthi Peramuna (JVP) has always stood with the people and strived together to uphold their rights. Sri Lanka is presently at a political juncture. The JVP presented the 20th Amendment to the Constitution, that effectively abolishes the Executive Powers of the Presidency and strengthens the pillars of democracy. Anura Kumara Dissanayake, MP and Leader of the Janatha Vimukthi Peramuna believes that 2019 will be a decisive year for Sri Lanka.

SAJIN DE VASS GUNAWARDENA THE FALL GUY

Sajin De Vass Gunawardena has always stood by what he believes in. He was known as one of the most powerful personalities in the Rajapaksa administration and worked closely with former President Mahinda Rajapaksa. Yet, Sajin De Vass Gunawardena explains, he was portrayed as the biggest 'crook', by those whom he was most loyal to. After 2015, he faced numerous challenges, all of which he has faced head on with a determination to prove all wrong. And, he has done so successfully.



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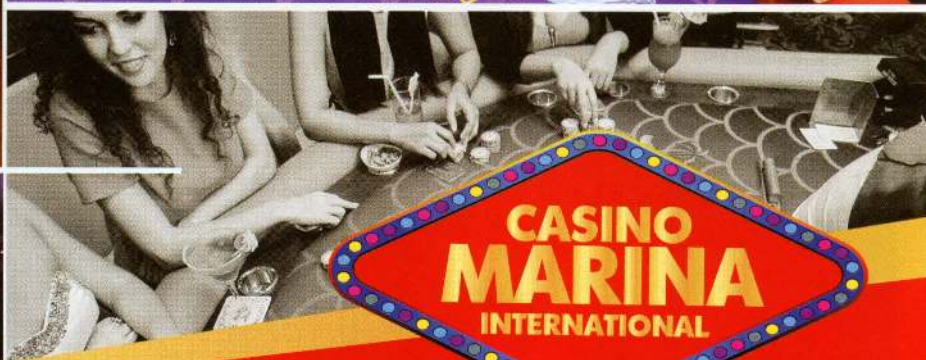




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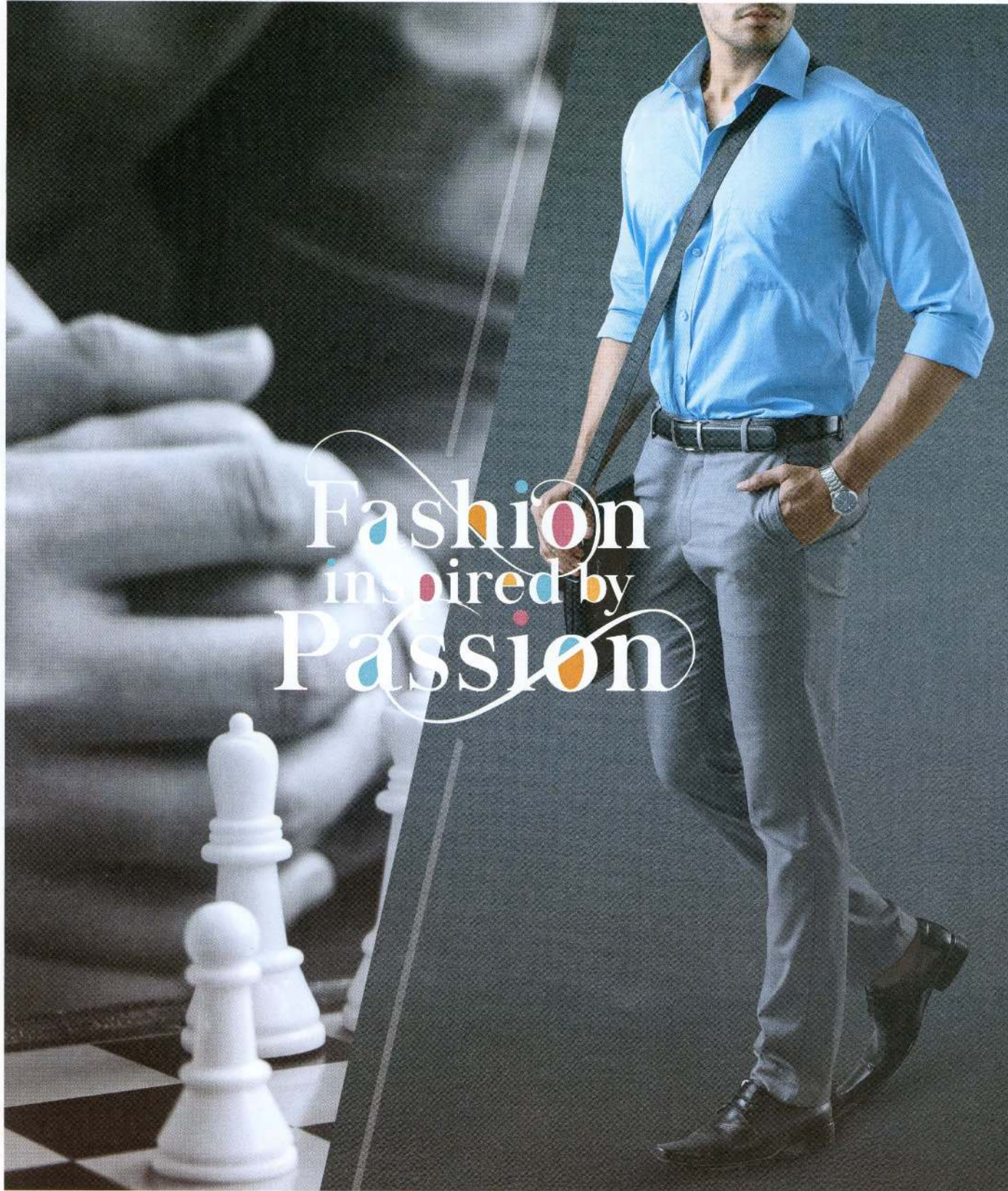
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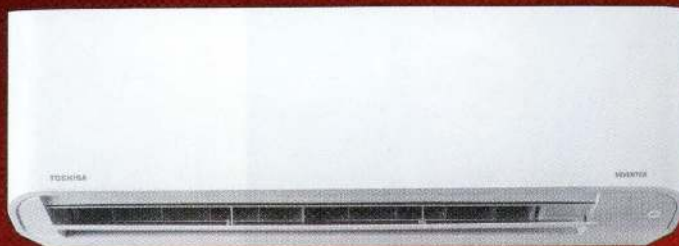
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THE STRENGTH OF BLUE OCEAN



S Thumilan, Group Chairman, Blue Ocean speaks about the potential of the Sri Lankan real estate industry, effective policies that are based on practical considerations and achieving success amidst the existing economic background of the country.

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CFW RESPONSIBLE PROGRESSION



Ajai Vir Singh, Creator, Founder and President of Colombo Fashion Week (CFW) looks back on the past 15-years of CFW. It is a platform promoting Sri Lankan fashion design, and he is confident that the next 15 years will hold a greater promise.

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TIM LEISSNER: GOLDMAN SACHS BANKER AT THE HEART OF IMDB SCANDAL



After pleading guilty to fraud, Tim Leissner – once a rising star – now poses one of the greatest threats to the bank in its history.

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PASSIVE ATTACK: THE STORY OF A WALL STREET REVOLUTION



The explosive growth of index funds has changed markets. How far can they go?

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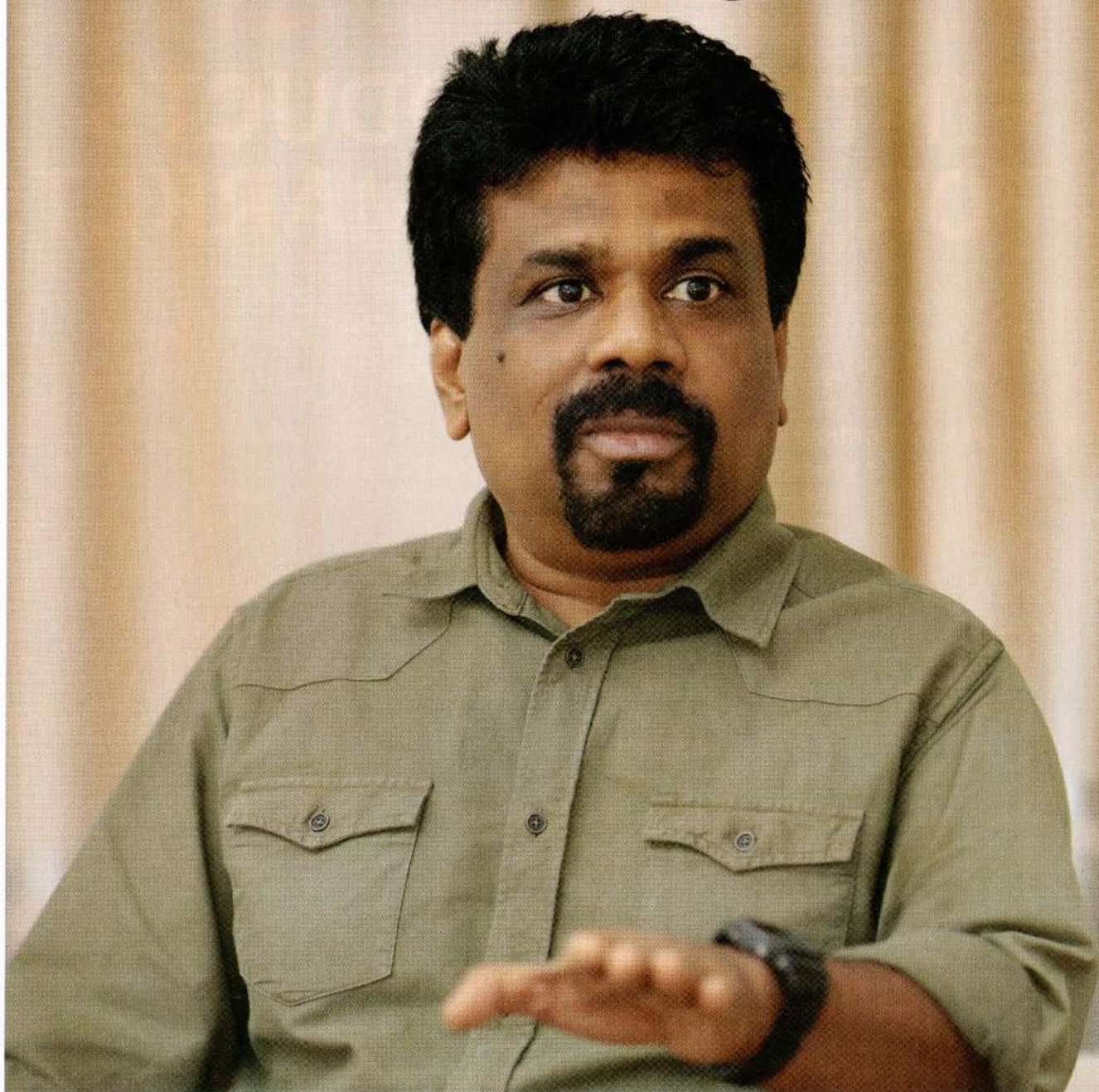


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TIME FOR REAL CHANGE



Anura Kumara Dissanayake, MP and Leader of the Janatha Vimukthi Peramuna

The Janatha Vimukthi Peramuna (JVP) has always stood with the people and strived together to uphold their rights. Sri Lanka is presently at a political juncture. The abolishment of the Executive Presidency has become a point of great discussion. In this context, the JVP presented the 20th Amendment to the Constitution, that effectively abolishes the Executive Powers of the Presidency and strengthens the pillars of democracy. Anura Kumara Dissanayake, MP and Leader of the Janatha Vimukthi Peramuna believes that 2019 will be a decisive year for Sri Lanka. He is confident that it is time to embrace a new thinking and strong plan of action that will help rebuild Sri Lanka's economy, social fabric and conserve the country's environment.

By Udeshi Amarasinghe. Assisted by Keshini De Silva | Photography Mahesh Bandara and Menaka Aravinda

The JVP has introduced the 20th Amendment to the Constitution. Could you tell us about this?

In our country and globally, there are government systems that are centered around the President or on the Parliament. Sri Lanka has been governed for over 40 years by a system that is centered around the President. During these 40 years there are many experiences where it has been proven that the Presidential system does not suit our country.

Therefore, we suggest that, instead of a system which is centered around the President, the country should move towards a governing system that is based on the Parliament. It is for this reason that over three months ago we presented the 20th Amendment to the Parliament. Thereafter, the many things that transpired, including the decisions taken by the President, has taught enough and more lessons to the people of this country that the Presidential system does not suit Sri Lanka. Therefore, by abolishing the Executive Presidency and the system, we have to take our country towards a Parliamentary system of governance. That is why we presented the 20th Amendment.

To pass the amendment a majority of two thirds is required. The Supreme Court has stipulated that a referendum is required so that it is not solely decided by the 225 in Parliament. It has to go to the people to decide. Therefore, we request from everyone in the Parliament to vote and pass this, so that a referendum can be held and the people can decide what they want. We have heard that there are certain groups trying to limit this to 225 in Parliament by not

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supporting it. Our aim is to hold a referendum on this matter. As such, we request all Members of Parliament not to hinder this process and open the door for the public to make the decision.

For a long time, the JVP has been saying that the system has to change. This did not happen overnight. Can you elaborate on this?

From the moment the Executive Presidency was created, the people who had confidence in democracy, and the civil society worked against the Executive Presidency system because they believed that this was not a system suitable for Sri Lanka. Our party, even in the election of 1982, discussed nominating a common candidate with the aim of abolishing the Executive Presidency. In 1994 when we withdrew our candidate in order to support Madam Chandrika Bandaranaike Kumaratunga, it was in support of abolishing the Executive Presidency, which she said would be done within the first year. We have a written agreement that by July 15, 1995 the Executive Presidency would be abolished. She also broke that promise.

Even Mahinda Rajapaksa, in his 2005 election manifesto clearly stated that the Executive Presidency would be abolished. In the agreement that we reached, this was one of the main conditions and it was very clear that the Executive Presidency should and would be abolished.

Then in 2015, the people of this country including civil society organisations supported President Maithripala Sirisena as the common candidate on the belief that he would definitely abolish the Executive Presidency. Thus,

except for President J R Jayewardene and President Ranasinghe Premadasa, all others have come into power by making the promise to the people that they would abolish the Executive Presidency. However, once they come into power, instead of abolishing the Executive Presidency, they all worked towards strengthening the power of the Executive and extending their tenure.

Over the past one and a half months we have witnessed the fate that could befall the people if the Executive Presidency is not abolished. Therefore, this is a good opportunity to create discourse amongst the public and take measures towards abolishing the Executive Presidency.

The JVP has always stood by the people to uphold their rights, this was yet again shown over the recent 52 days of confusion and no governance. Can you elaborate on this?

What are the necessary provisions to topple an incumbent Government and appoint another Government? One method is through elections, where the people can express their mandate. In between elections, a Government can be ousted in Parliament through defeating the incumbent Government's Election Manifesto or Budget; or through a successful No Confidence Motion against the Government. Moreover, in the world stage we have witnessed how people have ousted nefarious leaders by taking to the streets to protest. Therefore, the defeat of Governments through elections, Parliamentary process and people's protests are accepted political processes.

On October 26, 2018, the events that took place to oust the incumbent Government do not fall under any of these categories. President Maithripala Sirisena and Mahinda Rajapaksa together decided to topple a Government over the course of a night. We believe that this form of political culture should not be allowed to prosper in Sri Lanka. Capturing Governments in this manner has become a precedent in the country. Every President of this country has attempted similar actions. Although there was no violence after the events that transpired on October 26, a similar event in the future will definitely result in a volatile situation. Therefore, our main aim was to use this incident to make an example to ensure similar incidents do not take place in the future. We are working towards that. However, by using his Executive powers, with the aim of extending his power and through

Over the past one and a half months we have witnessed the fate that could befall the people if the Executive Presidency is not abolished. Therefore, this is a good opportunity to create discourse amongst the public and take measures towards abolishing the Executive Presidency.

this situation, the President suspended the Parliament in order to work towards showing a 113 majority. When this was unsuccessful, the Parliament was dissolved.

In Sri Lanka, it is the people who appoint the President. Using this same franchise, they also elect Parliament. Hence, the President and Parliament have a political mandate. However, previously, the mandate of Parliament was under the purview of the mandate of the President, because the President had the power to dissolve Parliament after one year of the Parliament's tenure. Through the 19th Amendment to the Constitution we limited this power by including the clause that the President can only dissolve Parliament after four and a half years. The aim was to ensure that the President was also answerable to Parliament. However, if the dissolution of Parliament on November 19 was considered legal, then it would have empowered the President to dissolve Parliament at any given time. According to the personal agenda of President Maithripala Sirisena fresh elections had been called for January 5, 2019; this means that a new Government would have been appointed on January 6 and if he so wished, the President could have dissolved Parliament on January 7th. The danger of this precedent was that Parliament would have been under the power of the President. If the President has the power to dissolve Parliament at any time, he could rule with a threatening sword above the Legislature. He could say that Parliament would be dissolved if the law he wants is not enacted.

Therefore, our ideology was that the establishment of such a Government and the unconstitutional dissolution of Parliament by the President was an attack on democracy. It is for this reason that the JVP worked towards defeating these decisions. In order to do so, we took measures in Parliament, we worked with the people and protested on the streets and we also took measures through the courts. We believe that it is through these combined efforts that we were able to defeat this unconstitutional act.

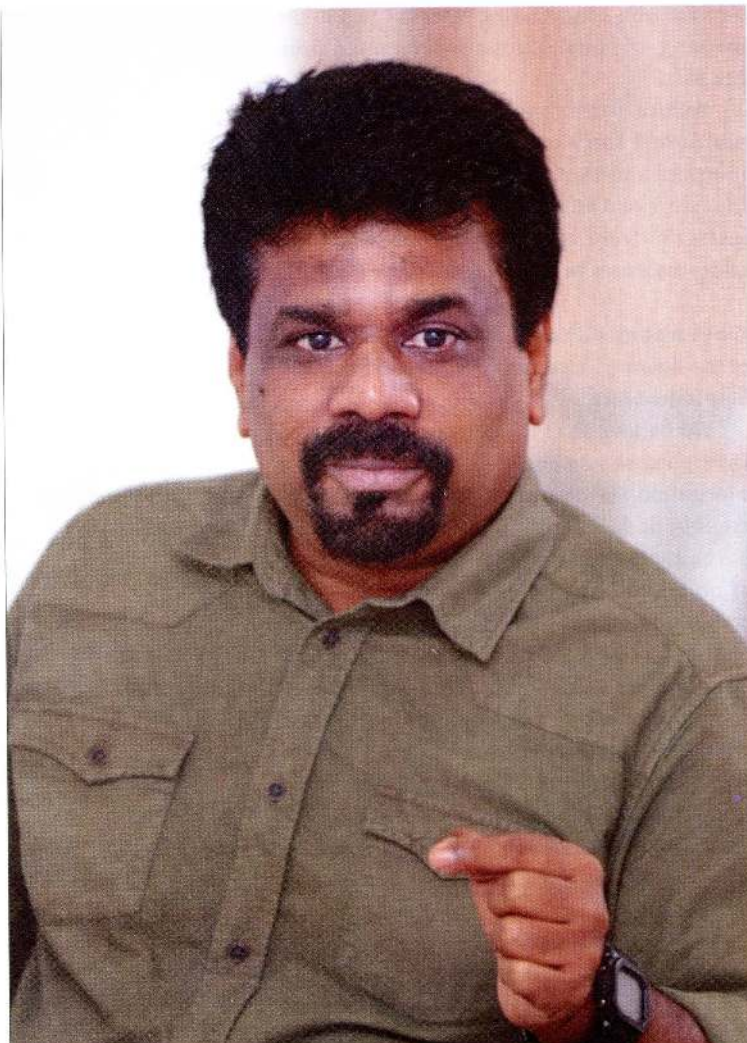
This situation also re-established the independence or separation of the Executive, Legislature and Judiciary. Isn't that how it should be?

Definitely. Parliament enacts laws, which the Executive implements and the Judiciary decides on the legality and if these laws are constitutional. Therefore, Sri Lankan society is

based on the three branches of power – the Executive, Legislature and Judiciary.

The Sri Lankan judiciary dates back nearly 200 years. In the history of Sri Lanka, a case was submitted to the Supreme Court, which brought together the Executive, Judiciary and Legislature. It was an important case, which resulted in the judgment that the Executive cannot dissolve the Legislature. In the Court of Appeal, on the case of the Government having been defeated through two No Confidence Motions; according to Article 48 of the Constitution, the President has no authority to question a ruling on a No Confidence Motion that has been passed in Parliament. That is the duty of the Legislature. Using his power, on November 15 the Speaker of the House announced that as a No Confidence Motion had been passed on November 14, there was no Government from that date. The President has no power to challenge this decision. After this declaration, the President only has the mandate to then appoint a new Government, however he continued to defy this and attempted to stubbornly prolong this situation. Subsequently, due to the No Confidence Motion, the Court of Appeal issued an interim order against the appointed Government. When handing down the judgment, the judge stated that stalling Government in a country is of great consequence and dangerous; however, it is more dangerous for those without power to attempt to govern the country. Subsequently, Mahinda Rajapaksa and his supporters appealed this decision in the Supreme Court. However, the Supreme Court upheld this judgment in a unanimous decision. Therefore, this incident demonstrated how the Judiciary and Legislature was empowered to be able to curtail this unconstitutional decision by the Executive.

The Executive Presidency undermines the authority of the other pillars of democracy. The Executive Presidency was introduced by the late J R Jayewardene. He acquired the power to dissolve Parliament, and thereby the Executive undermined the power of the Legislature. The appointment of judges from the High Court to the Supreme Court was afforded to the President. The power to appoint Cabinet Ministers and remove Ministerial positions was also afforded to the President. Thereby, the authority of the Legislature, Judiciary and Cabinet was undermined by the Executive Presidency. Therefore, we are of the view that the autonomy of the Legislature, Judiciary and Cabinet cannot be



This incident demonstrated how the Judiciary and Legislature was empowered to be able to curtail this unconstitutional decision by the Executive.

protected unless the Executive Presidency is abolished. There are immense examples in history with regards to the fall of Parliamentary power due to the Executive Presidency. Moreover, the Executive Presidency has also destroyed political parties. For example, in the Sri Lanka Freedom Party, candidates must retain membership for long periods before they can even contest at the Pradeshiya Sabha level. However, with the power of the Executive Presidency, unqualified persons have been provided election nominations causing a break in traditional party processes. Therefore, it is imperative that the Executive Presidency be abolished.

In terms of pressure on the Judiciary, during the tenure of President Mahinda Rajapaksa, Chief Justice Shirani Bandaranayake was impeached because she delivered a judgment against the

Government. After hearing cases till 3am in the morning, the next day she was removed from her post.

Political parties and campaigns are required not to feel sorry or regret events that have transpired. Instead, political campaigns look to the future and attempt to prevent unfortunate incidents from transpiring again. We have taken measures in this regard.

The year 2019 will be a crucial year for the future of the country. What are the plans of the JVP in this context?

We believe that the present Members of Parliament should not be allowed to govern for a long time. No matter who shows a majority of 113, they do so for money and benefits. This fact has been proved to the people during the 52 days of no governance. There is a saying that the people can learn greater things through small political incidents than they would through reading thousands of books. Therefore, instead of reading thousands of books on the 70-year political history of Sri Lanka, the people can learn more about the country's political landscape by considering these 52 days. Today, the 113 majority is shown in Parliament based on who has deeper pockets. Therefore, no one in the present Parliament has the right to govern for a long time. Hence, our first goal is to enact laws to ensure punishments against these conspirators is mandatory. The 20th Amendment to the Constitution needs to be enacted. The people's right to elect a Government of their choice should be protected. We have mapped our actions in this regard. A legal framework that holds conspirators accountable, the abolishment of the Executive Presidency and dissolution of Parliament to provide people the opportunity to elect a new Government.

What do you say to discourse that the Executive Presidency has ensured stability in the country?

Many say that the Executive Presidency has brought stability to the country. This is an incorrect perception. It was due to the Executive Presidency that there was unrest and conflicts in the country. When President J R Jayewardene took on the powers of the Executive Presidency, he undermined democracy. He fired 300,000 labourers who were requesting a ten-rupee increase in wages per day. Vivienne Gunewardena, a prominent politician who stood for these

Political parties and campaigns are required not to feel sorry or regret events that have transpired. Instead, political campaigns look to the future and attempt to prevent unfortunate incidents from transpiring again. We have taken measures in this regard.

rights was attacked. Homes of judicial officials were vandalised or attacked. It was a destruction of democracy, not only in the South but also in the North.

President J R Jayewardene was obsessed with ensuring that every electorate was under his control. During the 1981 Development Council Election, the Jaffna Library was set on fire as an act of aggression and ballot boxes were tampered with. They failed democracy in the North by taking pre-filled ballot boxes on the Yaal Devi. When the people were rising against him, J R Jayewardene instigated the 1983 Black July riots. It was the Executive Presidency that created the mindset of suicide bombers. It is not a normal state of mind for a person to want to commit suicide for their ideologies. The country was brought to the brink of war; we were divided.

During the 1981 Development Council Election, while the Sri Lanka Freedom Party was protesting, we were contesting the election. In the 1982 Presidential Election the JVP contested once again. During the 1982 referendum we fought for an election. After the 1982 referendum, we appealed to the Supreme Court that the manner in which the referendum was held was wrong. While the case was being heard, Black July was created and we were unable to attend the hearing. Thereafter, we were suppressed.

It was the Executive Presidency that caused the civil war in the Northern province. In 1990, R Premadasa supplied weapons to the LTTE; he provided funds for weapons without seeking Parliamentary permission. It was not decision of the parliament. LTTE members who were hosted at the Hilton Colombo were provided funds and weapons by R Premadasa. Therefore, the Executive Presidency destabilised the country. If you consider the 52 days of confusion and no governance, it was the result of the Executive Presidency. Thus, the Executive Presidency has always destabilised the country. Although many may say the Executive Presidency brings about stability, in Sri Lanka, through example, we have seen how the Executive Presidency has caused instability.

The JVP has never supported any political agenda that would divide the country. It never has and never will do so. Even in 1987, when the IPKF arrived in the country, then at the time Ranil Wickremesinghe tried to establish a interim governing system and when President Chandrika Kumaratunga attempted to implement

PTOMS, the JVP opposed such moves. The JVP has always been on its stance that the country should not and cannot be divided. As such the 20th Amendment too will ensure the same.

Minority parties have in the past supported the Executive Presidency, but have now changed their stance in this regard. Your thoughts?

Yes. They assumed that during a National Election they will have leverage for discussions with the President. That is why they support the Executive Presidency. However, in truth it is a business opportunity. They approach the President with the votes they can acquire for monetary gain. With the abolishment of the Executive Presidency, they lose this business opportunity. From the people's perspective, the rights of minorities can only be upheld through Parliament. This is because the tenure of the Parliament is constantly questioned in the Legislature. Therefore, MPs representing the Tamil and Muslim communities will have leverage in Parliament and the opportunity to work for the benefit of their communities. Hence, from the perspective of minorities a Parliamentary system is more suited.

Some believe the division of state has been avoided due to the Executive Presidency?

In 1990, Chief Minister of the North Eastern Province Varadaraja Perumal hoisted the *Eelam* flag at the Trincomalee Clock Tower and declared a Tamil state. At the time, the President did not have constitutional provision to dissolve Provincial Councils.

However, Minister of Provincial Councils Festus Perera introduced an Amendment to the Provincial Councils Act stating that with the consent of the Governor, the President can dissolve Provincial Councils in such extenuating circumstances.

Since this provision is included in the Provincial Councils Act it is not affected by the 20th Amendment to the Constitution. Because although the President's Executive powers are removed, the Presidency itself will not be abolished. Therefore, Presidential powers with regards to national security and Provincial Councils will remain as these provisions have been made through Acts. If anyone has any concerns with regards to these powers, we have compiled the 20th Amendment while ensuring that these particular Presidential powers have been upheld.



The rights of minorities can only be upheld through Parliament. This is because the tenure of the Parliament is constantly questioned in the Legislature.

How does the 20th Amendment ensure the transition of power to the people?

The two traditional political camps in the country have constantly been unsuccessful. No one should believe that they are able to develop and protect the country as well as uplift the standard of living of the people. For over 70 years, these two political camps have proven to be unsuccessful. Therefore, there is no need for further discourse, discussion and debate as to whether these two political camps are able to rebuild the country; we must reach this conclusion. On the other hand, discussions must commence as to who can undertake this responsibility and task. That is where the debate lies. There is no use in continuing to criticise these two parties, their actions and inactions. The people know this better than we do, and therefore we invite the people to come to the conclusion that these two parties cannot rebuild Sri Lanka. Then, we must discuss who will take on the responsibility to build the country and how it should be completed.

The JVP is in discussion with various organisations and in mid January 2019, we will be introducing a Manifesto with regards to mapping out this process. Thereafter, we will attempt to

create a Front in February to work towards rebuilding the country. Moreover, we will carry out a campaign to create awareness on the lack of success of these two parties and in the new year we hope to unite the people under a plan of action towards rebuilding the country.

The corporate sector understands that no matter which party comes into power, there will be limited change to the business landscapes. What is the JVP's ideology in terms of the economy and the business landscape?

We have been holding discussions with businessmen and industrialists in Sri Lanka for quite sometime. During these discussions they have shared their knowledge, experiences and the challenges they face. We understand the problems that they are facing.

We understand that they have a negative perception with regards to the economic policy of the JVP. However, while we noted their negative perception, we asked them whether their ventures prospered due to the policies of the two traditional political parties in which they had placed their faith. They accepted that their industries have either been damaged or not been able to progress further due to the policies of these two parties. We believe that we will be able to create a new economic policy that would benefit the country.

I asked the business community whether they are able to sleep soundly at night, because of the pressures they face. Instead of legally seeking the release of goods from Customs or legally managing Income Tax Files, or being transparent with employee wages, they have resorted to black market practices. They may have money, capital and thriving businesses, however regardless of their preference, these businessmen have been compelled to follow black market practices.

Firstly, we provide the corporate community the assurance that we will remove the need for them to engage in black market practices. It is only the JVP that can clean up this mess. Secondly, according to our economic policy we believe that in order for the country to proceed forward the responsibilities and duties of the private sector are equally important to the responsibilities of the Government. How can the corporate sector thrive and continue to do business in the country's current landscape? There is no clear vision for the country and its eco-

There is no clear vision for the country and its economic goals, therefore the sector carries out its business based on instinct and assumptions. Have we provided the corporate sector a plan on where the country hopes to be in 2025? There is no plan of action on where the construction, agriculture, dairy, and import and export sectors hope to be in 2025.

nomical goals, therefore the sector carries out its business based on instinct and assumptions. Have we provided the corporate sector a plan on where the country hopes to be in 2025? There is no plan of action on where the construction, agriculture, dairy, and import and export sectors hope to be in 2025. We need a vision from the Government. This vision for the country must come from the Government and not the private sector. We need to invite investment to the construction, agriculture, dairy, and import and export sectors by indicating to them the future prospects of these sectors. We need to ensure stability in the economy for the benefit of the corporate sector. When I questioned the business community they affirmed that neither any President nor Minister of Finance have worked for the benefit of the private sector. They have merely carried out campaigns to collect money for elections. In retrospect, we are able to provide the corporate sector the assurance that if they help develop the country we will acknowledge their contribution.

Previously, the JVP was viewed in a negative light. Today that perception is changing. How was this possible?

Today, both the economy and the society of Sri Lanka is in decline. Every year there are over 30,000 motor accidents in the country, while eight fatalities are reported every day. If we consider that the war commenced in 1983 and ended in 2009, more fatalities have resulted from motor accidents than from the war. In 2016, 4,000 robberies have been reported for sums greater than 25,000 rupees. In the first 26 weeks of 2016, over 1,200 girls younger than 16 years of age have been sexually abused, harassed or raped. In the first 26 weeks of 2016, 26 people have died in collisions with trains. What has happened? The values in society have eroded.

People may say they have knowledge, wealth or protection, however none of them have security in Sri Lanka. Whenever the social fabric collapses, people lose security. Therefore, society needs to be nurtured and the best way to do so is through literature, music and art. The education system is in disarray. However, there are many good books published each year in the country but sales are very low despite a population of 20 million. If a good film is produced, there are no cinemas to screen it. There were many cinemas in Sri Lanka, most of which have now become

supermarkets and tuition centres. If people do not appreciate theatre, cinema and music, then where is the society? Society has lost its depth. Therefore, everyone is angry with the other. If an incident occurs on the road, we will be angry with that person until we reach home. This is not the case in other countries as they apologise and make way for others. Therefore, for the past 70 years an aggressive society has been fostered. We must rejuvenate the arts in Sri Lanka and bring about social enlightenment. In history, we have heard that we were once a country where a lady adorned in gold could travel from Point Pedro to Point Dondra. That lady was protected by society and not the armed forces. However, today, we cannot claim the same.

It is politicians who are involved in drug trafficking, who own bars and who act aggressively in Parliament that are to blame. How can they nurture a good society? All of these conflicts have been created by politicians. Whether we like it or not, we must accept that. This is the culture that has been created for the past 70 years. Politics has become a profit-making entity. Consider the assets owned by various politicians, from where do they get the money when politics is about serving the people. We need to convert this profit-making business into one that serves the people.

Moreover, one of the greatest damages caused is to our environment, most of which is irreversible. The entire Sinharaja Rainforest has only two elephants, and these two have also become a great issue to society. If that is the case, then they will only focus their attention on the conservation of elephants after the species is extinct. In 2016, 292 elephants and 96 people have been killed. There is a huge human-elephant conflict in Sri Lanka. We face floods and drought concurrently. We had 32,000 reservoirs in the dry zone, of which 14,000 remain. Of these 12,000 reservoirs require renovations. We have been unable to maintain the wetness of the soil. The central province is the heart of our country and our ancestors protected this area. They built dams across the rivers and created reservoirs. However, politicians have destroyed the central province. Elephants used to live in the central province. We have all heard the story of the British during colonial time killing 108 elephants in Horton Plains. The elephants were in the mountains, however today there are none. The soil in the central province

Firstly, we invite the people to make a strong decision and commit to this new experiment. We believe that in 2019, the duty of the JVP should also be the duty of the people... We invite all the people of Sri Lanka to gather around and support this people's campaign for the future of our nation.

is weak. The massive reservoirs and dams are vulnerable. The politicians have caused great harm to the environmental system. Therefore, do not provide these politicians the chance to continue to destroy the country.


Back in the day, you could hear the flow of water in Kadugannawa. Today, residents of Kadugannawa do not have access to clean water. Through Bandarawela, Wellawaya and Passara, you could hear the lull of water and the sounds of insects. That is no longer true. The destruction caused to the environment is great.

They have destroyed the environment, economy and social fabric of Sri Lanka. What more do they require? Hence, we need a system that will heal all these wounds.

What can we expect from the JVP for 2019?

I would like to reiterate to the people that there is much that needs to be done. Firstly, we must clean the battleground nature that has evolved on the political landscape of this country. Secondly, we must change the economic agenda of our country. Thirdly, we must transform our society for the better and fourthly we must work towards the conservation of our environment.

We need a new plan of action to achieve this objective and we request the people to join our campaign. There is no use in continuing to look towards the two main political camps in the country. Sri Lankans are weary of new experiments. However, we implore them to try a new way. If it is unsuccessful, then it can be changed at the following election. However, firstly, we invite the people to make a strong decision and commit to this new experiment.

We believe that in 2019, the duty of the JVP should also be the duty of the people. We are willing to have open discussions with anyone who wishes to see the country move forward. We are presently engaged in comprehensive discussions with professionals, artistes, industrialists and the business community and we are sharing knowledge, ideas and experiences with each other. Furthermore, with the contributions from experts from all sectors, we have formulated a series of policies to uplift the country. We hope to build a people's campaign to implement these policies into action. This will be done by mid-2019. We invite all the people of Sri Lanka to gather around and support this people's campaign for the future of our nation. 

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ALTAIR ADJUDGED BEST CONDO IN ASIA FOR ARCHITECTURAL DESIGN

Beats contenders from 15 countries including Singapore, Japan and Australia at 2018 Asia Property Awards of PropertyGuru Asia



The award-winning Altair twin tower



Terry Blackburn, Managing Director, Asia Property Awards and Property Report of PropertyGuru with Pradeep Moraes, Altair Director



Pradeep Moraes and Jaideep Halwasiya, Directors, Altair receive the award from Lim Wenhui, Partner, SPARK Architects and Head Judge at the Asia Property Awards, Singapore

Sri Lanka's contemporary architectural masterpiece, Altair has beaten condominium developments in 15 countries in Asia including Singapore, Hong Kong, Japan, China and Australia to win the award of 'Best Condo Architectural Design' at the 2018 Asia Real Estate Summit (ARES) organised by PropertyGuru Asia in Bangkok, Thailand.


The only Sri Lankan high-rise ever to be adjudged the best in Asia, Altair was honoured at PropertyGuru's 'Best of the Best' awards, at which individual winners selected at country award events throughout the year were contenders. Markets from Sri Lanka to China competed at the largest Grand Final event to date of the 13-year old Asia Property Awards. It was attended by more than 500 guests, with developers from Japan and Australia making their debut at the ceremony.

Altair's award was accepted on behalf of promoter Indocean Developers by Jaideep Halwasiya, Director and Pradeep Moraes, Director, Altair.

"We are very delighted about winning this award, which is a tribute to the architectural genius of Moshe Safdie and the vision and courage of the promoters of the project, who had confidence, not only in their ability to build Altair, but also in the market's potential to do justice to such a remarkable edifice", stated Pradeep Moraes, Director, Altair.

The only Sri Lankan high-rise ever to be adjudged the best in Asia, Altair was honoured at PropertyGuru's 'Best of the Best' awards...

Among the condominium developments that competed for the award of 'Best Condo Architectural Design in Asia' were 8 St Thomas by Bukit Sembawang Estates-Singapore, Alpha City by Alpha King-Vietnam, Glorious Mansion by Long For Group-China, Mount Pavilia by New Development Company-Hong Kong, Scenia Bay by Nam Tien Lao Cai Jsc. Co-Vietnam, Sunplay The Heights Bangsaray by Sunplay Asia-Thailand, Stirling Residences by LN Development (Stirling)-Singapore, Taman Anggrek Residences by Agung Sedayu Group-Indonesia, The CUVÉE by Chaopraya Mahanakorn-Thailand, The Smith by Trinit Land-Indonesia and The Vales by Anchorvale Residences-Singapore.

Speaking at the awards ceremony, Terry Blackburn, Managing Director, Asia Property Awards and Property Report, Property Guru said, "Today, Asia has the fastest growing economies and most exciting real estate maker in the world, and the majority of award winners are Asian developers selling to Asian buyers and are helping millions achieve the dream of home ownership." He also expressed the hope that the years the Asia Property Awards have spent promoting Sustainable development, Green buildings and Corporate social responsibility have in some small way, contributed to the conversation on what the best Asia should look like in the future. 



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DIMO takes a step forward in promoting gender diversity



Dilrukshi Kurukulasuriya, Chief Human Resource Officer, Dimo

Diesel and Motor Engineering (DIMO) launched the 'DIMO Women's Network', a collaborative Employee Resource Group for female employees of the organisation. This was inaugurated under the patronage of Ranjith Pandithage, Chairman and Managing Director, DIMO.

The primary objective of the DIMO Women's Network is to provide mentorship and professional guidance for the female employees to achieve their career aspirations and dreams. The network will provide assistance to handle workplace issues such as harassment or

discrimination and collaborate on resolving business issues with gender smart solutions.

At the launch of the network, Dilrukshi Kurukulasuriya, Chief Human Resource Officer, DIMO stated, "Being in industries that are traditionally male dominated, DIMO's male to female ratio has always been in the range of nine to ten per cent. However, we realise that our customer base includes a cross section of Sri Lankan society, and there is a large female talent pool in the market that we have not tapped in to yet. Therefore, few years ago we actively



Group of DIMO ladies

began to increase gender diversity within the organisation and promote an inclusive work culture for all."

Gahanath Pandithage, Group Chief Executive Officer, Suresh Gooneratne, Executive Director, Asanga Ranasinghe Executive Director/Chief Marketing Officer and Samantha Gunawardena, General Manager of Building Technologies Department will be the sponsors of the Women's Network.

The Executive Committee of the network will consist of 16 male as well as female employees who have pledged their

support to create a gender smart organisation.

DIMO is one of the 18 Sri Lankan organisations who are members of 'SheWorks', a Private Sector Partnership in Sri Lanka. It also is part of the 'Women in Work' programme of the International Finance Corporation (IFC). DIMO and SheWorks are working hand in hand in order to implement a variety of employer-supported strategies, approaches and policies to encourage and improve women's participation within the corporates of the country.

Samsung Experience Store opens at the Marino Mall



(L-R): Yong Keun Hwang, Director-Mobile, Samsung Sri Lanka; Shantha Fernando, General Manager/ Head of Mobile Biz, Samsung Sri Lanka; Hanbae Park, Managing Director, Samsung Sri Lanka; Buddhika Ranasinghe, Cost Accountant, Damro; Harsha Wijekoon, DGM, Damro and Calvin Croner, Director, Damro

Samsung Sri Lanka unveiled the new Samsung Experience Showroom dedicated to mobile devices at Marino Mall.

The Samsung Experience Store offers customers an opportunity to get a hands-on experience of the smartphones, Samsung's Galaxy A series of mobile phones, including the latest Galaxy A7 and Galaxy Note9 and also the full range of Galaxy J Series, along with wide a range of accessories.

In keeping with this theme, the newly launched store will display the brand's latest smartphone models as well as all the enhanced features each device offers.

Commenting on the occasion, Shantha Fernando, General Manager/ Head of Mobile Business, Samsung Sri Lanka, said, "As a lifestyle hub, Marino Mall offers the right ambience and shopper profile who will appreciate the high quality and superlative performance of the Samsung smartphones. We are proud to partner with one of its national distributors, Damro, to explore emerging opportunities." Also, this is the second Samsung concept store to make its presence at Marino Mall, with the first one dedicated to consumer electronic products, launched at the Marino Mall earlier in 2018.



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Galaxy A9 – world's first quad camera smartphone



(L-R): Yong - Keun Hwang, Director - Mobile, Samsung Sri Lanka; Shantha Fernando, General Manager Head, Mobile Biz, Samsung Sri Lanka; Chanux Sudesh, Top Digital Influencer; Christina Peiris, Brand Ambassador for Samsung and Miss Sri Lanka 2017 and Hanbae Park, Managing Director, Samsung Sri Lanka

Samsung launched Galaxy A9 in Sri Lanka with the world's first rear quad camera, dual tone, reflective gradient design, scratch-resistant durable glass back, infinity display and performance.

Galaxy A9 comes with a larger and wider 6.3" Super

AMOLED infinity display, with Dolby Atmos surround sound, and powered by Octa-Core Snapdragon 660 processor, and a 3,800mAh battery, with fast charging capability and long-lasting performance.

"For the first time ever, we have brought the rear quad

camera with Galaxy A9. With ultra-wide, optical zoom, low light capabilities and live focus, Galaxy A9 has a camera designed for every moment in the life of the young millennial," said Shantha Fernando, General Manager, Head - Mobile Business, Samsung Sri Lanka.

Galaxy A9 automatically recognises 19 scenes and optimises colour settings to suit the content. It also detects and notifies when there is a flaw in an image (closed eyes, facial blur or backlight).

Galaxy A9 also comes with 24MP selfie camera with selfie focus and pro-lighting for clear selfies. The new AR emoji allows create up to 36 animated emojis of oneself.

The phone will be available in 6GB/ 128GB (expandable up to 512GB).

App Pair in the Galaxy A9 allows its users to launch two apps at once on a split screen, thereby providing the option to multitask. This feature is accessible directly from the Home screen of the smartphone. The device also comes with Face Recognition technology.

Galaxy A9 is styled in Caviar black, Lemonade blue and Bubblegum pink.

ComBank staff honoured for 25 years of service



The felicitated staff with Dharma Dheerasinghe, Chairman; S Renganathan, Managing Director (seated, centre); Sanath Manatunga, Chief Operating Officer (seated, third from right). Also in the picture are the members of the Board and corporate management, Commercial Bank

The Commercial Bank honoured 109 employees for 25 years of loyal service at the 2018 edition of the Bank's annual Seniority Awards Ceremony. The gala event themed 'Celebrating 25 Years of Shared Prosperity and Achievement,' was graced by Dharma Dheerasinghe, Chairman, ComBank as Chief Guest, S Renganathan, CEO/

Managing Director, ComBank, and members of the Board of Directors, members of the Bank's corporate as well as senior management.

Each employee was recognised with a valuable gift and a certificate in appreciation of his or her service. Many of the recipients of these long service awards were school leavers

when they joined the Bank in 1993, and now hold key positions in various departments and branches. Members of the families of felicitated staff were invited to the celebrations that followed the ceremony.

Dharma Dheerasinghe, Chairman, commented on how an organisation and its employees can create mutual value in

a long term employment and commended the employees for their loyal service.

S Renganathan, Managing Director/CEO appreciated the employees of the Bank for their exemplary service, while thanking the families of all staff members for supporting their loved ones to achieve this monumental feat.

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SLT PEO TV launches 'Videsa' a series of educational channels



(L-R): President Maithripala Sirisena; Nishantha Kahavita, Senior Manager, SLT VisionCom; P G Kumarasinghe Sirisena, Chairman, SLT and Dharshana Iran De Silva, Principal, Bandaranayake College, Gampaha at the launch of Videsa

'Videsa', a series of educational TV channels on PEO TV, Sri Lanka Telecom's interactive

entertainment television service was officially launched by President Maithripala Sirisena

at Bandaranayake College, Gampaha. Videsa comprises of six different channels dedicated

to each grade covering grades six to 11. These channels have been extended as Videsa six, Videsa seven, Videsa eight, Videsa nine, Videsa 10 and Videsa 11. Videsa can be viewed from Channel 206 to 211 on SLT PEO TV.

The Dharmavahini foundation, which has been broadcasting cultural, religious as well as educational material via the internet and satellite and the Ministry of Education, provide educational resources for Videsa.

Furthermore, all programmes in Videsa series are conducted by Government school teachers and aligned to the school curriculum.

With this latest introduction, students are provided with increased opportunities to learn and expand their education after school hours from their homes. Videsa is the latest initiative taken by Sri Lanka Telecom to empower education.

HUAWEI launches Y-Max at Singer



(L-R): Pasindu de Silva, Brand Manager-Huawei, Singer Sri Lanka; Kumar Samarasinghe, Marketing Director, Singer Sri Lanka; Mahesh Wijewardene, Group CEO, Singer Sri Lanka; Peter Liu, Country Head, Consumer Business Group, Huawei Sri Lanka; Jagath Perera, Director-Digital Media, Singer Sri Lanka and Kalpa Perera, General Manager-Consumer Business Group, Huawei Sri Lanka officially launching the Huawei Y-Max in Sri Lanka

The HUAWEI Y-Max smart phone was officially introduced to the Sri Lankan market at a launch held at the Singer Lifestyle festival.

Presented under the theme 'Big Screen, Big World', the phone features 7.12 Super Large Dewdrop FullView Display, Dolby Atmos Sound, Powerful Energy and Smart Technology.

Addressing the gathering, Peter Liu, Country Head, Consumer Business Group, Huawei Sri Lanka said, "We are thrilled to present Huawei Y-Max, yet another globally popular smartphone to the Sri Lankan market, and we believe it will provide more users with up-to-date technology integrated with convenience"

Its Full view HD display provides more than 90 per cent screen ratio. The 2.28mm narrow frame together with 8.4 slim body is light weight and designed to make the device further comfortable.

The Huawei Y-Max also provides users the ability to read in any given light condition with the special reading mode.

The video enhancement technology adjusts the contrast of the video, and the distribution range of the image in the video is expanded. The Dolby Atmos sound system provides a Smart Amplifier. The movie mode has a loudness of 80db. The receiver mode allows the user to adjust the volume of the receiver according to the environment.

The Y-Max is powered by Qualcomm snapdragon 660 chipset and runs with 4GB RAM and 128GB ROM 5000mAh large capacity battery that provides long lasting battery power. In addition to that, it comes with the low power consumption chipset, allowing it to run for two days with ample power in one charge.

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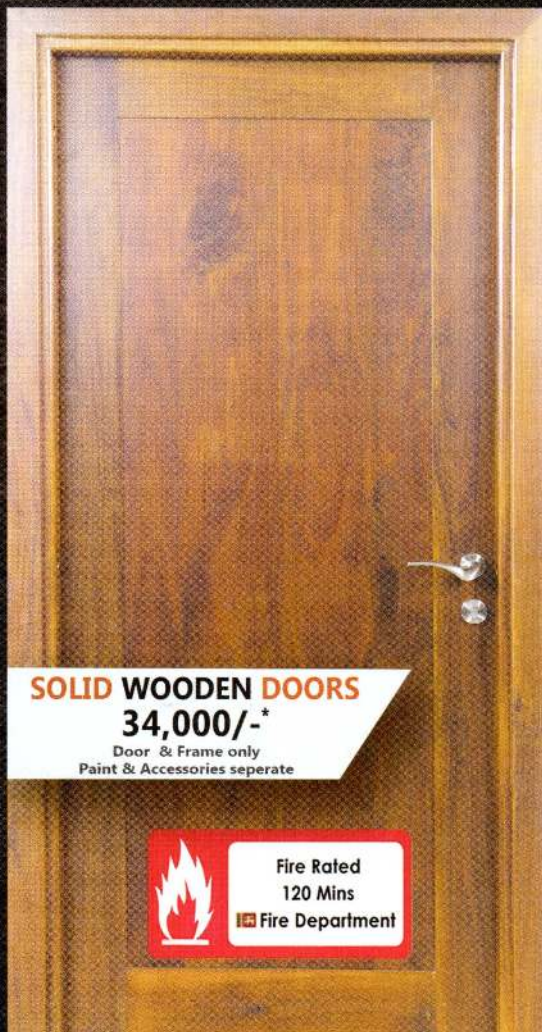
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FT Person of the Year: George Soros

By Roula Khalaf in Marrakesh December 19, 2018



© GEORGE SOROS VISITS A SCHOOL IN THE ROMA DISTRICT OF FRUMUSANI, ROMANIA. CREDIT BJORN STEINZ/PANOS

The philanthropist has become a standard bearer for liberal democracy, an idea under siege from populists.

For a man facing daily attacks for his activism and liberal vision of the world, George Soros was in a curiously buoyant mood on a sunswept afternoon in Marrakesh. He had just visited South Africa, home to his first philanthropic foray in the late 1970s, when he funded black students under apartheid. This time he learnt that Soros-backed investigative media and civil society groups had helped thwart an allegedly corrupt nuclear power plant contract with Russia.

"It was a tremendous boost to reinforce my belief that we are doing something right," says Mr Soros. "We haven't stopped having a beneficial influence."

Influence has come at a painfully high cost for the 88-year-old father of the hedge fund industry and one of the world's most prominent philanthropists. From his native Hungary to his adopted America, the forces of nationalism and populism are battering the liberal democratic order he has tirelessly supported. The man once described as the only individual with a foreign policy must contend with the rise of strongmen

"It was a tremendous boost to reinforce my belief that we are doing something right. We haven't stopped having a beneficial influence."

across the globe — and a vicious backlash designed to delegitimise him.

The Financial Times's choice of Person of the Year is usually a reflection of their achievements. In the case of Mr Soros this year, his selection is also about the values he represents.

He is the standard bearer of liberal democracy and open society. These are the ideas which triumphed in the cold war. Today, they are under siege from all sides, from Vladimir Putin's Russia to Donald Trump's America.

For more than three decades, Mr Soros has used philanthropy to battle against authoritarianism, racism and intolerance. Through his long commitment to openness, media freedom and human rights, he has attracted the wrath of authoritarian regimes and, increasingly, the national populists who continue to gain ground, particularly in Europe.

"I'm blamed for everything, including being the anti-Christ," scoffs Mr Soros. "I wish I didn't have so many enemies, but I take it as an indication that I must be doing something right."

There are so many anti-Semitic conspiracy theories targeting Mr Soros that it is difficult to keep count. Hardly a day goes by without a statement, a tweet or an image depicting him as a master manipulator of global politics.

The venom, long concealed among extreme right networks, has leaked into the mainstream: Mr Trump, who resents Mr Soros' support for the Democrats, has peddled allegations that he funded the caravan of central American migrants, claims that have appeared to have partly inspired the October attack on the Tree of Life Synagogue in Pittsburgh.

Earlier that month, Mr Soros was the first in a series of Trump critics targeted with an

explosive device sent to his suburban New York home. "I have been painted as the devil. The fact that extremists are motivated by false conspiracy theories about me to kill hurts me tremendously," says Mr Soros.

Across the Atlantic, Hungarian prime minister Viktor Orban, once a recipient of a Soros education grant, has instrumentalised the billionaire in his electioneering, falsely accusing him of masterminding EU plans to flood the continent with migrants. Mr Orban's party plastered on billboards Soros imagery that critics said echoed Nazi posters of the "laughing Jew". This month, the Central European University, which Mr Soros founded in Budapest in 1991, said it was being "forced" to move some courses to Vienna in what it described as a "dark day for Europe and a dark day for Hungary".

In Britain, too, the country where Mr Soros completed his studies and owns property, he is remembered for being the man who "broke the Bank of England" with his 1992 bet against the pound. Decades on, he is maligned for his opposition to Brexit and for the financial muscle he lends to Best of Britain, a group campaigning for a second referendum over membership of the EU. Facebook also joined the disinformation campaign, commissioning research that tried to discredit the billionaire. Sheryl Sandberg, Facebook's chief operating officer, suspected him of shorting Facebook stock after he hit at the social network in a speech at the World Economic Forum in Davos.

Mr Soros comes across as resilient, even energised by the assaults. A voracious consumer of information who also listens intently, he is in reflective mood, trying to make sense of the new world disorder. He calls himself, rather too modestly, a "failed philosopher".

"We had history on our side in the early years. It was a time when open societies were very successful and were gaining ground," he says of recent decades. "But the course of history has changed. That's the problem that I'm trying to understand. What has made closed societies gain ground."

"But the course of history has changed. That's the problem that I'm trying to understand. What has made closed societies gain ground."

Mr Soros has many homes but the FT meets him in Marrakesh, where he is due to attend a conference. He is seated in a courtyard past the orange grove in the opulent La Mamounia hotel. Casually dressed in a blue striped cardigan, he asks his visitors to speak through a microphone because he is hard of hearing. In Hungarian accented English, he jokes that he is the man with golden ears, a reference to his gold-plated hearing aid. Though he complains that his memory is fading — "I only remember the future", he quips — he remains sharp and on top of the details.

Critics of Mr Soros have pointed to irreconcilable contradictions in his personality — he made his fortune as a ruthless speculator, with little regard for the consequences of his mega bets, but gives it away with messianic zeal. They detect in his philanthropy a sense of repressed guilt. Those who know him well, however, say the same strand of rebellion and high tolerance for risk runs through everything he has accomplished, whether in fund management or philanthropy.

"The roots of who he is lie in the trauma of an adolescent coming of age under Nazism and fascism, as a Jew in hiding, witnessing, at formative age, the darkest instincts and behaviour of humans," says Leon Botstein, president of Bard College, the small US liberal arts school, and a longtime associate.

Born to a Jewish family in Hungary, Mr Soros was 14 when the Nazis invaded in 1944. He survived an occupation that cost the lives



of 500,000 Jews by carrying fake identity papers. Guided by his resourceful lawyer father, Tivadar, the family split up and the young George was sent to live with an agricultural official, pretending to be his godson. George accompanied the official on visits to take inventory of confiscated Jewish property, an experience over which he had no control but one that would haunt him, becoming the basis of nasty claims that he had collaborated with the Nazis.

What affected Mr Soros even more was an earlier event when he was asked by a Jewish Council to deliver deportation notices to lawyers. "One lawyer told me he was always a law-abiding citizen . . . and therefore nothing can happen to him if he obeys the order," he says. "That made a tremendous impression on me. I realised that there can be unjust laws that you obey at your peril."

It was as the communists consolidated power in Hungary that Mr Soros, then 17, decided to make an escape. He fled to London, where he worked as a porter and waiter. Though he felt deeply unwelcome at first, Britain gave him his start in life. While studying at the London School of Economics, he came under the intellectual influence of Karl Popper and his idea that only open, democratic societies could flourish. These ideas would later become the basis of his philanthropy.

Driven by a competitive streak instilled by his father, who encouraged his sons to play sports (he still plays tennis), Mr Soros went to Wall Street in the 1950s as an arbitrage trader, where he would eventually set up his Quantum fund and become one of the world's most successful speculators. "The way I came out ahead on the moneymaking is that I was as critical of my own decisions as I was of the system," he explains. "I abandoned positions that didn't work; I cleaned up on my wins and I was generally first in, first out."

He only burst on to the international scene, however, after his infamous 1992 bet against the British pound, which helped force the UK to withdraw from the European Exchange Rate Mechanism on Black Wednesday. The

"His is not the Kissingerian theory of changing the world from the top down. It's the idea that if you give seed money for people with powerful ideas, then if you're lucky these ideas catch fire and change the world."

short position he built netted him more than \$1bn in profit.

By that time, he had been befriending and financially supporting dissidents across the eastern bloc for a decade or so, establishing the first Open Society Foundation in Hungary in 1984. An early recipient of support was a student group led by Mr Orban. The fall of the Berlin Wall provided fresh impetus to advance his liberal agenda and when his proposal for a Marshall Plan for eastern Europe was ridiculed, he set out to implement it in a private capacity. In 1992, for example, he established a \$100m programme to pay scientists' salaries in the former Soviet Union and Baltic states and distribute scholarly journals to libraries.

Mr Soros branched out as the cold war wound down, supporting issues ranging from migration to drug policy, and taking on the discrimination against the Roma in Europe and, more recently, the Rohingya in Myanmar, where a visit a few years ago brought back memories of childhood persecution. Today, even amid an intensifying vilification campaign, he has new targets in mind. A non-practising Jew who says he believes that man created God in his image rather than the other way round, he is considering becoming more active in Israel, where he is dismayed by a controversial law declaring only Jews have the right to self-determination in the state.

"George is the permanent campaigner but instead of having a *gilet jaune* [like the French protesters] and work boots, he's got a very large cheque book and a liberal agenda and he never gives up," says Mark Malloch Brown, the former British official who is one of Mr Soros' oldest friends. "His is not the Kissingerian theory of changing the world from the top down. It's the idea that if you give seed money for people with powerful ideas, then if you're lucky these ideas catch fire and change the world."

Mr Soros says he never considered seeking elected office and those who know him agree he would not be good at it. Impulsive and prone to abruptly changing his mind, he is

a person of sweeping ideas who is resistant to being “bureaucratically trained”, as Mr Malloch Brown puts it. Yet he has inserted himself into debates that are polarising western societies, leaving him open to the charge of political interference.

One of the largest donors to Hillary Clinton’s 2016 US presidential campaign, Mr Soros was stung by the election of Mr Trump (he also wrongly bet the stock market would fall in the wake of a Trump win). He had long disapproved of Mr Trump and once refused an offer for office space in a Trump building, but contends that he will be a passing phenomenon: “He [Trump] is his own worst enemy, a narcissist who wants the world to revolve around him and has succeeded beyond his wildest dreams.”

In the 2020 presidential vote Mr Soros plans to stay out of the primaries and back whoever emerges as the Democratic opponent to Mr Trump. More immediately, his foundation is involved in what he sees as important advocacy for a fair 2020 census that could address the underrepresentation of minorities.

The world, according to Mr Soros, is in a state of revolutionary ferment. But he is not losing hope, even for Britain, where he is encouraged by the prospects for a second Brexit referendum. Yet a new vote, he says, would have to be won with a significant margin because Britain must remain in the EU with conviction, rather than for pure economic calculation.

He is still passionate about the European project, but is outspoken about its failings. The EU reminds him, in some ways, of the waning days of the Soviet Union, with a Brussels bureaucracy failing to understand that it is losing the battle. “The EU was built by visionaries who knew the weaknesses of what they were doing but had reason to believe that when the moment comes the political will can be summoned to take the next step forward.” Now, he says, the EU is in the hands of constitutional lawyers “who find loopholes to get things done so things that ought to be simple become very convoluted”.

George Soros

From a lawyer’s son to liberal standard-bearer

1930 - Soros is born in Budapest, Hungary

1947 - Moves to London and studies at the London School of Economics

1956 - Emigrates to the United States

1969 - Started his hedge fund Soros Fund Management

1973 - Founds Quantum Endowment Fund.

1979 - Soros uses some of the wealth he had made from his hedge fund for philanthropic causes. His first initiatives provide scholarships to black students in South Africa and for eastern European dissidents to study abroad.

1991 - Founds Central European University with the aim of promoting democracy in central and eastern Europe and the former Soviet Union. CEU is initially set up in Prague but moves to Budapest in 1993.

1993 - Starts the Open Society Foundation. He has now given \$32bn of his own money to the foundation, which works in more than 100 countries and supports democracy, transparency and freedom of expression.

2011 - Quantum Endowment Fund closes to non-family members and returns money to investors.

2018 - November Open Society Foundation accuses Facebook of promoting misinformation and hate following a New York Times report that it was involved in a smear campaign against Soros.

December CEU confirms it will move its US-accredited programs to Vienna from September next year following legislation by the Hungarian government.

Caroline Grady

In his twilight years, Mr Soros is looking beyond his formidable legacy. Having originally planned that his foundation would last his lifetime, he completed the transfer last year of \$18bn from his family office to the Open Society Foundations. That reduced his fortune to \$8bn, according to Forbes magazine, but ensured that his activism would take on a life of its own. And he has found a successor in philanthropy: his son, Alexander. “We fight for principles, we fight irrespective of the results, win or lose,” he says. And, almost as an afterthought, he says: “I don’t like to lose so much.” □



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SAJIN DE VASS GUNAWARDENA THE FALL GUY



Sajin De Vass Gunawardena

Sajin De Vass Gunawardena has always stood by what he believes in. He has been loyal to his principles and has worked tirelessly to achieve the required objectives for the betterment of the country. He was known as one of the most powerful personalities in the Rajapaksa administration and worked closely with former President Mahinda Rajapaksa. Yet, Sajin De Vass Gunawardena explains, he was portrayed as the biggest 'crook', by those whom he was most loyal to. After 2015, he faced numerous challenges, all of which he has faced head on with a determination to prove all wrong. And, he has done so successfully, showing that he indeed had been used as a scapegoat. He has strong ideologies in terms of addressing the crucial questions the country faces, especially in terms of the national issue, political and economic stability. While forging ahead, Sajin De Vass Gunawardena looks to the future of the country. He believes that now more than ever, the country requires economic and political stability and a united effort to push through much needed Constitutional reform.

By Udeshi Amarasinghe Assisted by Keshini de Silva | Photography Mahesh Bandara and Menaka Aravinda

After 2015, what happened to Sajin De Vass Gunawardena?

Many things have happened since then and this is the first time I am speaking about what happened to me during the past four years. We all worked hard to ensure that former President Mahinda Rajapaksa was victorious in the 2015 Presidential Election. As we all know, he was defeated. From that point onwards, everything started turning upside down. To answer you in a gist, when the new Government came into power investigations commenced into various allegations. I am happy in one sense because they have not found anything on me. I was perhaps known as the biggest crook in Sri Lanka, some may still have that view. But they have investigated me thoroughly, since even before my birth, both in Sri Lanka and internationally through local and foreign agencies such as Interpol. I am happy to say that they have found that all I own is in this country, which is what I had been saying from day one. All my assets have been declared, except in one year. I declared my assets in 2010, 2011, 2013 and 2014, but I had missed 2012 because I was outside Sri Lanka for over 120 days. I have been fully investigated, my family has been investigated, my wife and children have been investigated, and they have found nothing, except that all that I own is in this country and all are legal.

I understand that someone has to be the scapegoat. That is politics. We governed the country for a long time. I was portrayed by the administration as the number one crook, and I had to pay the price.

I was in remand custody for over six months from May 2015. The reason given was that I had been using Presidential Secretariat vehicles by force, without proper authority. I never used Government vehicles for personal use; I have my private vehicles. The security allocated to me used those vehicles, and certain MPs were also granted vehicles by the Presidential Secretariat. The records for the usage of the vehicles allocated to my security were not found at the Presidential Secretariat. Maintaining such records are not my responsibility; it is the director of transport who should obtain those records. Of course no one could say that I used these vehicles by force because insurance, repairs, fuel allocations by the Presidential Secretariat have been recorded for over eight years. I was granted bail in the second hearing of the High Court; in that judgment, the learned judge said that it was an illegal arrest.

I understand that someone has to be the scapegoat. That is politics. We governed the country for a long time. I was portrayed by the administration as the number one crook, and I had to pay the price. Then came the second round, where I was remanded once again over a commercial dealing between one of my companies and a renowned corporate. They were renovating certain premises and civil contracts were signed

to do the work. The CID investigated the matter, they seized files and computers from our offices and my residence. They called on people to ascertain facts in these contracts. One of the directors of that particular corporate had informed them that he cannot understand Sinhala or Tamil. The CID officers had however, written about four to five pages in Sinhalese as his statement stating that I had made them pay me by force. These were commercial transactions between two private entities, payments were made by cheque, contracts were in place and the work was completed. I must emphasise that this had nothing to do with Government funds. I was in remand for 14 days when the magistrate summoned this director to ascertain if I had actually threatened their company. In open court the director said there is absolutely no truth in the matter and further added that he cannot understand Sinhala and Tamil, and the statement was totally false.

The third case was filed by the Bribery Commission for not declaring my assets for 2012. But part of my declarations for 2011 and 2013 covers 2012 as well. Anyway, as I had not submitted for that particular year, I paid the fine of 1,000 rupees under existing laws. Some people thought that I had hidden my assets. That is completely incorrect. I have declared my assets; I had not submitted asset declarations for just one year. That case is now closed.

In terms of the other two cases against me, I have done nothing wrong in terms of the law. I go to court every three months, or whenever the courts summon me and the proceedings are on going.

Then the Bribery Commission brought charges against me under Section 7 of the Bribery Act, which is corruption. The charge was that I had worked to provide profit for a private company through my actions. There is no quantification of the loss to the company or amount, or the exact offense I have made. Fundamentally, all private companies work for profit, unless you are an NGO. The case was filed and was in relation to hiring ground handling equipment for Mihin Lanka. However, in comparison to what we would have paid SriLankan Airlines for ground handling equipment, the contract for hiring out saved 1.8 billion rupees per annum. It is clear in black and white. We were paying SriLankan Airlines much more. In any case, this was a board

I clearly and confidently state that there is not a single charge that has been proven that I have misappropriated state funds, profited from a Government contract, misused public funds, or that I have committed fraud, because I was never involved in monetary activity as far as the Government was concerned.

decision, not my decision alone. At the time Peter Hill was the CEO of SriLankan and they arbitrarily stopped ground handling for Mihin Air. This necessitated us to be independent in terms of our operations. However, they filed a complaint against me. Bribery Commission law, as substantiated by the Supreme Court recently, dictates that charge sheets need to be signed by a magistrate under the Bribery Act and must also be signed by the commission. Now the commission is an interpretation of three commissioners. Recently, another private person had appealed to the Supreme Court against the Bribery Commission because the charge had only been signed by one commissioner. The current Chief Justice Nalin Perera, when he was a Justice, had given a judgment to say that as the commission consists of three commissioners, for legal validity all three commissioners must sign the charge sheet. In my case, not a single commissioner has signed the charge sheet as there is no legal validity. Of course the trial started, and the complainant said he did not know why he made the complaint; and that someone had asked him to make the complaint. Court suspended my trial because there was no legal means to proceed.

Once they conducted the investigations, they realised that the companies had borrowed more than 1,800 million rupees within a period of eight to ten years from two private financial institutions. We were servicing our debts and the business was going on. It was proven and all realised that the assets that I possessed and how the funds were generated were all legitimate. It had been misconstrued as ill-gotten wealth. I can confidently say that I do not have single rupee of ill-gotten wealth. I have worked hard for all I have. The two financial institutions helped me. I am happy that despite being incarcerated, which I believe is part and parcel of politics, it makes you a man in a certain ironical way. But I am thankful that everyone appointed to investigate me, have now understood how I generated my income.

Therefore, I clearly and confidently state that there is not a single charge that has been proven that I have misappropriated state funds, profited from a Government contract, misused public funds, or that I have committed fraud, because I was never involved in monetary activity as far as the Government was concerned.



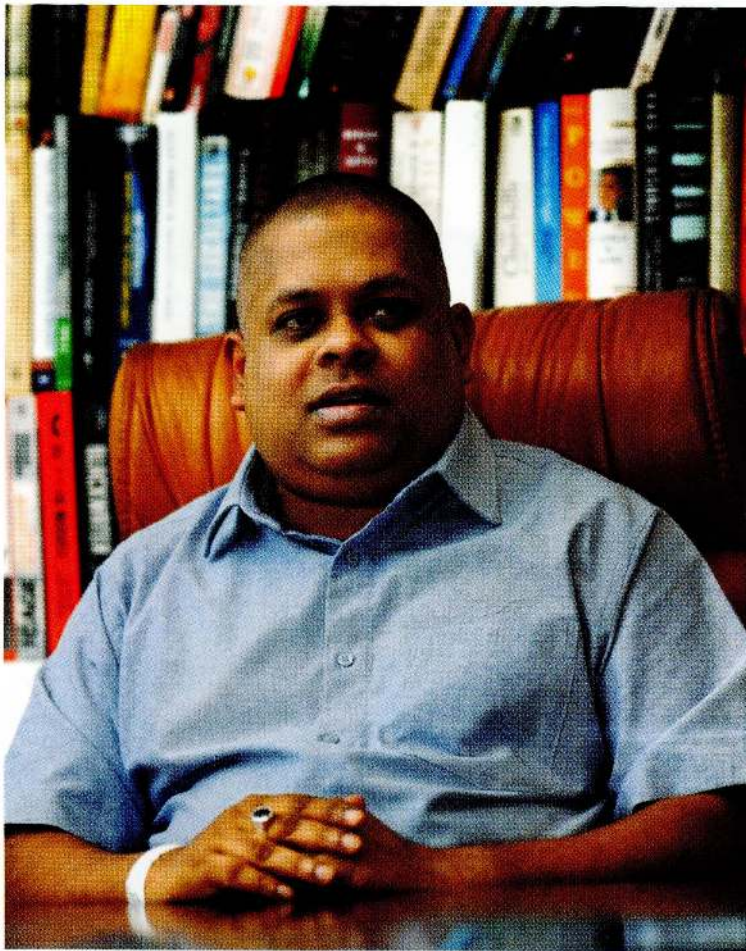
I always worked in foreign affairs. The legal process is continuing and I am confident that all my cases will be discharged because there is no way of proceeding legally.

As a personality who was in the forefront of the past Mahinda Rajapakse administration, I was incarcerated the most in terms of time. I was in active politics with former President Mahinda Rajapaksa from 2010 to 2015. For the General Election of 2015, Parliament was dissolved in June/July. I was in remand custody at the time and I wanted to contest. I was not the only person in remand custody who wanted to contest the election. However, I later found out that the party had not selected me for nomination. My wife worked tirelessly to find out the reason. In the meantime, while being in custody I communicated with the then General Secretary of the SLFP, Anura Priyadarshana Yapa who asked President Maithripala Sirisena about my nomination. He said there was absolutely no issue as I

As a personality who was in the forefront of the past Mahinda Rajapakse administration, I was incarcerated the most in terms of time.

was an existing MP and a strong candidate who could win in Galle. They issued a letter to court because when you are in remand you need a letter from court seeking permission to sign the nomination. The letter was submitted by Anura Priyadarshana Yapa.

An issue arose in terms of nominations within the party. The responsibility of making the decisions about the nominations was handed over by President Maithripala Sirisena to former President Mahinda Rajapaksa. I heard that through a collective decision of the Rajapaksa family, not the extended family, perhaps including former Minister Basil Rajapaksa, MP Namal Rajapaksa and former President Mahinda Rajapaksa, that I would not be given a nomination. I was in a quandary because I could not understand the reasons as to why they would oppose my nomination. I had been one of the closest aides of the former President and I worked hard in terms of fulfilling his political agenda, especially in terms



instrumental in bringing from the UNP to the SLFP came to see me. He was in tears. When I asked him why, he said, "You brought me to this side, now I am contesting for the second time and they are denying your nomination." He had spoken to Dullas Alahapperuma, who had revealed that it was a decision taken by former President Mahinda Rajapaksa and that it could not be changed. In Julius Cesar, Brutus stabbed Cesar, then in the story of Jesus, Judas betrayed Jesus. But this is the other way round, it was as if Jesus betrayed Judas and Cesar stabbed Brutus. That is what happened to me. I believe they took this decision to show that we were the rogues. The week after nominations were signed, Dullas Alahapperuma said they had shed all the pests and that they were clean, in a speech during the campaign. They thought that by crucifying four people who were strong, they had a chance. Never in the history of Sri Lankan politics, be it the UNP or SLFP, have sitting members been denied nominations unless they turned it down personally. Myself, Mervin Silva, Duminda Silva and Sarana Gunewardena, would have at least polled 500,000 votes. These votes would have given the party more than 100 seats with bonus seats as well. That is now water under the bridge.

I have learnt a lesson in life. I had worked for President Rajapaksa without looking out for myself; I was beyond loyal to him. Anything and everything that was assigned to me I handled well. But I never crossed the line in terms of what was right and wrong. People accuse me of many things, but when I ask them to name at least four things that I have done wrong, they cannot name them. They bring up the issue with Chris Nonis. It was a misunderstanding and no one hit anyone. I apologised to Chris the next morning and in all fairness to him he has never said anything and neither have I until this point. It was a person from the Rajapaksa administration itself who carried out the critical campaign against me personally propagating the false story on the internet and social media.

That perception or image of me was created in the media. I believe that many of those things were stage managed to keep the focus on me. Perhaps I was naïve or not mature enough in politics. Today, I am a different person. I have learnt from my mistakes, and I have understood how I was manipulated and used. I have a more intelligent and mature attitude towards how one should work towards one's country. For the past

of foreign affairs because I mostly concentrated on international relations. I have achieved greatly in that sphere, things that his administration could have never imagined to have achieved, about which I could speak volumes for days.

My wife met Susil Premajayantha who was the UPFA General Secretary in charge of putting the nominations together. He told her that the Galle list was complete and to see if she could convince someone to resign in order to accommodate me. She spoke to the candidate from the Balapitiya Electorate who did not have the capacity to win. He submitted his resignation. However, Susil Premajayantha met my wife and some of my supporters at 11.30pm and apologised saying that the nomination could not be changed because it was a decision taken by Mahinda Rajapaksa. That was it. Nominations were finalised and the campaigns started.

On the same day the electoral nominations were signed, Manusha Nanayakkara, who I was

I have learnt a lesson in life. I had worked for President Rajapaksa without looking out for myself; I was beyond loyal to him. Anything and everything that was assigned to me I handled well. But I never crossed the line in terms of what was right and wrong.

four years I have been busy with all the legal matters and now I am ready to begin the next phase of my life.

What are your thoughts on the present situation of the SLFP?

From day one I was against the split of the SLFP. In my view, if former President Mahinda Rajapaksa had an issue, then he should have fought from within the SLFP and not form a new party. The purpose for creating another party is different to what the common man has been led to believe. He should have remained in the central committee of the SLFP to continue in politics and fight from within the SLFP.

A fundamental mistake that President Maithripala Sirisena made at the beginning was stating that whoever wanted to remain in the Government should remain, and those who do not want to could sit in the Opposition. He should have strongly said that as he is the leader of the SLFP everyone must remain with him in Government. The SLFP constitution was changed by President Rajapaksa when he became the leader of the SLFP to state that whoever becomes the President or Prime Minister automatically ascends as leader of the party, until such time that the post is held by him. Those were the fundamental errors in terms of the SLFP.

I was a member of the SLFP at that time and chose to remain because I was elected to Parliament by contesting through the Party. President Mahinda Rajapaksa gave me that opportunity to contest and I have always been grateful and have never criticised him up until now. This is perhaps the first time that I am expressing a negative opinion. But I know my limits because I was a member of that administration. If you ask me why, I know deep down that it was he who denied my nomination in 2015. Therefore, how can I trust him after that? When you deny a politician his nomination, it is like denying him his oxygen and destroying his career. In all fairness to President Maithripala Sirisena, he was going to give me the nomination and I am grateful for that.

I continue my politics in the Galle district, because of the split, the SLFP barely has the support of the people; but we are hanging on. There was pressure from President Sirisena to remove me from the post as the Organiser for Balapitya because I had been appointed by President Rajapaksa. I also made a fundamental

The SLFP members calling themselves the Joint Opposition and also stating that they are members of another party must have the courage to leave the SLFP and also resign from their posts as Members of Parliament.

error, when the Nugegoda SLPP meeting was planned, there were requests made to me to send the people from my electorate, further there was a huge pressure from within the electorate as well to participate in this meeting. Though, I did not attend, I facilitated over 50 buses of people to participate in the meeting. After that I was removed from the organiser position, justified by the leader of the SLFP, President Maithripala Sirisena. The action he took was totally justified, because here was an SLFP organiser sending crowds to attend a meeting of another party.

The SLFP members calling themselves the Joint Opposition and also stating that they are members of another party must have the courage to leave the SLFP and also resign from their posts as Members of Parliament. There is a law in this country. It is in the Constitution and the Standing Orders of the Parliament. With regards to this problem of all these MPs obtaining SLPP membership, I saw Hon Rauf Hakeem saying a Select Committee process should be initiated as per the Standing Orders of Parliament. My argument is simple; why would one opt to leave one's party for another? We believe and choose political parties based on ideologies – economic, political and social ideology. If you are a politician that is what draws you to a political party. We believe that the ideology of the selected party can be converted to governance. Yet, here is a group from the SLFP, who take SLPP membership after Parliament was dissolved arbitrarily. They now say that they did not take membership, but were considering whether to accept the membership requests. Do you think Basil Rajapaksa, who is the organiser of the SLPP, has to consider before accepting Mahinda Rajapaksa's membership? Do you think he has to consider to accept Namal Rajapaksa as a member? This is a joke. Who are they trying to fool? You must bear responsibility for your actions. What are they trying to protect? They must face the consequences. Someone should have advised them not to do it now as the matter would definitely be taken up in court. Another week would not have mattered. But they did it anyway. There is an official notice from former President Rajapaksa's office saying that he had obtained SLPP membership.

Today, unfortunately it is not a fight between the SLFP and UNP, it's a fight within. The 52 days of no governance in this country was an unfortunate series of events. Why was he in such a hurry to become the Prime Minister? He should

have stayed for another year; things would have been different. Today, 30-32 percent of their support base is lost. The lower middle class, people on the fence and the young generation, all these votes have been lost. Politics in Sri Lanka is no longer ethical. How are you going to win an election in this country without giving due relevance to democracy in the country?

The No Confidence Motion brought against Hon Ranil Wickremesinghe previously was politically, a childish attempt. It only made the UNP stronger. It clearly showed that a greater part of the majority and all the minorities were with the UNP. To my understanding, the likes of Rauf Hakeem, Rishad Bathiudeen and all the other minority parties took their decision to reaffirm their confidence in Ranil Wickremesinghe or rather vote against the motion because they were looking towards 2020, that is looking at whom they are going to support for the Presidential Election.

What are your thoughts on the recent political crisis and how was it a reflection of the political system of the country?

Everything that happened during the 52 days with the arbitrary removal of Hon Ranil Wickremesinghe, has been ridiculous. All the decisions made were wrong. Where is this country heading in terms of politics? Hence, 2019 will be a year for reform. I strongly believe the Executive Presidency needs to be modified. This is not a question of personality of whether it is President Maithripala Sirisena or Ranil Wickremesinghe or Sajith Premadasa. I believe, if you look at the last five years of governance there have been many areas, which have been in a complete mess. We need a strong and clear Constitution. The 19th Amendment has brought about certain structural changes to the Constitution that have to be looked at and addressed. I believe the Westminster system maybe the best way to exercise the power of the franchise because it is transparent for the people.

We need a political solution soon. We have been toying with this for too long. The war ended in 2009, more than nine years have past and we have still not been able to address the National Issue. It is a complicated and cannot be solved in a day. But you must make an attempt to have a document on the table. We must start somewhere. The TNA agrees now in terms of the unitary state of the country. I was a member and secretary of the committee appointed during the

They have a different agenda. They have a dynastic illusion that they are pursuing. People of this country cannot be used for that purpose. I am standing up against that, because I have been at the receiving end of persecution in which they used me for their benefit.

then administration and we discussed with the TNA for more than one and a half years. Most of these issues were discussed and agreement was reached during these conversations. Land, finance, police powers, centre-periphery narratives; all of these matters were discussed and common ground was arrived at. Unfortunately, the next step was never taken.

Hon Ranil Wickremesinghe has made a statement stipulating that any election must be held after these issues have been resolved. I believe this is the correct way to move forward. If we do not make use of this opportunity before the next Presidential Election, all done so far will return to oblivion and the process will need to be started all over again. We have one year, and we must make use of it. Every single party and leader have agreed that we must abolish the Executive Presidency. Everyone has agreed that there must be structural changes in terms of the Constitution. Despite agreement, no one does anything about it. But the time has come, especially considering what has happened over the last few years and days, for everyone to get together. Unfortunately, dynastic illusions have hindered progress. For a small tree to grow into a large tree, it takes time. For a seed to grow into a tree it takes a very long time. You cannot stretch it and say this is a big tree now. The political atmosphere, political structure, Constitution and the people cannot be used as tools to stretch that tree prematurely. That is what is happening now. That is why they are failing. There needs to be a process.

The judgment by the Supreme Court on the dissolution of Parliament was far beyond the subject. The implication of that judgment and interpretation of the 13 complaints submitted to the Supreme Court gave the judges a massive ambit in terms of interpreting the Constitution. There is a paradigm shift in terms of Governance in the country. Many people do not realise this. That precedent will change the entire governance of this country. I do not think the SLPP is solving any of these problems.

They have a different agenda. They have a dynastic illusion that they are pursuing. People of this country cannot be used for that purpose. I am standing up against that, because I have been at the receiving end of persecution in which they used me for their benefit. I do not speak in anger; though I felt hurt it is long gone because four years have passed. I only hope that what

happened to me in politics will never happen to anyone else. I learnt that one must always have limits in terms of loyalty and what you have to do for your country. Never become too personal.

What are your thoughts on the economy?

There are many issues that we face in terms of the economy. We neglected industrialisation during our time. We also ignored employment creation. Infrastructure development alone does not create employment, because these are large projects where labour comes from China or overseas. We built the airport and port, which was good and there is nothing wrong in that. Of course, people criticise these projects because there is no return. Why couldn't we achieve this return; it was because of the people in charge. If you build a port or airport how do you make a return? Through commercial activity. You must invite the private sector to invest, open up and liberalise.

Economic policy is the fundamental that separates the UNP and SLFP, which is leftist economic management. Yet, we have to realize that there is no leftist economy in the world anymore. China and India are more liberal than our economy today. We say we are a liberal, open-market economy, but then the Government controls every single aspect of the economy.

The port and airport were infrastructure developments that we needed, yet perhaps the quantum of the project could have been reconsidered; such as completing the Hambathota project in stages so that industrialisation and commercial agriculture could be included in the equation. Then there would be a return on the investment. But where did the port and airport fail? A good example is that when the port was being built, I met the top management of a renowned vehicle manufacturer in India. They wanted land to build a warehouse facility so that they can supply vehicles to the Indian sub-continent markets. At that time when I informed the Chairman of the Ports Authority, he said they were already doing it. He wanted to do everything by himself. I am not being critical of the personality, but that was the attitude of the Government. A Sri Lankan conglomerate requested land to build warehouses and perhaps start general cargo operations. This too, was refused stating that the Ports Authority was doing the necessary. Yet, what have they done? This was their mindset. It was the same with the Mattala airport. It was the same with Airport and Aviation. We lost

The macro economy in Sri Lanka has been stabilised during the last three years. The problem is that the UNP administration always stabilises the economy, but they forget to do the political part.

an opportunity with Lufthansa who wanted to establish an MRO because they did not receive any cooperation. Once we develop assets, they must be given to the private sector to manage and make profitable. That is after all not the business of the Government.

We had to borrow money for all these projects, which is true. However much the likes of Bandula Gunwardena preach, the fact is that we borrowed three times our capacity to pay. How do you keep a country going? Why did we decide to hold elections two years earlier? It was decided because the economy was going to face a crunch. I am saying this with great responsibility. What the new Government faced from 2015–2017 was what we were going to face if we had decided to continue. It is elementary.

The Institute of Policy Studies has published a new book on the economy of Sri Lanka in 2018. It is a revealing book that shows how the macro economy in Sri Lanka has been stabilised during the last three years. The problem is that the UNP administration always stabilises the economy, but they forget to do the political part. During our time, Budgets were 85 per cent politics and 15 per cent economics. That is what the people are used to. Over the last three to four years it was the other way around because the economy needed stability. Foreign reserves during our time was at seven billion dollars, but 6.5 billion rupees were borrowed. Whereas during the last four years, foreign reserves amount to 9.5 billion dollars; six billion dollars has to be paid this year, and we have the reserves for that. On one side, there was a lot of economic activity because projects were going on at that time. There was money coming in and the dollar was stable. The recent dollar crisis had nothing to do with Sri Lankan economy, it is all due to external factors.

As a whole we have to look at 2019 as being the most volcanic year, because there is going to be economic and political instability and perhaps a lot of unrest. This is because all factors have come to a point where they have reached the maximum and are exerting extreme pressure for a solution.

After the previous administration lost power, you were blamed for almost everything. Why was that?

I was basically involved only in foreign affairs and relations. Nothing else. I do not know how

these perceptions have come about. Tell me four things I have done wrong, excluding the debacle with Chris Nonis. Considering official matters of the Government one cannot even name two things I have done wrong. I was made the focus. Someone purposely placed the spotlight on me as the rogue and crook. That is a Machiavellian capability of certain people.

During the war, obviously foreign policy and defense policy must be intertwined; there is no two words about it. This is because there is a military objective and we have a foreign affairs objective that the military objective vis-à-vis the war is balanced properly in terms of the international community. I am not talking about the alleged acts of human rights abuses. I am talking about the perception and the work that we had to do in terms of ensuring that the international community was with us so that we could end the war.

The war finished in 2009, therefore we could not continue with the same foreign policy or attitude. We could not have a defence policy dictating the foreign policy. That is where we went fundamentally wrong. We did not adjust ourselves. This was an argument we had with the Minister and other relevant people at that time. We needed to be more amenable to the international community. Obviously when it comes to Sri Lanka, geopolitics and geographical position vis-à-vis the Indian Ocean is the primary decision making factor, whether it comes to India, China, the US and the West. It is an ocean game at the end of the day and it is all about who controls the waterways of this world. Another thing that worsened the situation was the India and US defence pact. They were one and the same. There is nothing that we can ignore when it comes to India's foreign policy in terms of Sri Lanka. Perhaps with our victory in the war we forgot that. By 2015, the whole world was against us.

I was only there to implement policy that had already been decided upon. I could not dictate my own policy. Decisions were a collective power of the defence and foreign establishments. My duty was international relations focusing mainly towards personalities. My duties were mainly to meet and lobby them, as well as ensuring that our embassies are geared to cater to them. But I never worked on policy, I was not a senior. Of course I used to argue and we discussed matters.

It was my work and personality that made me seem powerful. I do not allow anyone to treat me badly. If I am given a task, I will perform and deliver. But I have done nothing wrong.

During my conversations with former President Mahinda Rajapaksa I clearly spoke my mind. I put the cards on the table as they were. But he directed us on how he wanted us to handle the situation. If we think they are wrong, we tell him. One thing that is wrong with the country, every decision is a political decision. Whether it is economic or social, everything has an angle to benefit the political party. We could have done much better in our foreign relations if we were not too strong-headed. By end 2014, the then President realised this and the process became more amenable. But then we lost the election.

It was my work and personality that made me seem powerful. I do not allow anyone to treat me badly. If I am given a task, I will perform and deliver. But I have done nothing wrong. Even my duties at the Foreign Ministry was investigated but nothing was found as irregular or illegal. Some seniors do not like me because I am a task master, because when I am given a task I will deliver. People are wrong when they say I steered the Government. I have never made business or investment decisions. If someone asks for my help, if it is a genuine issue then I will help. I had no such authority. I survived because I never got involved in any transactions. The others have faced problems because they were involved in transactions.

You were one of the key members in the negotiations with the TNA at that time. Can you elaborate on this?

For the TNA the contentious issues were land, police powers and finance. In terms of finance, the provincial councils already have the ability to borrow under the monetary set up of the country. That was something that had been agreed upon in general. When it comes to land, there was a Supreme Court judgment during the time of Chief Justice Sarath N Silva, where alienation of the land was a subject that could only be decided by the Executive. It cannot be given to the periphery. We suggested that the TNA identify the land mass in the North and appoint a land commission and that we would provide a wide area of autonomy in terms of leasing. The alienation of land belongs to the Executive and Cabinet, but they would have complete control on how to use the land. Police powers cannot be given to the periphery due to the preferential voting system in the country and could thus be misused. Therefore, it is not practical in our



country. But we offered the option of community policing. Unfortunately, due to Suresh Premachandran from the TNA these talks fell apart. We had a sub committee as well to look into the land mechanism headed by Rajiv Wijesinghe and M A Sumanthiran. They collated a document as well, but that failed from the TNA side. From President Rajapaksa's side he offered the Senate as a 13+ factor and the selection to the Senate to be district based, province based, nomination based or a combination of all three. I believe the Hon Sampanthan took this well, but when it came down to implementation, everyone was scared. I believe the time has come to ensure an all inclusive process.

Presently, the JVP has presented the 20th Amendment, I have not seen the whole document, but maybe this is a good starting point. Then I hear the committee that was appointed in Parliament has another document. This might be a good opportunity to commence a Parliamentary

The ideal system is to do away with the Provincial Councils and strengthen the Prasadeshiya Sabha because they are the direct contact with the people.

process. Maybe in the future, a referendum could be held to ascertain if the people of Sri Lanka want an Executive Presidency or whether they would prefer to revert back to the Westminster system. Personally, I believe the Westminster system is ideal due to transparency of governance. But maybe a President with limited powers could be appointed to maintain checks and balances if we are moving towards devolution to the extent that it is required. We must also decide on whether we are for asymmetrical devolution or symmetrical devolution. Symmetrical devolution might not be the answer. If you ask me personally, the Provincial Council system is an absolute failure. The Southern Province receives an allocation of 20 billion rupees a year, of which recurrent expenditure amounts for 90 per cent; this is mainly salaries and maintenance. The ideal system is to do away with the Provincial Councils and strengthen the Prasadeshiya Sabha because they are the direct contact with the

people. Moreover, devolution of power has to be defined. What does power mean to the normal man? Nothing. Will that propagate development? No. What they are looking at is more political power for administration. Then it has to be a combination of both. At the end of the day, if the man in the periphery, in the village, does not benefit then what is the use of all this?

The blame with regards to Mihin Air was also placed on you?

The blame cannot be placed on me because I had nothing to do with. The former CEO of SriLankan shut it down when the airline just started making money. That may have been one of their corporate objectives. What do you do after you launch an airline and then suffocate it without money? But Mihin Air was the brainchild of President Mahinda Rajapaksa. It was not my decision; it was an executive decision. When we visited the UK to meet Prime Minister Tony Blair, over dinner President Mahinda Rajapaksa asked me if I would start an airline if given the directive. I said yes, and first thing I did when I came back was look at the applicable laws. I sat down with Mr Weeratunga at the Presidential Secretariat, discussed with him on what was required and requested him to assist in terms of setting up the airline.

On contract basis, through the Presidential Secretariat, we recruited staff who had been working at SriLankan Airlines. That is how we started Mihin Air. It was never my idea. But we needed an airline considering the issues we were having with SriLankan Airlines and the emerging low cost market. Mr Weeratunga was privy to this conversation. When I am given the task, I pursue it and complete it. Three months down the road, the first Mihin Air flight took off.

From that day, we never received funding for reasons best known to the administration. It is funny how the left does not know what the right is doing, or pretends not to know. Sometimes people become indispensable as well. I was only CEO of Mihin Air for eight months and after that the airline was managed by other appointees. I was investigated with regards to my duties at Mihin Air as well, and they found nothing on me in this regard as well.

You have strong support in Galle?

The allegations against me were perpetuated by the media campaigns orchestrated to

portray me in a negative light. It is the people from within, our own people who did this to me. However, all of this is confined to Colombo. I have great support and strong base in Galle and one can witness the reception I receive there. I have more than 700 coordinators in the whole district who are with me. In each Grama Sevaka Division, I have one coordinator and with him I have 100 people. For the last four years, I have been active and I have been nursing my district. Wherever I stand at least 50 – 60 per cent of those people will be with me. And, I will take my stand very quickly.

Looking back on the start of your political career, what are your thoughts?

As you know, I started my career as a supporter and member of the UNP. I have worked on many campaigns for Hon Ranil Wickremesinghe when he was Prime Minister. Fate was such that I had to shift paths from 2000 onwards. If you ask me whether I took the right decision, I would have to say that perhaps if I had remained in the UNP, I would not have faced what I did in 2015. I am not speaking about being incarcerated or being in remand prison, because as a politician it is something to expect regardless of whether it is right or wrong. But it was what happened to me, after being so loyal and dedicated to be axed in the way that I was by the very person whom I was loyal to and worked tirelessly for, I would say that this would not have happened to me under the UNP. That is because decisions are taken as a party by the UNP and not as a person or family.

What are your plans for the future?

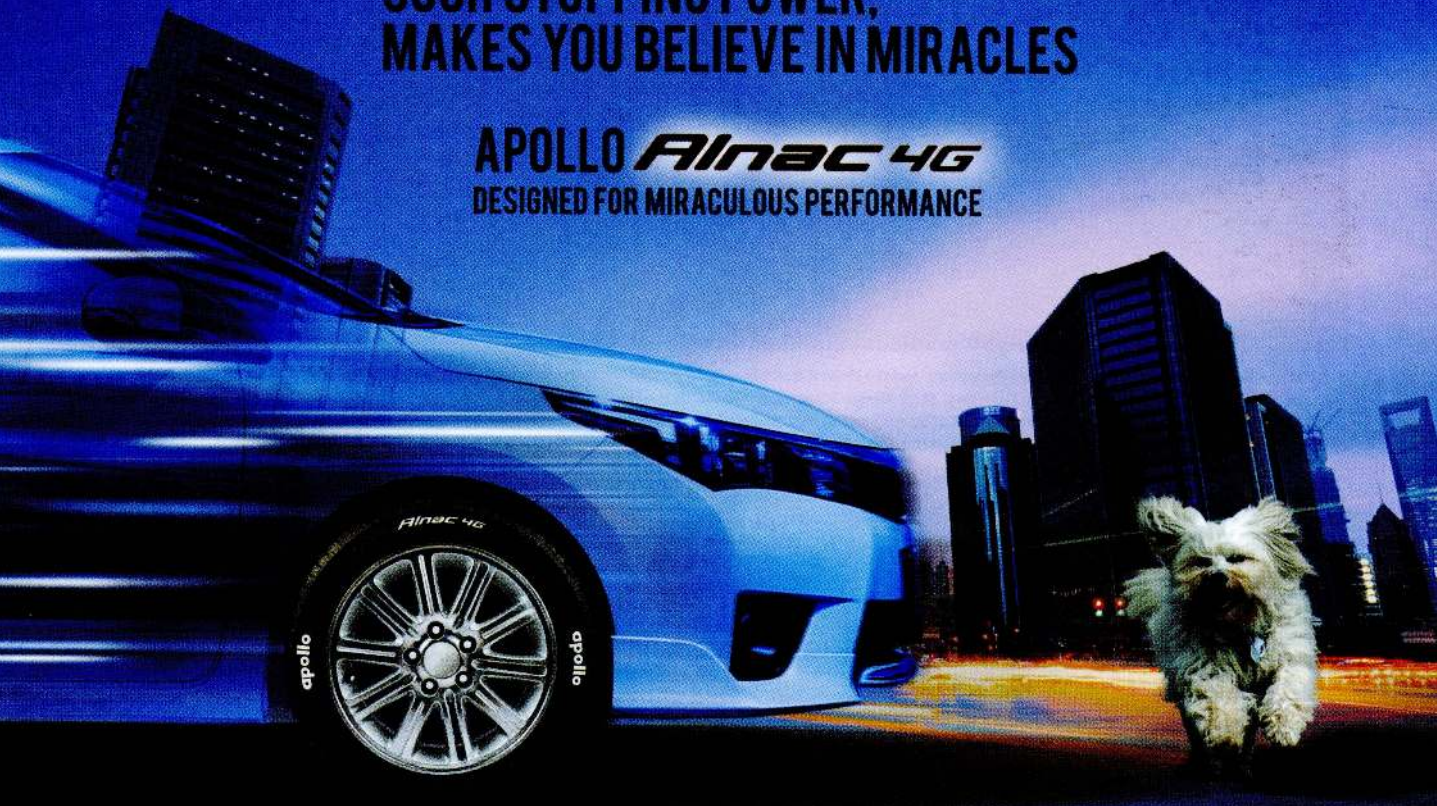
I will leave it to destiny. I will be candid in saying that the only stable political party that I see for the future is the UNP, due to the party's ability to amass the support of every single ethnic community in the country. Because of all that has happened, the SLFP is in disarray. Purposefully, the SLFP is being slayed over and over again, to the extent that it will take a long time for the party to raise its head. I do not know what the future of the SLPP will be because everything is personality centric. I think it is time we move away from personality centric politics and look at policies and parties that can cater to the aspirations of all the people of Sri Lanka. Amidst this perspective, I believe that it is the UNP that will bring stability to the country. ☐

I think it is time we move away from personality centric politics and look at policies and parties that can cater to the aspirations of all the people of Sri Lanka.

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IDEA GROUP'S i-ROOF WINS 'BEST INNOVATIVE BRAND OF THE YEAR'



(L-R): M M Ameen, Assistant Manager – Sales Operation; Asanka Perera, Sales Manager; Dulaj Chathuranga, Head of Marketing; Nishad Weerathunga, Managing Director, Lex Duco; Thilanka Abeywardena, Secretary, SLIM; Kumar Samarasinghe, Director – Marketing, Singer Sri Lanka; Indika Sampath Mayakaduwa, Chairman and CEO, Idea Group; Nuwan Buddhika Perera, Head of Sales; Sandun Mayakaduwa, Head of Sales; Dilhani Weerathna, Tax Accountant; Gihan Gunathilaka, Head of Design; Ruwan Senarathna, Head of Finance and Harsha Tharanga, IT Manager

The brand 'i-Roof' introduced by the Idea Group was named 'Best Innovative Brand of the Year' at SLIM Brand Excellence-2018. The award ceremony was graced by many guests including Lalith de Mel, the first Sri Lankan who became a Director of one of the Top 100 companies in Britain.

Idea Group uses the latest technology in the world as well as the best raw materials to produce the i-Roof product range. i-Roof has won the hearts of early adopters in the country who always think fresh with regards to roofing solutions. i-Roof has three types of products; i-Roof-XTRA, i-Roof-SUPER and i-Roof-VEERA.

i-Roof-XTRA comes with a matt finish while i-Roof-SUPER comes with a gloss finish. i-Roof-VEERA has the ideal outlook, well-suited for factories. i-Roof with the payoff-line, 'Roof with best benefits' is the only ASA polymer roofing tile produced in Sri Lanka endorsed by the ISO 9001:2015 international standard certification.

According to the estimations of building constructors on fixing the roof, i-Roof contributes to the lowest cost per square foot that includes fixing the frame, using heat resisters and fixing thatching sheets. The cost of using regular shape aluminum sheets and tile shaped aluminum sheets for roofing requirements is much higher.

Idea Group introduces products to the marketplace that are entirely manufactured in


Idea Group uses the latest technology as well as the best raw materials to produce the i-Roof product range.

Sri Lanka. Consumers with any economic background could also benefit from its Green-oriented roofing products.

Idea Group having over 400 SIVILIMA and SI-YANA showrooms throughout the island, is the only Sri Lankan company that has the largest network of branches to cater to people of diverse social status and backgrounds.

In 2013, Idea Group expanded its business periphery to unveil 'SIVILIMA' network of showrooms. Within a short period of five years, SIVILIMA became a top-of-the-mind brand and a household name.

Being a socially responsible business organisation, SIVILIMA offers an array of green-oriented products to domestic and commercial markets in the country. The technical plans of SIVILIMA product range owning 42 Patent licenses are significant. Inferior quality products in the marketplace have contributed immensely towards destroying the greenery and rain forests in the country. SIVILIMA, by introducing green-oriented products of high quality is contributing towards sustaining the greenery of the country.

Idea Group offers a total solution for roofs and interiors of houses and other buildings and is a diversified entity. It also operates in the spheres of hospitality trade, construction and information technology. 

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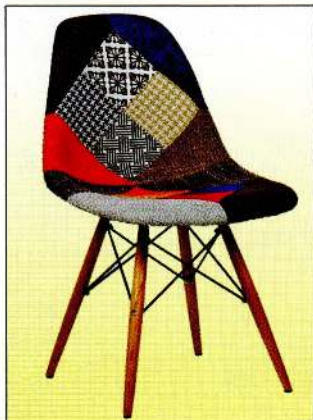
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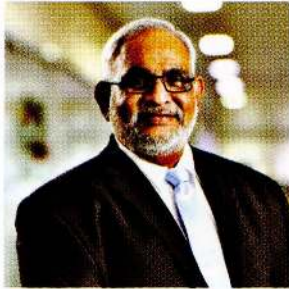
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Ceylinco Life appoints Jegan Durairatnam to its Board



Jegan Durairatnam, Independent Non-Executive Director, Ceylinco Life

Ceylinco Life Insurance announced the appointment of renowned career banker Jegan Durairatnam to its Board as an Independent Non-Executive Director.

Jegan Durairatnam retired as Managing Director and Chief Executive Officer of Commercial Bank of Ceylon after a 36-year career with the Bank.

During his tenure he held several key positions, including

Chief Operating Officer (COO) and Deputy General Manager – International.

“Jegan Durairatnam’s vast experience in financial services, his impeccable reputation as a banker and his proven acumen and capabilities will be an asset to Ceylinco Life as the company looks to build on 14 years of market leadership”, said Rajkumar Renganathan, Chairman, Ceylinco Life.

The holder of a Bachelor’s Degree from the University of Peradeniya and an Executive Diploma in Business administration from the University of Colombo, he joined Commercial Bank in 1982. Over the three and a half decades that followed, he gained extensive experience and knowledge in all aspects of international trade, off-shore Banking, credit, operations as well as IT.

BOC’s 1000th ATM/CDM in Kuliyaipitiya



C. Amarasinghe, Deputy General Manager Sales and Channel Management, BOC ceremonially opening the 1000th ATM/CDM machine at the second branch in Kuliyaipitiya with I. M. L. Karunathilake, Assistant General Manager, North Western Province, BOC

The Bank of Ceylon installed its 1,000th ATM/CDM point at the newly relocated second branch in Kuliyaipitiya. With this, Bank of Ceylon becomes

the only Bank to own a CDM/ATM Network with 1,000 machines in Sri Lanka.

Customers throughout the country can enjoy seamless

banking transactions 24x7 conveniently and securely with these CDM/ATM machines. Another objective of BOC was to take the latest banking technology outside Colombo and its suburbs to other areas of the country.

“We are truly happy to announce that our mission to empower Sri Lankans throughout the country and to provide access to convenient banking, has been a success story, and we have enriched lives of the rural population through our digitisation strategy. We also have connected our customers to transact among each other wherever they are and whenever they want”, stated Laxman Perera, Head of IT, BOC.

“Our reach has become one of our greatest strengths so far. This initiative is yet another step forward to provide a reliable as well as a convenient banking service to our customers throughout the day. We look to move forward with this process by identifying more strategic hot-spots in outer Colombo areas”, said C. Amarasinghe, Deputy General Manager–Sales and Channel Management, BOC.

Customers also can instantly deposit cash into their BOC account to be credited in real time without an additional charge. This machine also accepts deposits made by ATM cards or fund transfers made by keying debit account and the credit account numbers.

Seylan Bank relocates Talawakelle branch



With an aim of providing a comprehensive banking experience, Seylan Bank relocated its Talawakelle branch to a convenient location with ample parking facilities.

Located at Kothmale Road, Talawakelle, the relocated branch continues to offer tailor-made financial propositions to individuals, emerging entrepreneurs and business community in the area.

The Talawakelle branch also provides advisory support to

fulfil their aspirations in a hassle-free manner. Supplemented by latest digital and front-end services, this branch will contribute to enrich the lives of its customers by providing a multitude of Retail Banking services; ranging from current and savings accounts, children’s savings accounts, fixed deposits, housing loans, NRFC/RFC accounts, leasing facilities, credit and debit cards as well as a wide range of Mobile banking services.

Chitral De Silva, Deputy General Manager-Branches, Seylan Bank opening the newly relocated branch in the presence of other dignitaries



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BOC wins at Best Use of Mobile-Financial Sector Institutional Awards



Luxman Perera, Head of Information Technology accepting the award. While M D A Karunaratne, Assistant Director (IT) and officials of the Bank's IT division and Product Development and Business Process Re-Engineering Project were also present

Bank of Ceylon's Smart phone app "BOC Smart Passbook" was recognised under "Best Use of Mobile-Financial Sector institutional Award" at the SLT's ZeroOne Awards.

The "Smart Passbook" was elected winner with a 4.6 rating based on the execution, innovation and outcome of the application. This user friendly mobile app allows the user to inquire their

registered account balances immediately to keep track on account operations on real time. BOC was able to enhance customer confidence to conduct transactions on digital platforms through the effective verification facility of BOC Smart Passbook app and improved the ease of using digital technology in day-to-day life by being simple to operate. The Bank too experienced

improved customer engagements via digital technology as its call-centre traffic was considerably reduced. Furthermore, the branch network is experiencing a reduction in number of inquiries received by a branch.

BOC 'Smart Passbook' is an electronic version of traditional passbook/current account statement. Other features include

optional log-in PIN, FAQ service and availability of registration on up to three mobile devices. Accountholders are able to view on app account balance and transactions of savings/current accounts including foreign currency accounts, possibility of real time on-line view of recent transactions, current monthly statement and last month's statement.

NTB recognised at Global SME Finance Awards



(L-R): Matthew Gamser, CEO, SME Finance Forum; Bandara Jayathilake, Senior Executive Vice President -SME Banking, NTB and Raul Blanco Diaz, Secretary of Industry and SMEs Spain

Nations Trust Bank was ranked amongst the top five banks for SME Bank of The Year - Asia Category out of over 100 entries from banks and fintechs around the world at the Global

SME Finance Awards in Madrid, Spain.

The Global SME Finance Award ceremony is conducted by the International Finance Corporation, a member of the

World Bank Group and is the largest global development institution focused on the private sector in emerging markets.

NTB was represented at the Global SME Finance awards ceremony in Madrid, Spain by Bandara Jayathilake, Senior Executive Vice President-SME Banking, NTB.

Speaking about the accolade, he said, "We have achieved this by being innovative; seeking to not just be a financial services provider but an involved, responsible banking partner to our clients. We share insights and data with our clients that help them manoeuvre their businesses to achieve sustainable growth as well as profitability.

Through programmes such as 'Nations Business Seminars', we have reached out to SMEs and provided meaningful educational and inspirational material, enabling them to reach higher and go further and faster than they could have imagined." "We have stayed true to our values and through our partnerships with our SME clients, built a knowledge sharing platform. Thus, this accolade gives us confidence and adds to our motivation to keep challenging the norms and moving boldly forward along with our customers", he added. Nations Trust Bank is among the top 30 business establishments in the country ranked by Business Today Magazine.

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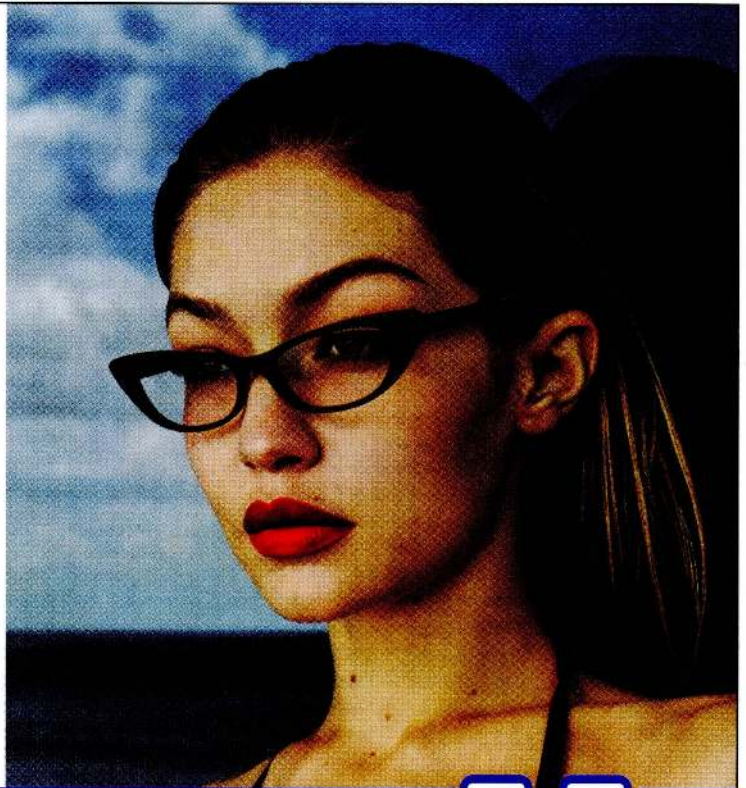
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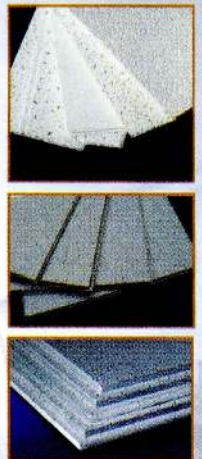


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INTERIORS

Seylan Bank appoints two new Directors



Ravi Abeysuriya, Independent Director



Krishan Thilakaratne, Non-Executive, Non-Independent Director

Seylan Bank announced the appointment of Ravi Abeysuriya as well as Krishan Thilakaratne to its Board of Directors. Ravi Abeysuriya was appointed as an Independent Director while Krishan Thilakaratne will play

his role as a Non-Executive Non-Independent Director.

Ravi Abeysuriya is the Group Director of Candor Group, owned by National Industries Group (NIG) in Kuwait. Formerly, he was the Head of

Strategic Business Development at Hayleys Group, Managing Director of Amba Research Lanka and Managing Director of Fitch Ratings Lanka. He has held senior roles in private equity investment, consulting for the World Bank and the Government of Sri Lanka.

He is also a Fellow Member of the Chartered Institute of Management Accountants, UK, and a Chartered Financial Analyst, USA and he has an MBA from the Monash University, Australia.

Krishan Thilakaratne is the Director and Chief Executive Officer of Commercial Leasing and Finance and represents the senior management team of

LOLC. He also serves on the Boards of Prasac Micro Finance Cambodia as well as Commercial Insurance Brokers. He serves as a Director of the Credit Information Bureau of Sri Lanka (CRIB) and is also the Chairman of the Finance Houses Association of Sri Lanka. He holds an Associate Membership of the Institute of Bankers of Sri Lanka (AIB) and has followed a Strategic leadership training programme in microfinance at the Harvard Business School, USA.

He counts over 25 years of experience in management, credit, channel management, marketing, factoring, portfolio management and Islamic finance.

BOC recognised as one of the top 500 Strongest and Largest Banks



(L-R): R M D V Jayabahu, Deputy General Manager Finance and Planning, Senarath Bandara, CEO/ General Manager and Russell Fonseka, CFO/ Deputy General Manager - Corporate and Offshore, BOC

Based on the strength of the Bank's balance sheet, the Asian Banker Magazine has named the

Bank of Ceylon as the country's strongest and the largest bank and among the 500 largest and

Strongest Banks in the Asia Pacific region.

The announcement was made at CIBOS- the SWIFT global payment provider, ceremony held in Sydney, Australia.

The Asian Banker 500 annual ranking is the most comprehensive annual evaluation that captures the quality and sustainability of the balance sheets of the banks in the region. All data are sourced from Central Banks and miscellaneous publications or via informed estimates.

"With this ranking BOC has set a benchmark in the banking industry of Sri Lanka as the

strongest and largest Bank in the country, which stands along with other banking giants in the Asia Pacific region. This title was once given to the Bank of Ceylon in 2015, also by the Asian Banker. We are proud not only on part of the bank but also on part of the country's economic profile for uplifting the Sri Lankan Banking industry in the international arena. I must say we are further encouraged by this achievement to serve our customers and all our stakeholders with exceptional care and commitment to enrich their achievements", said Senarath Bandara, CEO/General Manager, BOC.

DIMO celebrated Michelin Man's 120th anniversary



DIMO marked Michelin Man's 120th birth year in celebration

Diesel and Motor Engineering (DIMO), a leading authorised distributor of Michelin tyres in

Sri Lanka celebrated the brand's Michelin Man's 120th birthday in 2018.

The Michelin Man, with his cheerful demeanour, has been widely recognised around the world as the face of the Michelin brand since 1898.

The character was born in 1898, followed by the imagination of the Michelin brothers and cartoonist "O'Galop".

Commemorating Michelin Man's 120th birth year, DIMO

launched a special campaign to further strengthen the Michelin brand in Sri Lanka. DIMO offered attractive promotions to its Michelin customers while conducting awareness programmes and customer engagement activities through this campaign.

The campaign was officially launched at the 100th year anniversary celebration of Colombo Rubber Traders' Association (CRTA), where

DIMO was the sponsor of the event. DIMO has been an authorised distributor for Michelin brand in Sri Lanka for more than 25 years.

"As a responsible corporate, DIMO explores avenues to touch the hearts of Sri Lankans, through its businesses, while making a difference in their lifestyles and improving their quality of life", stated Ranjith Pandithage, Chairman and Managing Director, DIMO.

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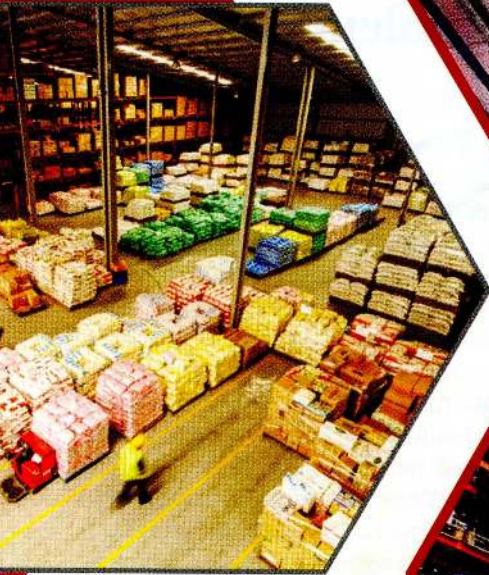
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Lex in-depth: SoftBank's credibility problem

By Jonathan Guthrie and Sujeet Indap December 17, 2018



The group's shares trade at a discount but an IPO of its mobile unit could change attitudes.

The "singularity" is the theoretical point at which machines can out-think humans and technological change becomes unstoppable. It justifies breakneck investment in businesses with disruptive potential, according to Masayoshi Son, founder and chief executive of Japanese tech group SoftBank.

"This is the biggest revolution in human history," he told analysts in August. "Artificial intelligence will change or will redefine all the industries... the winners in AI will be winners in the future."

For the moment, the real singularity is Mr Son. As an iconoclast from consensual Japan, he embodies big contradictions. Fans see him as a tech investment genius. Some traditionally-minded Tokyo business people dismiss him as a reckless chancer.

SoftBank hopes to undercut hostility with one of the largest-ever initial public offerings. This month the group is floating a Japanese mobile phone operation with a mooted equity value of more than \$60bn. Executives believe this will reassure investors about the debts carried by the business and trigger a re-rating.

SoftBank is the world's largest focused tech investor. Yet for all Mr Son's futuristic talk, it sometimes buys relatively mature

businesses. Mr Son and his fans believe it takes no unhedged risks. Critics decry it in the terms Warren Buffett once reserved for derivatives: as a financial weapon of mass destruction. SoftBank's credibility problem is reflected in a big gap between the value of its investments and the price of its shares.

"They are the buyer of first resort," says one Asia fund manager, reflecting on the group's fondness for snapping up shares in well-hyped tech plays, such as Uber and WeWork. "They always want to supersize their investments. They have an issue finding companies willing to take the amounts of money they want to hand out."

The flotation will bring greater clarity to a tangled structure that reflects Mr Son's restless quest for innovation rather than any conventional corporate strategy. But an FT analysis suggests the move could heighten risks for SoftBank's shareholders and lenders rather than dampen them. Dangers are already understated by the group's optimistic account of its own finances.

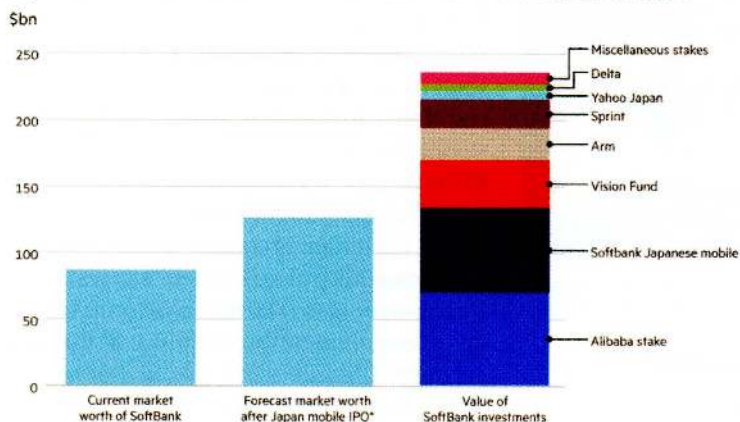
The technological evangelism of Mr Son divides opinion. "He is a visionary," says Dan Baker, an analyst at Morningstar who rates the company a buy. "He is extremely bullish and rarely mentions negatives. Investors are wary of what is not being talked about."

These include "complexity, opacity and leverage", according to Chris Hoare of New Street Research. Even compiling a sum-of-the-parts valuation — a simple exercise for most conglomerates — is tricky for SoftBank. But the discount between the impressive value of the group's investments and its lowly Tokyo-listed shares is over 60 per cent, according to FT analysis of S&P Global data.

The chasm is hardly flattering for Mr Son. It implies his investment skills — or a perceived lack of them — have a negative impact equivalent to \$148bn. The boss of a quoted

"He is extremely bullish and rarely mentions negatives. Investors are wary of what is not being talked about."

Japan Mobile IPO is intended to reduce SoftBank's share price discount



*Assumes market attributes full value to cash raised and that discount for mobile unit closes from over 60 per cent to zero
Sources: S&P Global, FT research
© FT



SoftBank has invested in many high-profile tech companies

private equity group in the US or UK could be fired for a discount as big as this.

One part of the calculation involves nothing harder than totting up the value of stakes in listed companies such as Yahoo Japan and Sprint, a US telecoms business. Another part requires bold assumptions. Lex followed the lead of many analysts in knocking 30 per cent off the \$100bn market value of a stake in Chinese ecommerce group Alibaba—SoftBank's key asset—to allow for tax on any sale. Lex assumed Arm, a chip designer, is worth the full \$32bn SoftBank shelled out for it. By some measures, SoftBank overpaid for the UK business. This is a mature supplier to smartphone makers that has much to prove in a nascent métier: the internet of things.

In the eyes of most Japanese consumers, SoftBank is a mobile phone company with a newsworthy entrepreneur attached.

Deeper controversy bedevils SoftBank's \$97bn Vision Fund. Saudi Arabia, its largest backer, lost much of its cachet as an investment partner after its agents murdered journalist Jamal Khashoggi in Turkey in October. Some analysts fear Silicon Valley start-ups will now spurn Vision Fund financing on ethical grounds. Keeping track of SoftBank's contribution to the fund is a more prosaic difficulty. Lex went with the company's most recent official valuation of \$35.8bn, implying a jump of almost \$8bn in a few months, though the real value of the shares is in the eye of the beholder.

Paradoxically, the higher the number SoftBank puts on these stakes the greater the dismaying share price discount. No wonder Mr Son is trying to address this. We value SoftBank's investments at a total of \$235bn, while its market worth is just \$85bn. The difference is partly explained by SoftBank's substantial net debts but the protection these receive is more fragile than fans acknowledge.

The flotation of the Japanese mobile business is the first step in a plan to lift market capitalisation. It works brilliantly on paper, inspiring Bernstein analyst Chris Lane to describe it as 'alchemy'. Transmuting base metal into gold may be harder in practice.

In the eyes of most Japanese consumers, SoftBank is a mobile phone company with a newsworthy entrepreneur attached. The household name, combined with fat dividends, should lure retail investors. That has emboldened SoftBank Group and its legions of bankers to attach an aggressive float price to the unit. At ¥1,500 (\$13.20) per share, the telecom company would have an equity value of \$64bn.

The sale of a 37 per cent stake for \$23.3bn should hopefully increase SoftBank's market worth by the same amount. An optimist would expect the shareholding in the mobile operator retained by SoftBank to be priced into its market worth in a similar way.

The gap between the parent's implicit and market values should narrow as a result. This contraction would be helped by a change in stock analysts covering SoftBank



SAUDI FOREIGN MINISTRY OFFICIAL TWITTER ACCOUNT

Masayoshi Son with Crown Prince Mohammed bin Salman of Saudi Arabia, the largest backer of SoftBank's Vision Fund. Saudi Arabia lost much of its cachet as an investment partner after its agents murdered journalist Jamal Khashoggi in October

from earnings-obsessed Japanese telecoms specialists to asset management analysts, some of them based in the tech-friendly US.

There are three caveats. First, the re-rating of the retained stake is conjectural, until shares in the phone unit start to trade. Second, Mr Son is likely to sink at least half the IPO proceeds into new tech investments, where their value will once again become opaque.

The third caveat is the most significant. The mobile operator is coming to the stock market when a telecoms price war in Japan is threatening to erupt.

SoftBank Group's racy pricing of shares in its subsidiary is only justifiable if fat dividends from the latter are sustainable. The mobile operator should be able to keep a pledge to pay out 85 per cent of net income. But that will count for little if net income itself is tumbling.

The problem would be more acute for SoftBank Group than the consequent reduction in the value of its shareholding in the phone unit. SoftBank is heavily dependent on cash flows from Japanese mobile phone charges to service its \$130bn net debt mountain.

About a quarter of that debt is the result of a sally into US telecoms. In 2012, SoftBank spent \$20bn to buy 70 per cent of the shares of Sprint. Mr Son's plan was to create a telecoms juggernaut to challenge AT&T and Verizon. He hoped to merge Sprint with T-Mobile. But an exercise in empire building became a lesson in humility.

Trust busters blocked the merger. Subsequent events have ominous parallels with the Japanese telecoms industry today. T-Mobile

simplified and lowered mobile phone pricing. Tens of millions of subscribers defected from AT&T, Verizon, and Sprint. T-Mobile shares leapt by 120 per cent in the three years to the end of 2017. In that time, Sprint's more volatile stock rose just 42 per cent. Sprint's debt of over \$37bn prompted fears of bankruptcy.

The advent of a more business-friendly era in the US under President Donald Trump encouraged Sprint and T-Mobile to resurrect their merger plan. The new deal terms betray the divergence in the fortunes of the two partners. T-Mobile is now taking over Sprint. SoftBank would go from owning 83 per cent of Sprint to just 27 per cent of the new T-Mobile.

The chances of US competition regulators approving the all-stock deal this time are put at no better than 50:50 by analysts. If the deal goes through, it would reduce pressure on Sprint's balance sheet. The estimated annual free cash flow of the combined business would be almost \$12bn. A key measure of indebtedness — the ratio of net debt to earnings before interest, depreciation and amortisation — would be less than three times at the new T-Mobile.

The takeover would also lighten SoftBank's bloated net debts to the tune of \$32bn. Accounting rules would permit the group to "deconsolidate" these, which means they would no longer appear on SoftBank's balance sheet.

SoftBank already tends to discount Sprint's debts when challenged on the scale of its liabilities, as do some bullish analysts. This is just one of the ways it downplays borrowings that surpass those of many developing economies.

The justification is that Sprint's debts are "non-recourse", which means SoftBank is not liable for them if its subsidiary defaults. SoftBank is likely to apply the same logic to the mobile phone unit's \$30bn of net borrowings after the IPO. This treatment does wonders for that important net debt-to-ebitda metric. The ratio falls from the official level of about five times, which looks steep, to just over three times, which is a lot more comfortable.

Incongruously, the group is happy to include the earnings of subsidiaries and

SoftBank is heavily dependent on cash flows from Japanese mobile phone charges to service its \$130bn net debt mountain.

affiliates in its own profits. All the earnings of Sprint and Yahoo Japan go into the pot. SoftBank owns less than half of the quoted internet group's shares, but this is deemed to give it control.

Even a quarter of Alibaba's profits are included, on the arguable basis that SoftBank has a significant influence on the policies of the Chinese group.

This is permissible under Japanese accounting rules. But the inclusions undercut the assumption of some investors that ebitda is a useful measure of SoftBank's cash earnings. Few of the companies in SoftBank's portfolio pay meaningful dividends. Very little of the group's reported net income of \$9.8bn in 2017-18 passed through its hands in the form of hard cash.

Strip out the forecast earnings, as well as the borrowings, of SoftBank's big investments and net debt to ebitda soars to over 10 times. Even a US leveraged buyout specialist would regard this as steep. Strip out the earnings of the mobile phone unit too, to reflect the impending IPO, and SoftBank would be making a loss in some scenarios.

In fairness, the group weaves no cloak of mystery around its accounting policies or its attitudes to risk. SoftBank would like to be better understood. It is an article of faith at the company — and among many debt and equity analysts — that borrowings are comfortably offset by valuable investments, particularly the stake in Alibaba. Mr Son is wont to joke that "SoftBank has no net debt".

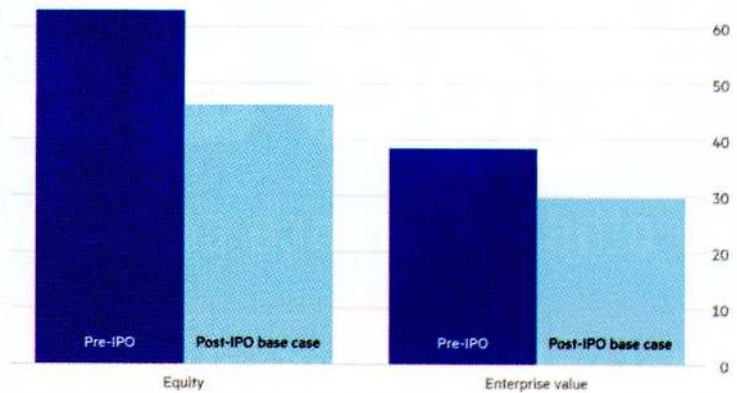
That share price discount also covers a lot of downside in advance, leaving plenty of potential for capital gains. Mr Hoare says: "You are buying the shares at 60 cents on the dollar, and that dollar could double in value."

SoftBank shares are highly sensitive to moves in tech stocks. Even privately held businesses such as Uber are sometimes valued in relation to these. If long-term past performance is any guide, a three-fifths rise in new economy stocks could lift SoftBank's shares over four-fifths. That troubling discount would shrink significantly.

The corollary is that if tech and telecom stocks fell by just under a half, it would

Mobile IPO aims to unlock value

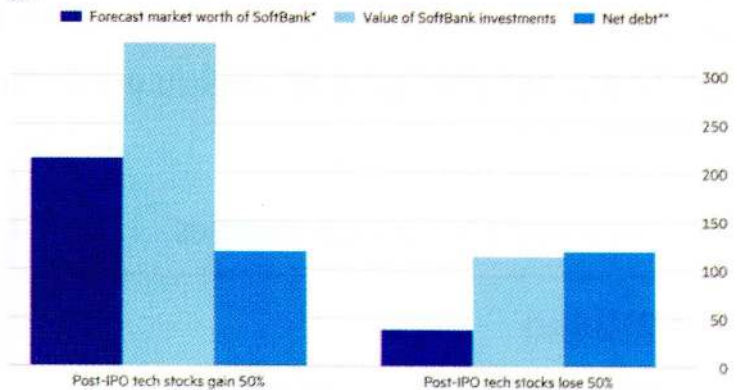
Discount to value of SoftBank investments (%)



Sources: S&P Global; FT research
© FT

Fall in tech and telecom stocks would reduce asset cover of debts

\$bn



*Assumes 1.4 times correlation **Current consolidated net debt
Sources: S&P Global; FT-research
© FT

Bulls believe in Mr Son's singularity as a tech visionary, as exemplified by his inspired purchase of a stake in Alibaba when it was an obscure start-up.

theoretically cut the value of SoftBank's investments to below that of its consolidated debt. The group's illiquid tech stakes would become hard to sell in a much smaller rout.

Bulls believe in Mr Son's singularity as a tech visionary, as exemplified by his inspired purchase of a stake in Alibaba when it was an obscure start-up. Bears shy away from SoftBank's key person risk, its impulsive rolls of the dice and big debts. They worry that another definition of a singularity would apply to SoftBank in a market rout: a black hole in space, sucking in and crushing everything in its path. They are right to do so. ☐

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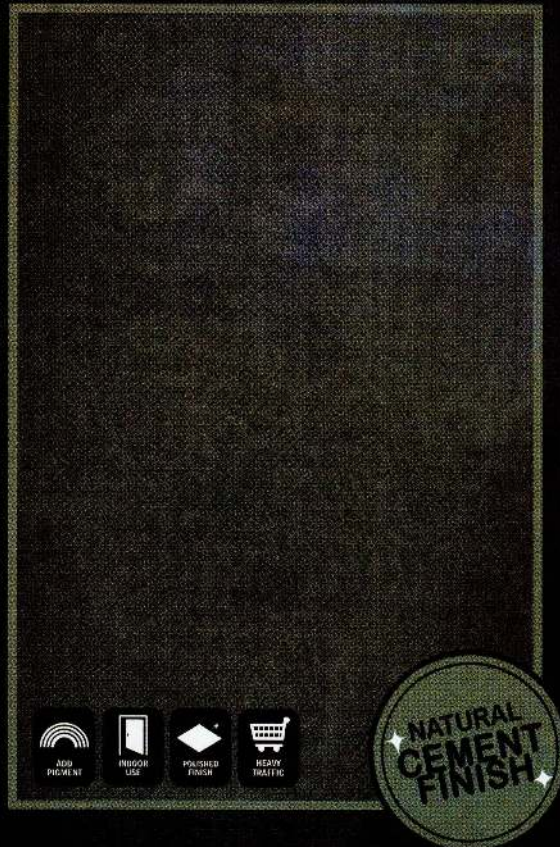
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THE STRENGTH OF BLUE OCEAN

Blue Ocean is a versatile conglomerate with an impressive portfolio; having diversified into several sectors, the Group continues to differentiate through innovation. S Thumilan, Group Chairman, Blue Ocean Group of Companies speaks with Business Today about the potential of the Sri Lankan real estate industry, effective policies that are based on practical considerations and achieving success amidst the existing economic background of the country.

By Gayathri Kothalawala | Photography Menaka Aravinda



S Thumilan, Group Chairman, Blue Ocean Group of Companies

Can you speak about the journey of the company and the progress of the Group?

Blue Ocean was established in 2011, but Link Engineering – one of our construction arms was established 36 years ago. As such Blue Ocean is one of the pioneering real estate companies in Sri Lanka. At the moment we are engaged in 35 projects in several locations. Link Engineering is engaged in 34 Government and public projects. Our growth each year is almost 300 per cent.

In the year 2018, we commenced several projects and there are some upcoming projects that are in progress. Therefore, even though the country experienced economic challenges and political instability towards the latter part of 2018, we continued to perform strongly. Our clients are attracted to our projects due to the location and the brand name. Furthermore, our overseas clients continue to place their trust and confidence with Blue Ocean, taking a positive attitude while investing in our brand.

Can you elaborate on your business model?

We live by the concept of simultaneous pursuit of differentiation and cost leadership. Blue Ocean Strategy describes how to create growth and profit by being innovative in a created uncontested environment. Value innovation with continuous perseverance for differentiation with low cost, and understanding of the big picture of the competition and its weaknesses thereby being constantly in line with honesty, ethics and transparency to differentiate with low cost structures are but only a few ingredients of the highly acceptable Blue Ocean concept in the context of today's world. Following the Blue Ocean concept and adopting the same name, Blue Ocean Group of Companies strives to be the most ethical, innovative and constructive company in Sri Lanka.

In Sri Lanka we see many high-rise buildings coming up. What are your thoughts on this?

This is a question that has been asked for many years. Yet, in Sri Lanka real estate occupancy is still in the single digits. In countries such as Hong Kong, Malaysia and Dubai, they are further ahead of us in terms of real estate occupancy. We need to ask how the country can be made more attractive to bring foreign investors and expats to Sri Lanka and encourage them to invest in holiday homes and properties.

Political, economic and social factors have to facilitate foreign nationals making the

At time the policymakers, they are not practical, only academics. Therefore, it is difficult for the country to take our policies forward to the global level.

decision to live in Sri Lanka. Factors include the immigration visa and then, if they invest, what are the benefits they receive from their investment. Sri Lanka needs to think about how we can attract investors and ensure that we have conducive economic policies for foreigners to come here.

Sri Lanka, of course, is a country with a gifted climate and peaceful living environment compared with other nations. Unfortunately, we do not have a stable economic and fiscal policy to boost the economy of this country. At time the policymakers, they are not practical, only academics. Therefore, it is difficult for the country to take our policies forward to the global level.

What do you see as the potential for real estate in Sri Lanka and what do you think should be done to achieve that?

The real estate market in Sri Lanka is huge, so the former Finance Minister Ravi Karunanayake introduced a lot of economic policies. He introduced a policy that allowed foreigners the freedom to purchase an apartment unit on any floor.

However, according to the recent regulations, foreign clients can only purchase units from the fourth floor of a building and upwards. Furthermore, the former Minister also introduced the policy where foreign investors who invest 300,000 US dollars were eligible to have a resident visa or business visa. And foreigner investors were also eligible to borrow a 40 per cent loan to support them to purchase an apartment.

Countries such as Dubai attract investors through other avenues. The real estate industry can contribute almost 30 per cent to the economy. This is not a foreign loan; it is foreign remittance to the country. Thus, our economy and fiscal policies should facilitate the real estate sector. But it is very unfortunate that the market forces and the banking industry is scrutinising the industry and exerting pressure to downsize. They have introduced a cool down system, but it is not an appropriate strategy. Globally, large businesses and industries are involved in the real estate sector that includes, construction and infrastructure.

The banking industry should facilitate the relevant financial services for a reasonable interest rate. But you can see in Sri Lanka, the interest rate of the banks is around 16 to 28 per

cent. While it leads to an enormous profit to the banks, the economy is not developing or expanding. As such there is an evident mismatch between the banking sector and the various other industries in Sri Lanka. I will say, especially SMEs. Most of the SMEs are declining because of the borrowing cost. The Government and the Central Bank have to take responsibility to smoothen or streamline this interest rate, which must be affordable to the entrepreneurs. At the end of the day, the banks are making huge profits; but the industry is struggling or they are closed down by auctions, which is not good for the economy.

In other countries, the interest rates are in single digits, less than ten per cent. But the gap in Sri Lanka – that is between the lending rate and the borrowing rate, as well as the exchange rate, selling rate and the buying rate is massive. This has to definitely be narrowed down.

What are your thoughts on industry standards and quality in Sri Lanka?

Industry standards in Sri Lanka are really high. Compared to other nations, we have very high quality standards and the people are very skilful. The issue is not the industry or the people, but the economic policies.

The economic policies of the country have to facilitate the industry. Therefore, we should put more focus on creating a positive investment environment in the nation by implementing attractive investment policies. Even BOI; we do not provide any BOI tax holidays. There are so many countries offering attractive policies and incentives to foreign investors. We have to think practically rather than believing in policies and procedures which are not going to bring any foreign investments to Sri Lanka.

How does Blue Ocean achieve success?

There are four pillars in the BCG model or Boston Consulting Group model, which we follow. Sometimes, while the company is strong, the market does not perform well. In Sri Lanka, that has happened to Blue Ocean.

Even though we are strong, the market was not strong. If it was we would have grown further. Not only Blue Ocean, any other company would have grown much faster and brought a large amount of foreign investment into Sri Lanka. Because of inappropriate policies implemented by academics who don't have practical experience, it has forced us to fold into the system, which is

The economic policies of the country have to facilitate the industry. Therefore, we should put more focus on creating a positive investment environment in the nation by implementing attractive investment policies.

not going to support the industry. It has started to slow down, as you can see, including the stock market. Apparently, it will hit all the companies' profits subsequently, including the financial sector.

Of course for the investors, in terms of real estate, there are many opportunities overseas including Cambodia, UK, Canada, Vietnam and all over the world. But as Sri Lankans, we are loyal to our country, which is why we continue to sustain the business. If you are focusing only on the profitability of the company, there is overseas diversification, which will allow your profit margins to grow. Some of the construction companies are already doing overseas projects to attract foreign income, which is a more suitable and successful model.

Blue Ocean Group had won two major international awards as 'Sri Lanka's Best Property Developer 2017' and 'Asia's Greatest Brands and Leaders 2017'. Following this historic achievement in 2017, the Group had achieved yet another tremendous victory this year by winning eight awards including Special Recognition in Corporate Social Responsibility, Best Condo Architecture Design, Best Affordable Condo Development, and Best Condo Interior Design at the PropertyGuru inaugural session held in Colombo in 2018.

We survive in Sri Lanka because we want to provide employment and also the necessary education and skills to Sri Lankans. Therefore, we continue to be successful overall.

Could you describe the key projects that your group is involved in?

In addition to the massive projects done by Link Engineering, Blue Ocean is currently developing over 35 projects in ten cities, targeting more than 1, 250 apartments at one stretch, which is regarded as a record for a private company in Sri Lanka's real estate sector.

Also, to suit the customer's financial capacity we have taken an additional step to classify our apartments into three categories – First Class, Business Class and Economy Class and carry out our construction works with a highly qualified team and using high quality materials

To be more specific, nine projects were completed between January and August 2018. Three projects were completed before the end of 2018. Currently, six running projects in hand, valued at 11.5 billion rupees; seven projects being de-

signed which are valued at 14 billion rupees and another 15 on-going projects, valued at 20 billion rupees, all of them totalling to approximately 55 billion rupees.

We have set an impressive record of completing the seven multiple condominium projects simultaneously. Within the last six months we have completed over 200 condominium units in De Alwis Avenue, Mount Lavinia; Barnes Avenue, Mount Lavinia; Lillian Avenue, Mount Lavinia; Beach Road, Mount Lavinia; De Alwis Place, Dehiwala; Inner Flower Road, Colombo 3 and Gregory's Road, Colombo 7. In addition, another 125 Condo Units are scheduled to be completed in the near future.

If you can elaborate on the human resources in Sri Lanka?

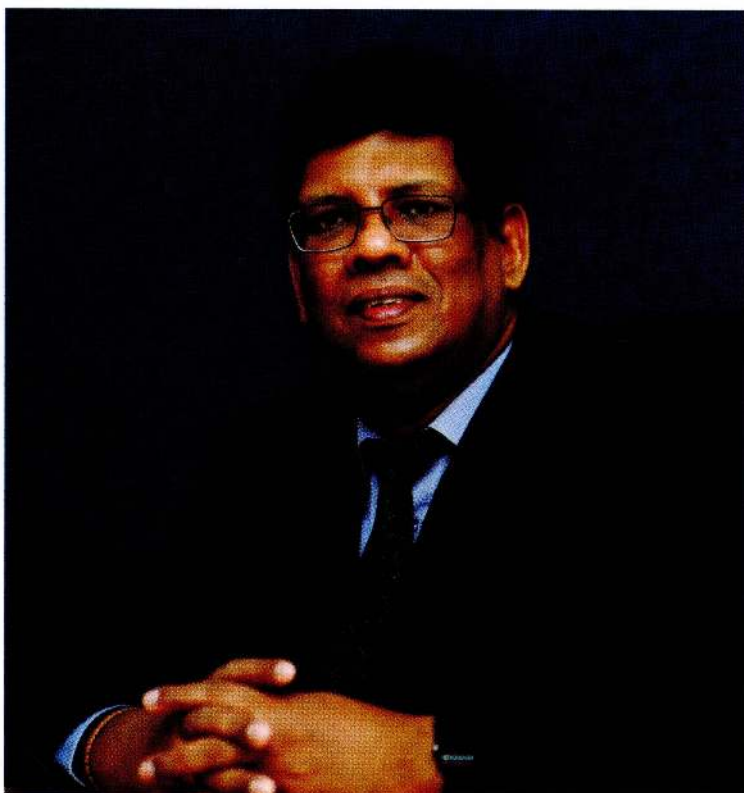
We have more than 4,000 employees in our company, direct and indirect. But as an engineering firm, we are providing skill development training to undergraduates from the University of Moratuwa and Peradeniya as well as management degrees for accountants. We are an authorised training provider for Chartered Accountants and ACCA. We conduct many skill development programmes. Innovative skills need to be introduced to Sri Lanka because our system of education is very academic.

There are many talented people in Sri Lanka, they may not have the academic qualifications but they have the practical knowledge. It is a matter of refining the education system; we need to restructure the system to cater to future needs.

Can you also speak about yourself and how your background has helped you in guiding the Group?

I am a Chartered CIMA, ACCA Accountant, and CPA member as well as a member of several other professional organisations. I conduct lectures for Chartered, CIMA and ACCA. I am not a typical accountant; I always think outside the box. Usually accountants have a framework to think within. But I always think beyond the box to be innovative, because I have learned by looking at international entrepreneurs.

Accountancy is a primary factor to understand a company's position, that is what we call balancing financial position of the company. To understand the performance, we need income statements and other documents, which will provide a solid position of the company. We are capable of converting any business into a success.



Blue Ocean is currently developing over 35 projects in ten cities, targeting more than 1, 250 apartments at one stretch...

What are your group's future plans?

We have already established our brand name firmly among our customers, both in Sri Lanka as well as abroad. This is the very reason why most of our apartments are sold out faster than any other company. We have a very strong customer base comprising Sri Lankans and foreigners and we are making every effort to widen it in the future. In the process of widening our overseas operations, we have already opened our branch offices in the UK, Australia, Canada and UAE for the benefits of Sri Lankans living abroad and foreign nationals, and we plan to extend our development services to the same countries. We have received very satisfactory feedback from them and many customers have already taken steps to invest in apartments in our country.

Blue Ocean Group has been a dominant force in the growth of Sri Lanka's construction sector, handling a wide variety of projects from condominiums and commercial projects to Government projects. We aim to continue with our core business of apartment development while widening our overseas involvement. We have already expanded ourselves to land development and construction of individual houses. ■



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Mobitel Cash Bonanza Carnival in Chilaw



Nalin Perera, CEO, Mobitel, presenting the Mercedes Benz prize to winner Illiyas Mohamed



Nalin Perera, CEO, Mobitel, presenting the prize to M Sarath, First runner-up



Nalin Perera, CEO, Mobitel, presenting the prize to Nelka Liyanage, second runner-up

Mobitel announced the winners of the Cash Bonanza 2018 lucky draw. Illiyas Mohamed from Galawela was announced the lucky winner of the brand new luxury Mercedes Benz. M Sarath from Makadura re-

ceived the cash prize of 1,000,000 rupees and Nelka Liyanage from Kalutara won the cash prize of 500,000 rupees.

Mobitel also organised a special carnival hosting entertainment activities, which had

been organised throughout the day for the enjoyment of the public, including IOT workshops, a kids play area and Mobitel services and product kiosks.

The gaming zone was powered by the high speed 4G

internet connection. Wide array of services were provided for the benefit of the crowd including setups of eye clinic that saw the participation of eye surgeons who led a distribution of 1,000 reading glasses.

DFCC Bank opens a branch in Mahiyanganaya



Lakshman Silva, CEO, DFCC Bank, addressing the gathering

A DFCC Bank was opened in Mahiyanganaya in the presence of Uruwarige Wannilla Aththo, Chief of Veddah Community, bank officials, customers and business leaders in the area. Customers in the region can now avail a variety of retail banking products and services

such as current and savings accounts, fixed deposits, loans, pawning services, leasing facilities, credit cards and remittances.

The business community in Mahiyanganaya will benefit from DFCC bank's Corporate and SME Banking.



Uruwarige Wannilla Aththo, Chief of Veddah Community, delivering a speech

Commenting on the inauguration of its newest branch, Lakshman Silva, CEO, DFCC Bank said, "DFCC Bank is happy to open a branch in a historic and sacred city like Mahiyanganaya, which it is said was the first place that the Gautama Buddha visited on his

first-ever visit to Sri Lanka. We are very privileged to have Uruwarige Wannilla Aththo here with us today on this occasion. We are happy to serve the people of this area. As the region developed, we responded to the needs of the community, and today we are proud to open our fully-fledged branch that offers development and retail banking services under one roof. DFCC Bank is now at hand to serve every financial need of the community in Mahiyanganaya."

The Chief of the Veddah community, Wannilla Aththo delivered a speech on this occasion stating that Mahiyanganaya town is fast developing and with the opening of the DFCC Bank branch, the community will have access to a range of financial services.



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Gihan Cooray appointed Chairman of Nations Trust Bank

Nations Trust Bank announced the appointment of Gihan Cooray as Chairman of the Board of Directors.

He takes over as Chairman following the retirement of Krishnan Balendra, who stepped down after having served the stipulated maximum nine year tenure as a Director of Nations Trust Bank.

Gihan Cooray is the Group Finance Director of John Keells Holdings and a Director of several other companies in the John Keells Group.

He also holds an MBA from the Jesse H Jones Graduate School of Management at Rice University Houston, Texas. He is an Associate Member of the Chartered Institute of Man-

agement Accountants, UK, also a Certified Management Accountant of the Institute of Certified Management Accountants, Australia. He also has a Diploma in Marketing from the Chartered Institute of Marketing, UK. Gihan Cooray serves as a Committee Member of the Ceylon Chamber of Commerce.



Gihan Cooray, Chairman, NTB

NTB expands network with new branch in Dambulla



The new branch ceremonially opened by Mayor Jaliya Opatha and Priyantha Talwatte, Senior Executive Vice President - Consumer Banking and American Express Cards



The new branch of NTB in Dambulla

An official ceremony was held to celebrate the opening of the Dambulla Branch of the Nations Trust Bank. It was attended by

customers, dignitaries and high-ranking bank officials. The new branch is housed in a well-designed facility for customers to

access the bank's entire portfolio of products and services.

Speaking at the opening, Sheahan Daniel, Senior Vice

President, Branch Network, Nations Trust Bank stated, "We are extremely proud to unveil our new Dambulla branch. Dambulla is home to a thriving population and a large community of small and medium enterprises involved in trade, agriculture, tourism and manufacturing. These customers have become a focus area for us over the last couple of years and we look forward to building lasting and mutually beneficial relationships with individuals and businesses in the region through our Dambulla Branch. We take this opportunity to thank all our teams for a job well done in terms of setting up the new branch and to wish the team at Dambulla branch all the very best for the future."

NTB opens Cash Deposit and Withdrawal Machine at ANC



(L-R) Chief guest Dr Punarjeeva Karunanayake, CEO/Executive Director, ANC Education Sri Lanka, Priyantha Talwatte, Senior Executive Vice President - Consumer Banking and American Express Cards, Nations Trust Bank and Hemantha Gunetilleke, Senior Executive Vice President - Commercial Banking, Nations Trust Bank ceremonially opening the Cash deposit and Withdrawal machine



The cash deposit and withdrawal machine within ANC premises

NTB unveiled a new Cash Deposit and Withdrawal machine at American National College (ANC) in Kollupitiya.

This facility will allow students of ANC to make their payments directly using the cash deposit functionality.

Senior officials from the Bank and ANC were present at the event including Priyantha Talwatte, Senior Executive Vice President - Consumer Banking American Express Cards; Hemantha Gunetilleke, Senior Executive Vice President - Commercial Banking.

The chief guest at the ceremony was Dr Punarjeeva Karunanayake, Chief Executive Officer and Executive Director, ANC Education Sri Lanka.

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Mobitel receives 'Service Brand of the Year' award



Nulin Perera, CEO, Mobitel and team accepting the award at SLIM Brand Excellence-2018

Mobitel received the 'Service Brand of the Year-Gold' award at the 2018 SLIM Brand Excellence, winning it for the second consecutive year.

The SLIM Brand Excellence Awards is a celebration of brand excellence at the national level and rewards outstanding efforts of marketers. Winning the accolade for the second straight

year in a row is no mean feat, and requires a sustained level of excellence as well as resilience despite various external challenges and a rapidly evolving industry.

The SLIM Brand Excellence Awards identifies the industry recognition of the motivation, dedication and hard work that Team Mobitel have demon-

strated in building brand champions. SLIM's efforts to render marketing the driving force in the economy ensures that it evaluates factors such as the significance and direct benefits of marketing strategies to an organisation.

Care is embedded in Mobitel's DNA and its customer-centric approach has ensured that all

its products empower the consumer by infusing convenience and speed. Mobitel has introduced innovations, such as IoT and expanded its offerings beyond telecommunications by foraying into transportation, education, health, security, leisure and mobile money sectors, thereby offering greater value to customers.

Altair sponsors 147th AGM and dinner of Colombo Club



The Colombo Club, one of Asia's oldest and most prestigious social clubs, held its 147th Annual General Meeting and dinner with corporate sponsorship from Sri Lanka's iconic twin tower condominium development, Altair. This was the third consecutive year

that Altair sponsored this exclusive gala event. Founded in 1871, the Colombo Club has 425 members of which 31 are life members. The club has reciprocal arrangements with 52 exclusive clubs in Asia, Europe, South Africa and the United States.

Kumar Nadesan, Member, Colombo Club, who won two Business Class tickets to Singapore, receiving his prize from Pradeep Moraes, Director, Altair

ComBank supports pensioners with advances and loan facilities



Pensioners below 69 can apply for an advance of up to 75 percent on their previous month's pension, on a new pension advance facility introduced by Commercial Bank.

Pensioners who receive their pension through the Pensions Department, pensioners of the Central Bank (CBSL) and the Ceylon Electricity Board (CEB), who have at least one of their pensions of 10,000 rupees or

more credited to a Commercial Bank account will be eligible for the facility.

People can enjoy up to 50,000 rupees as an advance on their pensions after applying for the facility once. This amount can be withdrawn at any ATM in the country, using a Commercial Bank Debit card.

Those who credit their pensions to accounts at Commercial Bank can also apply for personal

loans up to 2.5 million rupees with a repayment period up to ten years, a Bank official said.

"There are over 600,000 Government pensioners in the country. The scheme is a means of empowering them by offering access to an income that can meet their cash requirements without waiting for the pension remittance date", said Sanath Manatunge, Chief Operating Officer, ComBank.



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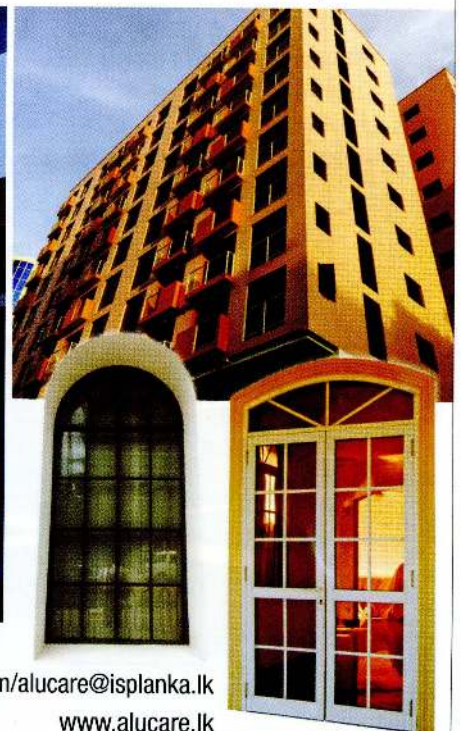
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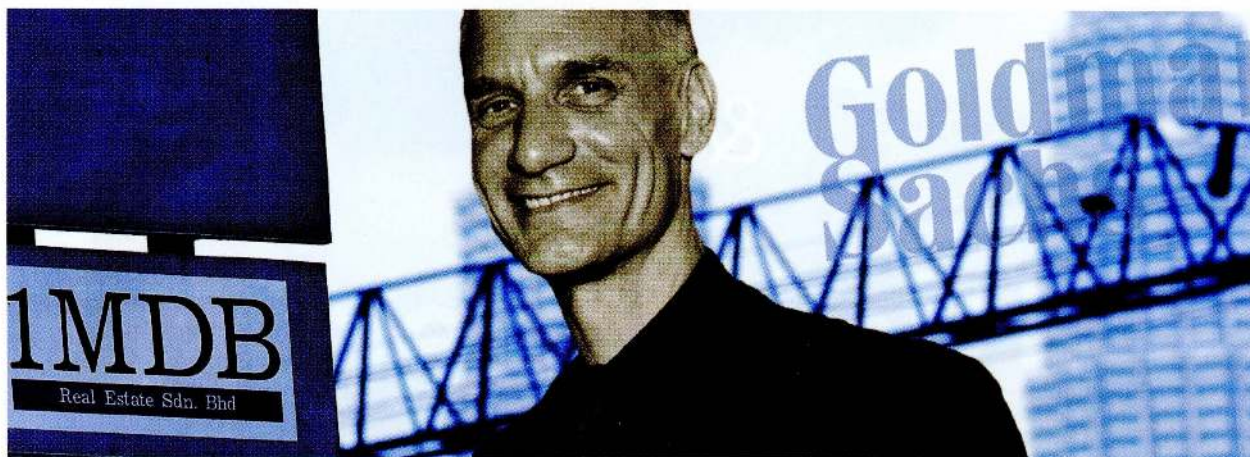
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Tim Leissner: Goldman Sachs banker at the heart of 1MDB scandal

By David Crow in London and Laura Noonan in New York December 23, 2018



The once rising star now poses one of the greatest threats to the bank in its history after pleading guilty to fraud.

When Goldman Sachs partners — past and present — met to celebrate its 150th birthday this month, the mood was subdued. The crowd of 370 included famous Goldman alumni such as former US Treasury secretary Hank Paulson, one-time New Jersey governor Jon Corzine and the ex- Trump adviser Gary Cohn, all of whom turned out to mark the end of Lloyd Blankfein's 12 years as chief executive of the bank.

But there was a notable absentee. Tim Leissner, once a star banker who brought in tens of millions of dollars in revenue at his peak, was not among the guests as they sipped their drinks in the Conrad hotel near Goldman's Manhattan headquarters. Once praised by executives as an example to emulate, Mr Leissner has become a pariah inside the bank, after pleading guilty to bribery, conspiracy and money

"It could conceivably have a much larger price tag on it [than other scandals] because these things escalate over time."

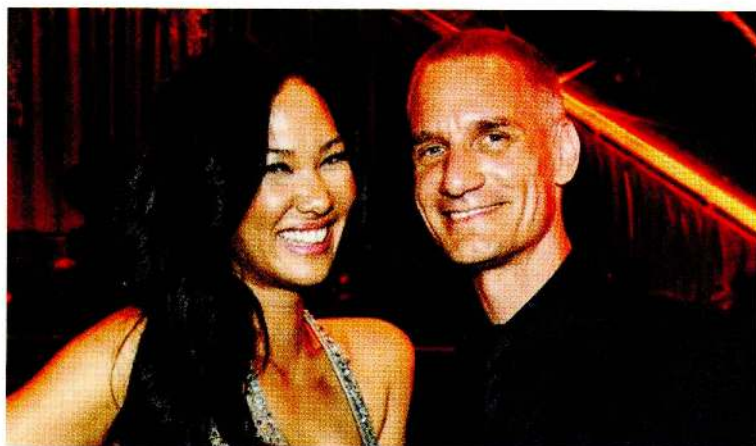
laundering charges in connection with a vast fraud at Malaysia's state development fund.

He now poses one of the biggest-ever threats to Goldman's reputation.

Roy Smith, a former partner and now a professor at New York University, says the fraud at 1Malaysia Development Berhad, or 1MDB, ranks among the biggest crises the bank has faced. "It could conceivably have a much larger price tag on it [than other scandals] because these things escalate over time," he says.

It is not the first time the bank has been embroiled in crisis. In the 1990s, it faced widespread criticism for its role in the collapse of Robert Maxwell's media empire. And in 2010 it was fined \$500m — then a record for Wall Street — for misleading investors over Abacus, a mortgage-backed security that it sold in the run-up to the financial crash.

But as the full scale of the Malaysian scandal has become apparent, Goldman is under increasing scrutiny over its role in



In 2013, Tim Leissner married Kimora Lee Simmons, the American model and designer, earning the pair occasional appearances in the tabloid press

underwriting \$6.5bn of bond offerings for IMDB in 2012 and 2013, a service for which it reaped a hefty \$600m in fees and trading gains. After the money was raised, \$2.7bn was allegedly siphoned off by the Malaysian financier Jho Low, who is accused of masterminding the fraud, to pay for a lavish lifestyle and to bribe Malaysian officials. The cash allegedly ended up in Van Gogh paintings, Beverly Hills mansions and even financed the *Wolf of Wall Street* movie — itself a tale of financial excess.

Current and former partners express incomprehension that the firm has been

“[The] business culture... was highly focused on consummating deals...”



Protesters hold portraits of Jho Low during a protest in Kuala Lumpur. The financier is accused of masterminding a fraud to pay for a lavish lifestyle and to bribe Malaysian officials

plunged into such a huge crisis by three deals in an obscure market. Questions are being asked openly about who knew what about Mr Leissner's operations and why Goldman's extensive compliance operation failed to prevent it.

The bank has attempted to distance itself from the alleged fraud, but those efforts were dealt a severe blow in November when as part of his guilty plea Mr Leissner said that concealing things from compliance staff was “very much in line” with the culture of the bank. Mr Leissner and his lawyers did not respond to a request for comment.

His former deputy, Roger Ng, has also been charged in the US, as has Mr Low. Mr Ng, who is fighting a US extradition request, also faces charges in Malaysia which he has denied. Najib Razak, Malaysia's former prime minister, is accused of receiving \$681m of the funds in his bank account and is facing almost 40 separate charges of fraud, corruption, money laundering and “criminal breach of trust”, which he denies.

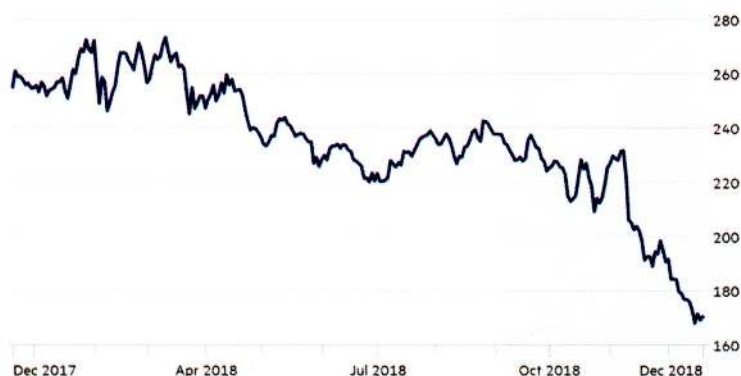
As the scandal has gathered pace, investors have dumped shares in Goldman, wiping more than \$8.5bn off its market value in the past month. The bank is now under investigation by the US Department of Justice and faces a messy lawsuit brought by Abu Dhabi, which was a guarantor of two of the bonds. Malaysia's attorney-general has filed criminal charges against Goldman, Mr Leissner and Mr Ng seeking fines of more than \$3bn. The country's finance minister on Friday said that the bill to Goldman should be closer to \$7.5bn.

US federal prosecutors investigating the IMDB case identified the environment at Goldman's Asian operation as a factor in the fraud. “[The] business culture . . . was highly focused on consummating deals, at times prioritising this goal ahead of the proper operation of its compliance functions,” the DoJ wrote in criminal charges against Mr Low.

Chris Kotowski, an analyst at the investment bank Oppenheimer, describes

Goldman Sachs shares have fallen by a third this year

Share price (\$)



Source: Refinitiv
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Goldman is under increasing scrutiny over its role in underwriting \$6.5bn of bond offerings for 1MDB in 2012 and 2013, a service for which it reaped \$600m in fees and trading gains

the fraud as “shocking in scale and audacity”. But he also asks how it could have happened “between 2012 and 2014, when banks were paying tens of billions of crisis-related penalties and should have been on high alert. It obviously reflects poorly on Goldman . . . reputationally it is a disaster.”

Goldman has insisted it had no knowledge that Mr Leissner was party to the alleged conspiracy to misappropriate 40 per cent of the proceeds from the bond

The long-term damage to Goldman's franchise is hard to quantify.

offerings, or that Mr Low was acting as a middle man to grease the wheels of the deal. But those claims have been undermined in recent weeks by the revelation that Mr Blankfein met Mr Low on two occasions in 2009 and 2012.

This was despite a decision by Goldman's private bank in 2010 to reject Mr Low as a client because they could not “validate the source of his wealth”.

Mr Low, whose whereabouts remain unknown, has maintained his innocence. In a statement responding to the US indictment, a spokesperson said the 1MDB bond offerings were “undertaken openly and lawfully between experienced, well-regulated financial institutions and government entities”.

The bond offerings were always controversial, due to the high amount Goldman earned from the fundraising and the fact that it acted as a sole bookrunner on such a large deal. The long-term damage to Goldman's franchise is hard to quantify. Executives say that so far it has been limited to Singapore and Malaysia. But the head of a rival investment bank argues that Goldman “won't be as aggressive and as cute as it used to be . . . it will lose its edge”.

Analysts suggest that if the allegations are proved the bank could face fines of as much as \$2.5bn over the scandal. Malaysia had already asked the bank to repay the \$600m it earned from the deal even before the attorney-general called for the \$3bn fine. The size of any penalty will depend in part on whether the bank's lawyers can convince prosecutors that Mr Leissner was a rogue employee, rather than the product of an organisation where the deal mattered above all else.

The scandal could also raise uncomfortable questions about the oversight by some Goldman executives of its Asia operations. Dan Dees, the bank's co-head of investment banking globally, was a senior executive in the region and Mr Leissner's boss when all three 1MDB deals were completed. Stephen Scherr, Goldman's recently-appointed chief financial officer, was global

head of the bank's financing group in New York from 2008 to 2014.

After trawling through emails and documents the bank found no wrongdoing by any employees beyond Mr Leissner and Mr Ng, according to a person familiar with the internal investigation.

The story of how Goldman ended up at the centre of such an outlandish fraud can be traced back 20 years to when the bank hired Mr Leissner, a new vice-president with a CV that boasted stints at JPMorgan and Lehman Brothers. Colleagues recall a bright, energetic banker, firmly rooted in his middle-class upbringing in Germany, where his father had a senior job at Volkswagen.

As he worked his way up through the ranks, he gravitated towards Malaysia. In 2006, he advised MMC Corporation, a conglomerate, on one of the country's biggest-ever takeovers, a deal that became his calling card in the region.

But as his reputation grew, other financiers started to question his modus operandi. One rival recalls working with Goldman as a joint bookrunner on the initial public offering of a large Malaysian company. After the orders were placed, Mr Leissner tried to falsely claim credit for business that other banks had won. "I challenged him, but he still swore blind that he'd brought [the order] in," the rival said.

Former colleagues say they became wary of Mr Leissner after he gained a reputation as a womaniser, despite being married to a Goldman co-worker.

Many took the view that this conduct was a personal matter, but others were unnerved that the relationships often appeared to have a business link. In one instance, Mr Leissner was accused of having an affair with an executive at a Malaysian company the bank was advising. When confronted about the potential conflict of interest he denied the liaison, according to people familiar with the matter.

He also had a brief affair with Anis Jamaludin, the daughter of a powerful

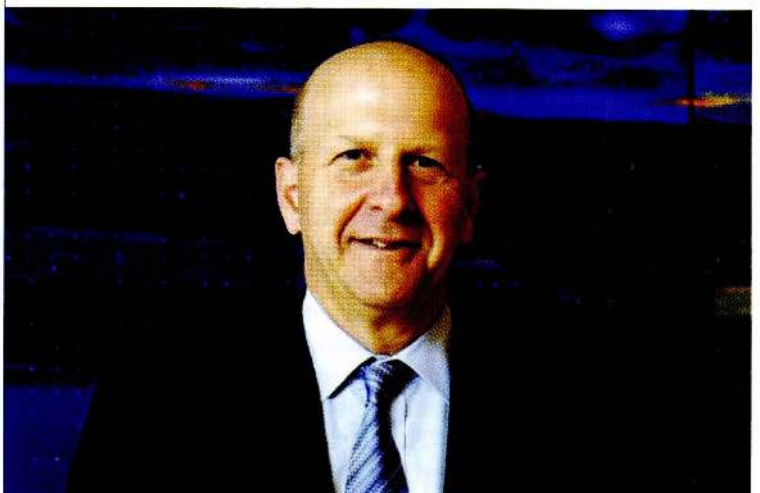


Lloyd Blankfein, the former Goldman chief executive, met Jho Low in 2009 and 2012

"I challenged him, but he still swore blind that he'd brought [the order] in."

Malaysian politician, Tan Sri Jamaluddin Jarjis, who died in a helicopter crash in 2015. Mr Leissner arranged an internship for her at Goldman in 2010, despite unease among some of his colleagues.

Ms Jamaludin has since told friends that she believes Mr Leissner instigated the relationship to curry favour with Malaysia's political elite. "She feels rotten that the only reason he showed interest was to get close to her father," says one friend. In 2013, he married Kimora Lee Simmons, the American model and designer, earning the pair appearances in the tabloid press.



David Solomon, who has replaced Mr Blankfein as Goldman's chief executive, told former partners recently that one person 'who was intent upon it' could do a lot of damage

Mr Leissner arrived at Goldman Sachs' Asian unit in 1998, a year that has gone down in company legend after a raucous off-site meeting at the Dusit Thani, a luxury hotel in Phuket, Thailand. After a day of PowerPoint presentations, a group of bankers decamped to the poolside bar. As the night drew on, the merriment tipped into impropriety after some male partners went skinny dipping with junior female colleagues.

A handful of scandalised attendees complained to head office in New York. After Mr Paulson, then a senior Goldman executive, found out about the incident, he was furious, according to people who recalled the episode. The banker who was held responsible was disciplined but kept his job.

It is unclear whether the guest list included Mr Leissner. But several former employees say the episode was illustrative of the freewheeling environment at the bank's Asian operation.

Some recounted other instances of misconduct. One former banker says that in the late 1990s, a superior handed him a "wad of cash" and told him to give it to reporters in Indonesia to secure positive press coverage for a client. Several others say Mr Leissner and some of his colleagues would entertain clients at disreputable bars, where they would be served by semi-naked waitresses.

After the Phuket incident, a contingent of senior American bankers — known internally as "culture carriers" — were dispatched to instil a more buttoned-up way of doing business in the region. "After that, there were no more parties in exotic locations," recalls one former employee. "All we got were interminable lectures about money laundering and compliance."

Mr Leissner rose swiftly at Goldman. By 2002 he was made a managing director in the region and in 2006 he joined the elite group of 500 or so partners. The elevation earned him one of the highest pay packets at the bank, ranging from \$5m to \$7m a year in his prime. "If you get promoted

Mr Leissner "will [try to] take down as many senior people as he can" because he is embittered at being portrayed as a "rogue banker"...

that fast, as a participating partner the pressure is very high . . . you need to keep performing at that level," says one contemporary.

Another former colleague recalls how Mr Leissner's star soared after the 2008 crash. "Post-financial crisis, most of the guys that were considered rainmakers . . . didn't really exist any more," he says. "They didn't have the deep set of client relationships to really make things happen like Tim did."

This person argues that Mr Leissner's status as someone who "brought in a lot of business" earned him a "certain amount of latitude" in his dealings with clients, and could have earned him less scrutiny over 1MDB. Two of Mr Leissner's former managers deny the claim and say he faced the same hurdles to get his deals through as any other banker.

One former partner says he believes Mr Leissner "will [try to] take down as many senior people as he can" because he is embittered at being portrayed as a "rogue banker" when Goldman's extensive procedures and compliance committees signed off on the transactions.

But a key part of Goldman's defence against allegations of institutional failure will be that there were no "red flags" to mark the banker out as risky before the 1MDB case was uncovered.

Goldman will insist to the DoJ that its compliance practices were strong, an assertion supported by several rival bankers in Asia at the time. "Sometimes they were overly conservative," says one, although that begs the question of why the alleged fraud went unnoticed.

Mr Blankfein did not mention the 1MDB scandal to the assembled partners at the Conrad hotel party. But David Solomon, his successor as chief executive, did. He told former partners who had seen almost 34 per cent wiped off the value of their shares this year that one person "who was intent upon it" could do a lot of damage. "We will learn from this experience," he added. □



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CFW

RESPONSIBLE PROGRESSION

Colombo Fashion Week (CFW) has for 15 years revived, enhanced and propelled the Sri Lankan fashion industry into the future and provided exposure to Sri Lankan designers. The brainchild of Ajai Vir Singh, Creator, Founder and President, CFW has become an important platform for promoting Sri Lankan fashion design as well as his ethical direction has stimulated a discourse on sustainability and green fashion. In fact, Ajai Vir Singh introduced and coined the phrase 'Garments Without Guilt', which has helped position the country's apparel industry as conscientious and aligned with ethical fashion. Looking back on the 15-year journey, Ajai Vir Singh is confident that the next 15 years of fashion development and CFW will hold greater promise for the industry as well as emerging designers.

By Udeshi Amarasinghe. Assisted by Keshini de Silva | Photography Mahesh Bandara and Menaka Aravinda

Could you tell us about the journey of Colombo Fashion Week and how it started?

It was between 1998 and 1999, when I first started to think about the possibility of creating a platform that could propel the fashion design industry in Sri Lanka, to be vibrant and progressive. Because looking around, Sri Lanka had a vibrant environment where creativity would flourish.

At that point, the influence of various creative personalities as well as artists of repute such as the 43 Group was strong. There was the architectural legacy of Geoffrey Bawa and the new architects emerging and following a certain trend. From the perspective of design sensibility there were strong protagonists like Shanth Fernando who launched Paradise Road and changed the landscape. Although everything was in place for the creative industries to flourish, I always felt that the fashion industry was not doing as well as it should have. I began to consider what we were doing or not doing. The industry had icons such as Barbara Sansoni and Ena De Silva. There were some designers who were masters in custom made occasion-wear and then masters like Buddhi Keerthisena who were

There was a need for a collection of designers, education, a certain platform where designers could showcase their work, fashion media could generate interest among fashion consumers for Sri Lankan designers.

progressive. But it was still not enough to bring it all together as an industry. It needed a vibrant ecosystem that incubated the new design generation and create an environment suitable for their growth from mentoring, guiding, promoting, retailing and craft integration. We also needed schools to facilitate the industry. The entire structure needed to be in place to enable the fashion industry to flourish.

There were retail stores, which carried good merchandise, however they were not designer merchandise. Most were surplus stock. That's when I came to the realisation that I wanted to start something that would uplift the industry. I love fashion and it could be my contribution to society to which I find myself spiritually and emotionally bound to. At the time, I did not know it would become a fashion revolution similar to what it has become over the years. I realised there was a need for a collection of designers, education, a certain platform where designers could showcase their work, fashion media could generate interest among fashion consumers for Sri Lankan designers.

That's when I introduced the concept to organise a fashion week that will draw people



Ajai Vir Singh, Creator, Founder and President, CFW

and become a platform for showcasing Sri Lankan fashion and designs.

At that time, one of the concerns was organising a fashion week in the middle of a conflict. Once we had decided to go ahead the next aspect was finding designers. Yolanda was one of the first designers I spoke with and introduced the concept. She had an established position and she could provide inspiration for younger designers to come forward.

Eventually, I mustered up all my strength and with my friend Prasad Bidapa, who is a partner to this day, set the wheel in motion. He understood my vision. When I shared my ideas with him, he was confident that this would become a possibility. Another friend Travice Ondaatjie, also came on board in 2003. That is how we started the journey of Colombo Fashion Week.

The idea was to create a fashion week that was suited for Sri Lanka. The environment was such that you could not take a fashion week model from another country and implement it here in its entirety. It needed to be a pure fashion concept that could uplift the Sri Lankan industry. That was the starting point. The 2004 Tsunami

It indicated that what we had progressively created over the past 15 years is not merely an event, but a fashion ecosystem, which was the aim of it.

was a set back for the industry and we had to take a break that year. For any big thing to come forth, there needs to be an incubation period of four to five years. It takes that time for anything to develop, hence many saw the challenges we encountered during those first few years. Today, everyone looks at Colombo Fashion Week's journey and says it has been great. Like any journey, there are challenges which we faced too. After the first five years, things started to look up. Subsequently, fashion schools started opening up in Sri Lanka. The fashion consumers started appreciating the collections by Sri Lankan designers. The first signs that the business side of things were picking up was when designer boutiques started opening up. It indicated that what we had progressively created over the past 15 years is not merely an event, but a fashion ecosystem, which was the aim of it.

The bond between Colombo Fashion Week and Sri Lankan designers has been crucial. Could you talk about this collaborative journey?

In 2007, it was a young designer Darshi Keerthisena who showed her first collection and

thrilled the fashion audience. The following year was Kanchana Thalpapwila, then Charini and Sonali Dharmawardena. And this movement picked up steam. Colombo Fashion Week was working.

Previously, the market was small and people went overseas to buy designer clothes. Things started to change and Sri Lankan fashion consumers started to buy Sri Lankan designers. CFW started to influence their fashion choices. Sri Lankan fashion started to become a talking point. When there was movement in the industry, designer retail stores and multibrand stores with strong point of views, like PR, Trunk, The Design Collective, Zudhora and Aashiki opened. Designers such as Darshi Keerthisena, KT Brown, Sonali Dharmawardena, Charini, Indi and others opened their own stores. When designers have their own studios, it provides younger designers the opportunity to intern and learn. This in turn contributed to the ecosystem that we were creating.

We needed a supply chain for the fashion platform, and one of the elements was the emergence of young designers. However, although young designers were studying, and the curriculum was good, they were not market ready. To ensure they understood the market, we needed to provide them with real life experiences. They needed to understand product relevance and consumer buying patterns. Therefore, the influence of senior designers in an industry is an important influence from the aspiration point of view.

CFW has emerged along with the interests of the fashion industry. How has this come about?

As the journey progressed, we decided to focus each year on a specific aspect of the industry. An area that we identified as needing more push and focus. For example, we decided to invite overseas designers to showcase at CFW to increase knowledge sharing and interaction with Sri Lankan designers. Initially, many did not understand why we invited overseas designers. We invited a few in order to influence knowledge sharing between designers and provide an international feel to CFW.

At one point in the journey, we realised that there was a need for expertise to be shared and introduced. We launched knowledge workshops, where international, media personalities, photographers and documentary makers would

Looking back 15 years ago, we would not have been able to imagine what has been created. It was a journey of 'learning as we go' and we continue to learn. As we mark our 15th year, I can safely say that the first stage of fashion development is complete.

host workshops so that young designers could learn and senior designers could also be a part of the knowledge sharing.

Subsequently, we saw the need for a retail infrastructure. There were surplus stock retail, so we attempted to create space for Sri Lankan designers so they would get noticed. This created a platform for designers who did not have the resources to open a retail store. Eventually, people started experimenting with this concept.

Looking back 15 years ago, we would not have been able to imagine what has been created. It was a journey of 'learning as we go' and we continue to learn. As we mark our 15th year, I can safely say that the first stage of fashion development is complete. There are around 30 established Sri Lankan designers, which was not the case 15 years ago. There is a platform to showcase what Sri Lankan fashion and talent is all about. In fact, to me, one of the biggest victories was young designers wanting to become fashion designers or be in the fashion industry. In the first five years this was a barrier as no one wanted to become a fashion designer. It was difficult to build a supply of designers in that environment. In 2010, we started intensifying programmes with universities. I invested more time in the search for students with potential at universities.

Therefore, the entire industry revived and emerged around the fashion platform. It is a revival; one that was progressively planned. There was a lot of hard work to push it forward. God has been very good to me. He kept opening doors for me.

As CFW marks 15 years, what is the outlook for the future?

As I stand at this juncture of 15 years, I am proud to look forward to the next 15 years of CFW.

I believe 2019 will be very significant. We have identified three aspects of the industry that we want to focus on to ensure the industry shines. It will open opportunities for Sri Lankan designers internationally and create space for emerging young talent.

Last year, I was reappointed as a council member of the Commonwealth Fashion Council in London. They invited me to join the council in 2015, which is a two-year appointment. After considering the work and the impact, I was re-appointed. This is one important opportunity, among others, for the fashion industry in

Sri Lanka. There are markets which can be opened to Sri Lanka; I also feel that the UK is an important market as they are more tuned towards Asia at the moment. For example, in 2018 I was able to provide an opportunity to Vathsala Gunasekara, who created a bag design from recycled cork material, which was presented in London. Similarly, if we can provide exposure for Sri Lankan designers, then talents in Sri Lanka can be promoted. It needs to be carefully planned and continue from the direction established 15 years ago. We are in a good position, with a unique retail format.

One of the areas that we will continue to focus on is building the commerce side of fashion designing. Commerce and creativity go hand-in-hand in fashion. Some designers, being creative people, miss out on the commerce side; while others tend to become too commercial. A fine balance needs to be maintained, especially for the benefit of young designers.

Positioning Sri Lanka as a destination for sustainable and ethical fashion has been an important aspect of CFW. How did this come about?

In 2005, a few years after I had started Colombo Fashion Week, the company that I headed at that time was hired as a promotion consultant by Sri Lanka Apparel. It was challenging and a lot of fun and working on this plan I coined the phrase 'Garments Without Guilt'. It was a very interesting concept at the time, and it became very effective for Sri Lanka Apparel. This started the journey for nurturing Sri Lanka's position as an ethical destination for sourcing. The country's record was clean compared to the others in the region and it was manageable and it was a good base to start with. At the time, it was an aggressive stance, because we made a claim to something that was contrary to the global perception of Sri Lanka. Being surrounded by India, Bangladesh, Pakistan and China'. The campaign became one of the most effective in the world, and we were able to win a Global Effie. To date, Sri Lanka is the only entry from Asia to have won the Global Effie.

This concept remained close to my heart, however I did not impose it on Colombo Fashion Week because it requires discipline for any fashion designer to be completely ethical. Yet, I continued to encourage designers to become part of the sustainable fashion movement and change. In retrospect, I realised that Sri Lanka

In the next 15 years, our focus will be on international exposure, retail and responsibility in fashion. The next important aspect is the development of the next generation of fashion in Sri Lanka.

Apparel could have done more with the 'Garments Without Guilt' campaign because it received a strong global response with strong media international coverage.

Two years ago I started working on creating a movement that is current and has the capacity to address and discuss issues and showcase some solutions – 'The Responsible Fashion Movement' that included designers, environmentalists, apparel manufacturers and other stakeholders from the supply chain. This is independent of Colombo Fashion Week.

In 2018, 'The Responsible Fashion Movement' launched the Responsible Fashion Summit, hosting two events, one in March and the second in July. We invited important stakeholders in global fashion such as the founder of London Fashion Week to visit Sri Lanka and see what we are doing and share ideas on how can we make Sri Lanka as a shining light for responsible fashion. Now we are preparing for the next edition of the Responsible Fashion Summit, which is planned for June 2019.

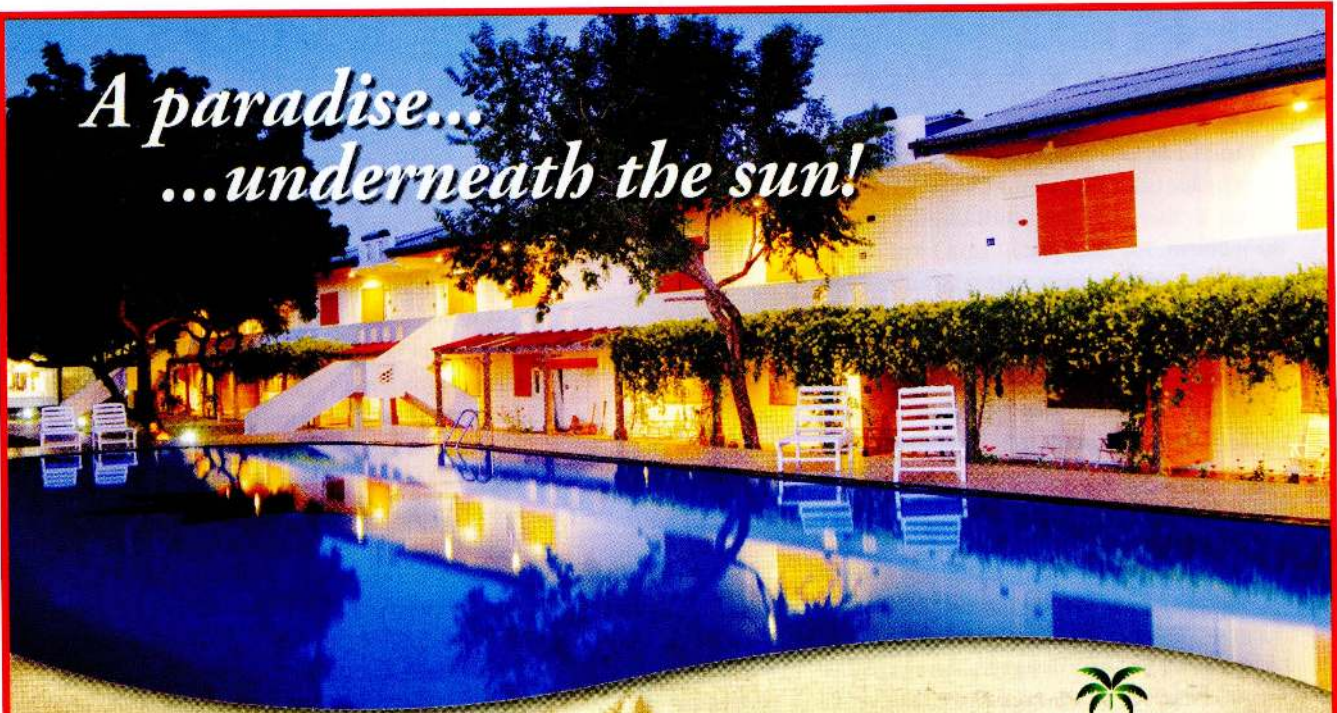
I feel Sri Lanka can take the lead in terms of sustainable, responsible fashion because no other country in Asia is pursuing this subject with the same intensity and vigour. Stakeholders such as MAS, Beira Group, Brandix and Hirdaramani are aligned on this path. I am confident that if we continue on this journey, we can carve out a path for Sri Lanka. Responsibility in fashion is important for consumers around the world.

What will be the focus of CFW in the future?

In the next 15 years, our focus will be on international exposure, retail and responsibility in fashion. Those are the key factors. The next important aspect is the development of the next generation of fashion designers in Sri Lanka. We need to address the question of getting them up to speed even quicker. We want to ensure the entire next generation is 'green thinking'. We are mentoring them to progressively 'think green' and create good fashion. If we have a generation of green thinkers, then that is a strong step forward in the right direction.

Other aspects include building innovative detail in connection to sustainability and introducing traditional crafts to the entire equation. I am confident that Sri Lankan designers can utilise this plan to propel forward; the ingredients have been prepped and cooked for the industry to grow. ■

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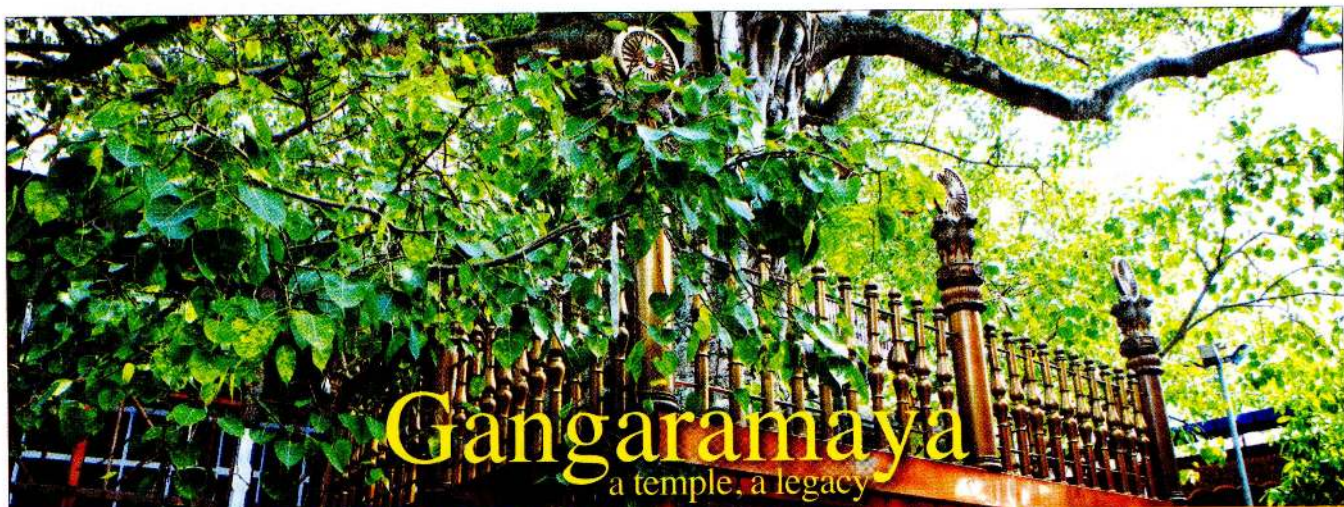


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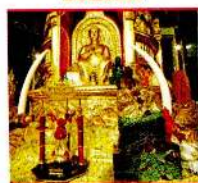


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Bank of Ceylon launches World MasterCard



(L-R): M D A Karunaratne, Assistant Director-IT (Delivery Channels), BOC; D P K Gunasekara, DGM-International Treasury and Investment, BOC; Dr Prasad Colombage, CEO, SHRI; Muttiah Muralidharan, Former Cricketer; Dr Anuruddha Padeniya, President, GMOA; Santosh Kumar, Country Manager, MasterCard- Sri Lanka and Maldives; Senarath Bandara, CEO/General Manager, BOC; Russell Fonseka, CFO/ DGM- Corporate and Offshore, BOC; M J P Salgado, DGM- Product and Banking Development, BOC and Emil De Silva, AGM-Electronic banking centre, BOC at the launch of the World MasterCard

Together with MasterCard International, Bank Of Ceylon jointly launched the World MasterCard themed as "Be the Master of your Journey." The ceremony took place at the Bank of Ceylon Head office with the participation of Muttiah Muralidharan, former Sri Lankan Cricketer, Dr Prasad Colombage, CEO, Society of Health Research and Innovation, Dr Anuruddha Padeniya, President, GMOA,

Santosh Kumar, MasterCard Country Manager-Sri Lanka and Maldives, Senarath Bandara, CEO/General Manager. Also in attendance were Russel Fonseka CFO/DGM - Corporate and Offshore Banking, M J P Salgado, DGM-Product and Banking development, DPK Gunasekara, DGM- International, Treasury and Investment, BOC and members of the Executive Management and Executive

officers of the Bank's Card centre.

BOC also jointly launched a special GMOA Affinity- World MasterCard for the members of the Government Medical Officers Association (GMOA).

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Seylan Bank receives Silver for 'Best New Entrant'



Nalin Karunaratne, Manager Brand Marketing, Seylan Bank receiving the award, flanked by Seylan Bank officials

Seylan Bank won the Silver Award for the category of 'Best New Entrant' for its Seylan Personal Loan product at the SLIM Brand Excellence Awards 2018. Amidst a challenging environment, Seylan Personal Loan emerged victorious as a

brand due to its strong brand process and orientation executed by its Retail Credit Card and Sales Teams, enabling resilient connection with customers whilst ensuring the creation, development and protection of brand identity.

Furthermore, Seylan Bank has taken continuous efforts to achieve lasting competitive advantages by creating and delivering value through brand propositions, which cater to the diverse needs of Sri Lankans from all walks of life.

Commenting on the achievement, Gamika De Silva, Head of Marketing and Sales, Seylan Bank said, "We are extremely proud and happy to receive this recognition. We extend our sincere gratitude to our Retail Credit Department, Branches and Sales Teams for their commitment in making the way for this award. With our teams' sustained efforts to innovate and stay relevant to our customers' needs, we ensure that our services translate to meeting the expectations of our shareholders, whilst always acting as responsible corporate citizens. With a strong focus to change the local banking standards, we will strive to improve and enhance our channels to further add value to our customers."

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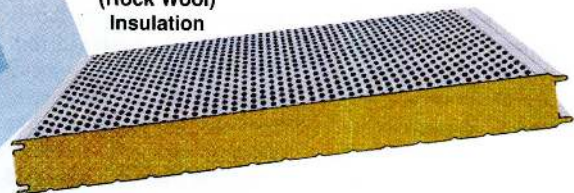
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ComBank Annual Report Best in Banking sector for 14th year



Third from left: Dharma Dheerasinghe, Chairman, ComBank, Dr Indrajit Coomaraswamy, Governor, Central Bank and Preethi Jayawardena, Deputy Chairman, Commercial Bank with the officials from the presentation party at the awards ceremony

The Commercial Bank of Ceylon was reaffirmed the best among Sri Lanka's banks for financial disclosure for a consistent 14th year, winning the Gold in the Banking Institutions category at the CA Sri Lanka Annual Report Awards-2018.

The Bank also won the Bronze award for Overall Excellence in Annual Financial Reporting across all sectors of business, the Gold for 'Integrated reporting - Best Disclosure on Capital Management,' and the Gold for 'Corporate governance disclo-

sure,' as well as the Silver for 'Integrated Reporting' at the 54th edition of these awards. This was the highest number of awards received by a banking institution.

S Renganathan, Managing Director, ComBank, said, "We

are very pleased to once again be adjudged the best among banks for financial reporting, an area in which Commercial Bank has excelled for many years. The Annual Report is the most vital medium of disclosure between an institution and its stakeholders and facilitates communication with our shareholders, depositors, borrowers, employees, other financial institutions, regulators, government agencies and suppliers. These awards are a tribute to the hardwork of our Annual Report team, who work throughout the year to improve the quality of content."

This is the 15th time that Commercial Bank's Annual Report has been ranked among the top three overall in Sri Lanka by the country's apex professional body in the domain of accounting.

Lifetime Achievement Award for Rohan Samarajiva



(L-R): Prabath Dahanayake, CMO, SLT; Kiththi Perera, CEO, SLT; Prof Sampath Amararatne, Vice Chancellor, University of Sri Jayawardenapura; R.M.D.B. Meegasmulla, Secretary, Ministry of Posts and Telecommunications; Kumarasinghe Sirisena, Group Chairman, SLT; Rohan Samarajiva, Founding Chair, LIRNEasia and Priyantha Fernandez, COO, SLT

Prof Rohan Samarajiva, founding chair, LIRNEasia received the SLT ZeroOne Lifetime Achievement Award "for the immense contribution he has made over the years as a public policymaker and advocate to influence access to cost-effective and high-quality digital infrastructure for all Sri Lankans".

"The SLT ZeroOne Lifetime Achievement Award pays tribute to a distinguished and selected group of visionaries, leaders and luminaries; who have made significant contributions toward the development and advance-

ment of the digital environment at National and/or Global level, according to the award citation.

"Considering this is a lifetime award, I looked back to when I started in telecommunication in the 1980s," Rohan Samarajiva said on receiving the award.

"At that time Sri Lanka had 61,500 direct exchange lines and 82,000 telephones. Today we are talking about people using apps and services in the millions. This was the result not of any one person's actions, but a large process that many people participated in. I have been

fortunate to be a part of this process and I am thankful for all the people who made it possible", he further added.

Rohan was former Director General of Telecommunications in Sri Lanka (1998-99), during which time the foundation for a competitive telecom sector was laid. He was also Team Leader at the Sri Lanka Ministry for Economic Reform, Science and Technology (2002-2004), responsible for infrastructure reforms, including participation in the design of the 83 million USD Sri Lanka Initiative.

From 2003 to 2005, he served as a Founding Director of the ICT Agency of Sri Lanka, the apex body for information and communication technology within the Government of Sri Lanka. He currently serves the ICTA as Chairman.

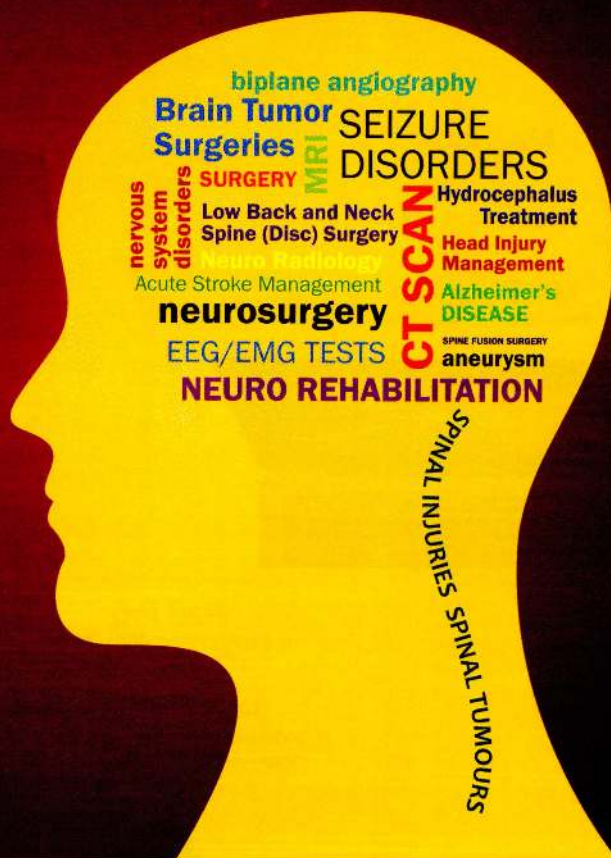
Founded in September, 2004 to gather scientific evidence for policy-making in the telecommunications sector, by October 2005, LIRNEasia was recording policy impact in Sri Lanka, starting with the Telecommunications Regulatory Commission (TRCSL) applying LIRNEasia recommendations on CDMA frequency assignment.

"Rohan's contributions to the ICT sector go well beyond the country. He is someone who has managed to change the terms of the public discourse in the region, prompting others to act in ways that reduce cost and increase equitable digital access to all", stated Helani Galpaya, CEO, LIRNEasia, the regional ICT policy think-tank founded by Samarajiva in 2004.



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Passive attack: the story of a Wall Street revolution

By Robin Wigglesworth December 20, 2018



The explosive growth of index funds has changed markets. How far can they go?

Every year, hordes of aspiring investors make the pilgrimage to Omaha, hoping to learn at the feet of Warren Buffett at Berkshire Hathaway's annual meeting. But for more than two decades the Sage of Omaha has offered the same staid advice: just buy an index fund.

In fact, earlier this year Buffett won a wager that a cheap index fund, which does nothing but track the US stock market would, over 10 years, thrash an elite crew of hedge funds picked by Protégé Partners, a Wall Street investment firm. Buffett hammered home his message in his latest annual letter to shareholders.

"During the 10-year bet, the 200-plus hedge fund managers that were involved almost certainly made tens of thousands of buy-and-sell decisions. Most of those managers undoubtedly thought hard about their decisions, each of which they believed would prove advantageous. In the process of investing, they studied 10-Ks [a company's

annual report], interviewed managements, read trade journals and conferred with Wall Street analysts," he wrote.

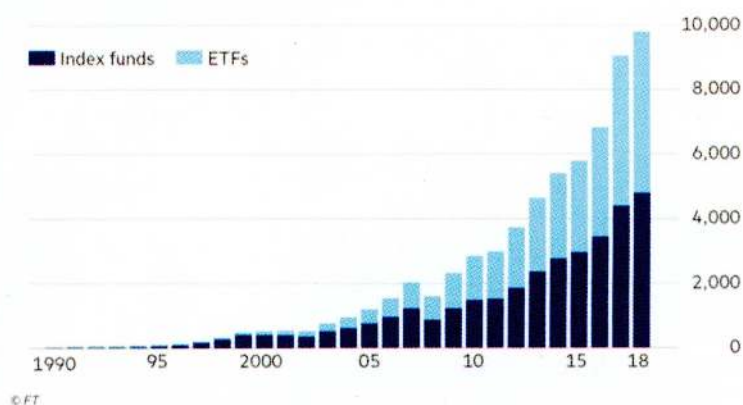
And yet, the nearly free, "dumb" index fund prevailed, returning 126 per cent over the decade, while the hedge funds made a more modest 36 per cent.

Index funds are vehicles that simply attempt to mimic a market benchmark — whether the FTSE 100, the S&P 500 or developing country bonds — as cheaply as possible. Some are unmanaged mutual funds, others are exchange-traded funds (ETFs) that can be bought and sold throughout the day, just like any stock.

While their genesis can be traced to the 1970s, the shift towards passive investing has been seismic since the financial crisis. The global index-tracking-fund industry now manages nearly \$10tn, according to the Investment Company Institute — making it almost twice as big as the hedge fund and private equity industries combined.

Passive attack

Index funds swell globally to nearly \$10tn after post-crisis growth spurt (\$bn)





By the 1960s better data and more powerful computers led to the dawning realisation that most fund managers actually did a poor job — and people began to investigate why

Index funds have revolutionised investing, saving millions of people untold billions of dollars in fees that would otherwise have gone to fund managers with a dismal long-term record of actually beating the market. It is no exaggeration to say that the rise of passive investing is probably one of the most consequential financial inventions of the past half-century. It is rewiring markets and reshaping the finance industry.

Yet some detractors say that index investing is an insidious disease. According to a critique by analysts at Bernstein, passive investing is “worse than Marxism”, because at least communists tried to allocate resources efficiently, while index funds just blindly invest according to an arbitrary benchmark’s formula. Paul Singer, a famed hedge fund manager, even argues index funds are “devouring capitalism”.

Proponents laugh this off as scaremongering. “Whenever something goes bad, we now blame ETFs. But it is one of the greatest financial innovations of all time,” argues Deborah Fuhr of ETFGI, a prominent industry analyst, who believes index funds

Paul Singer, a famed hedge fund manager, even argues index funds are “devouring capitalism”.

have become the “punching bag” that hedge funds used to be.

The trend towards passive investing has profound implications for the finance industry, where an army of analysts and traders exist solely to help portfolio managers invest our money.

As the novelist Gary Shteyngart observed to investment magazine *Barron’s* in September: “Everyone in New York who’s not a portfolio manager is just this little helper animal, and their existence is tied into the health of the greater animal. If the main animal perishes, the whole ecosystem goes.”

Indeed, even some of the passive investment industry’s pioneers concede that its rampant growth raises important questions that need to be addressed. But how did this revolution spread, how is it changing markets, and how far can it go? To understand where we are going, it helps to understand where we came from. And for that, we need to wind the clock back half a century.

The early rebellion

John McQuown grew up on his family’s farm in rural Illinois, far from the bustle

of Wall Street, and was the first in his family to get a higher education, graduating with a degree in mechanical engineering from Northwestern. After two years on a US Navy destroyer, McQuown took an MBA and, in 1961, started at Smith Barney, a storied Wall Street brokerage. Then, serendipity struck.

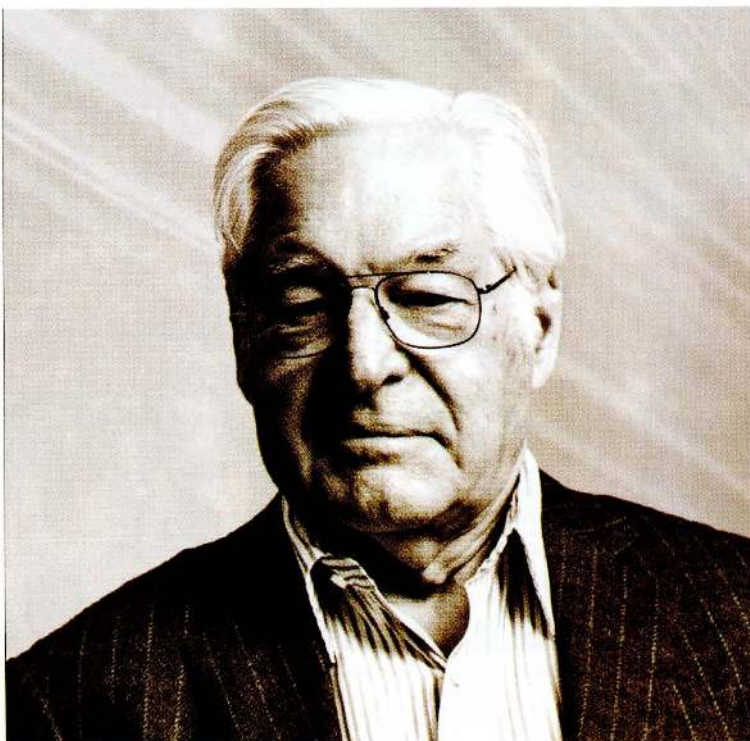
At night and over weekends, McQuown and a friend moonlighted at a new company, renting a hulking 7094 IBM mainframe computer in the basement of the Time-Life building for \$500 a shift to generate reams of esoteric stock market data. IBM, keen to show off the versatility of its machines, invited the young man with a big mop of hair to present his work at a conference in San Jose in 1964.

One of the attendees was Ransom Cook, the chairman of Wells Fargo, at the time a venerable but sleepy regional bank of little consequence. Intrigued, he asked McQuown to lead a new research team dedicated to more analytical, rigorous investing. "His suspicion was that what they were doing wasn't really leading to an improvement of investment management," McQuown tells me.

This was a heretical thought for anyone in the investment industry, but one that had been gaining ground. In 1940, a former stockbroker called Fred Schwed had published a book titled *Where are the Customers' Yachts?*, an acerbic take on Wall Street that has since become a classic.

By the 1950s there was fresh interest in measuring and analysing market performance, and in 1957 Standard & Poor's launched the first computer-calculated stock index of America's biggest companies, "a symbol of the beginning of the electronic era in finance", according to Robert Shiller, the Nobel economics laureate.

By the 1960s better data and more powerful computers led to the dawning realisation that most fund managers actually did a poor job — and people began to investigate why. "That's when, in a sense, life begins," says David Booth, the chairman of Dimensional Fund Advisors. "All of a



John McQuown whose pioneering work in the 1960s laid the foundations for passive investing

"It felt like shovelling shit against the tide. We weren't very popular, even at Wells Fargo initially,"

John McQuown

sudden, computers are around, and a dozen landmark papers were coming out every year."

The University of Chicago and MIT were at the centre of this nascent financial-academic revolution. In 1965 Eugene Fama, the famed Chicago economist, first articulated his "efficient markets" hypothesis, which stipulated that securities fully reflect all known information, and the market cannot be beaten.

But even for those who believe that markets are inefficient, there is a simple, inescapable mathematical truth: the market is made up of investors, so the average investor cannot do better than the market. For every one that beats it, someone else must fall short.

And when the cost of trading and the fees charged by a fund manager are factored in, the average investor will, in fact, underperform the wider market, points out Burton Malkiel, the Princeton economics professor and author of *A Random Walk Down Wall*

Street. Some skilled managers might beat the market in any given year — or maybe even over a decade — but identifying consistent stars has proven to be tricky both in theory and practice. “The intellectual case for indexing is airtight,” Malkiel says.

The implications of this dawning conclusion were what McQuown and his new Wells Fargo Management Sciences division sought to explore. He assembled a 35-person team and recruited a cast of eminent economists as advisers and consultants, several of whom would go on to win Nobel Prizes. This was the Manhattan Project of investing and, ultimately, helped birth a nuclear bomb that would rip through the global asset management industry.

Disrupting a lucrative status quo is tough work, however, and insiders tell tales of vicious office politics and epic shouting matches that shook the walls of Wells Fargo. “It felt like shovelling shit against the tide,” McQuown recalls. “We weren’t very popular, even at Wells Fargo initially.” But he had a potent ally, a former jazz saxophonist called William Fouse, who would also write his name into the history of passive investing.

After graduating from the University of Kentucky, Fouse had drifted into a job at a Pittsburgh lender called Mellon Bank and quickly became entranced by the rash of academic work emanating from Chicago. He suggested that Mellon start an index fund, but his boss was underwhelmed. “He accused me of trying to turn his job into a science,” Fouse recalls. “So I fled.” McQuown snapped him up.

Wells Fargo’s revolutionaries still needed the faith of outside investors to put their ideas into practice. Their first was a young University of Chicago graduate called Keith Shwayder. In 1970, he joined his family business Samsonite, and was shocked to discover that its pension fund was invested in a motley bunch of mutual funds — anathema to someone steeped in the cutting-edge research of his alma mater.

He asked his former tutors if anyone was currently managing money in the



“I believed the numbers would ultimately tell. The superiority of the index is guaranteed. The math will never let you down” - Jack Bogle, Vanguard founder

His aptitude for mathematics led to an economics degree from Princeton, where his thesis on investing caught the eye of Walter Morgan, the founder of Wellington, a pedigreed Philadelphia investment group.

“theoretically proper” way, and was promptly sent to McQuown. By July 1971 the first index fund was born, with \$6m from Samsonite’s pension fund.

Initially, it was not a success. The strategy was to hold an equal dollar amount of each of the New York Stock Exchange’s 1,500 stocks. But the implementation was a logistical nightmare. Constantly rebalancing to make sure the weightings were correct was difficult and expensive. So by 1973 Wells Fargo set up a new fund that simply tracked the S&P 500 — weighted by the market value of each constituent. Soon afterwards, Samsonite folded its fund into Wells Fargo’s simpler S&P 500 index fund.

Roughly at the same time, executives at Batterymarch, a Boston-based investment group, and the American National Bank of Chicago launched index funds. Dean LeBaron, co-founder of Batterymarch, says all these pioneers stood on the shoulders of the same academic



October 19, 1987: Traders in New York crowd the stock exchange floor on Black Monday, when the US stock market fell by more than 20%

giants. “Who knows who really got there first? There are at least 20 fathers of indexing.”

Nonetheless, the impact of McQuown’s Management Sciences division was undeniable. In 1970, Wells Fargo’s staid trust department managed about \$5bn. That rose to almost \$15bn by 1980 — by which time it had virtually abandoned all active money management — and more than \$80bn by 1990, according to *Capital Ideas* by Peter Bernstein.

Yet it was another iron-willed financier who took the index investing revolution to the masses.

The revolution spreads

On January 23 1974, John Clifton Bogle strode into the boardroom of Wellington Management Company’s Valley Forge headquarters. He was expecting to be sacked but the coup that ousted him still came as

“Back then, we would discuss whether it could go too far. It seemed a silly discussion at the time, but not so much now,”

**Dean LeBron,
co-founder
Batterymarch**

a blow to the one-time wonder boy of the investment industry.

“Jack” Bogle had until then known little but success. His aptitude for mathematics led to an economics degree from Princeton, where his thesis on investing caught the eye of Walter Morgan, the founder of Wellington, a pedigreed Philadelphia investment group. By the time Bogle was 35, he was Morgan’s heir apparent, and soon afterwards picked up the reins.

But then Bogle made a fateful mistake, merging Wellington with an aggressive young mutual fund company in Boston. When the stock market tumbled in 1973, Wellington found itself on the ropes, and the new partners abruptly defenestrated Bogle. “It was devastating,” he ruefully told me. “But I was determined to win at the craps table what I had lost at the roulette table.”

Wellington might have been the manager of its funds, but it still had an independent board — and Bogle remained the chairman. The very next day he took the 6am train to New York and proposed they declare their independence.

The counter-coup failed but the board agreed to create a new subsidiary company that would have fund administration as its sole responsibility and Bogle as its chief executive. And thus The Vanguard Group — named after Nelson's flagship at the Battle of the Nile — was born.

Bogle had no intention of settling for the humdrum tasks of fund administration. Instead, a *cri de coeur* from one of the world's most illustrious economists stirred his imagination. That autumn Paul Samuelson, an MIT professor who had recently become the first American to win the Nobel Prize for economics, published an article pleading for an index-tracking mutual fund to track the S&P 500 — for ordinary investors, not just pension funds and insurers. This was music to Bogle's ears. "It was inspiring and readable," he recalls. "It was a seminal point for the company we were starting."

Still, the project was initially an abject failure. Vanguard hoped to raise \$150m but the brokerages that arranged its sale struggled to persuade investors to put their money in. In August 1976, the First Index Investment Trust went live with a measly \$11m, and was quickly dubbed Bogle's Folly.

Fidelity's chairman Ned Johnson said: "I can't believe that the great mass of investors are going to be satisfied with an ultimate goal of just achieving average returns on their funds." Some rivals even called it "un-American" and distributed posters mocking it. "It was a joke," Bogle recalls. "The underwriting was probably the biggest failure in Wall Street history."

But the setback only fuelled his determination. Even those close to him would occasionally poke fun at his messianism. Each year he hosted a Christmas dinner for all his past and present assistants, and one

"John Bogle founded a multitrillion-dollar investment firm and did not use it to make himself into a multibillionaire but instead used it to produce a good product at a fair price that saves money for everyone who uses it."

year they presented him with a clerical collar to wear — to the amusement of everyone except Bogle. "We thought he had gotten a little self-righteous, and got him a clerical collar for when he got evangelical. He didn't think it was as funny as we did," recalls Jim Riepe, Bogle's first assistant. "He could be a tough person to work with."

Bogle admits that he was a zealot. "It was a crusade. If you really believe in something, you have to become a preacher," he says. "I believed the numbers would ultimately tell. The superiority of the index is guaranteed. The math will never let you down." By the end of 1976, the Vanguard fund still languished with \$14m. But in 1982, it crossed \$100m. By 1988 the fund boasted \$1bn. By 1996 it crossed \$10bn. Today the now-renamed Vanguard 500 Index Fund manages more than \$400bn.

One of the reasons for Vanguard's success is its unique structure. Bogle constructed it to be owned by its own funds, which are in turn owned by its investors. In other words, it is a true, mutually owned entity, ensuring costs and fees are kept at a minimum. The implications are mind-boggling.

In a 2016 tribute to "a real f**king people's hero", the writer Hamilton Nolan said: "John Bogle founded a multitrillion-dollar investment firm and did not use it to make himself into a multibillionaire but instead used it to produce a good product at a fair price that saves money for everyone who uses it."

Bogle says he appreciated Nolan's sentiment — if not the strong language — and bristles with pride over Vanguard, even if it didn't bring him the financial rewards that other investment behemoths have brought their founders. "What do I need a private jet for? I need my wife to drive me around. It doesn't do my psyche any good to know that I have more than someone else," he says. "I'm very comfortable with what I've done for the world."

The index revolution 2.0

One bright morning in early 1992, Bogle received a visit from an avuncular former

submariner called Nate Most who had a wild idea for how to resurrect the fortunes of his employer, the American Stock Exchange. Little did either know that the pitch, which Bogle summarily dismissed, would turn out to be a game-changer for modern finance — the exchange-traded fund.

Most, who died in 2004 at the age of 90, had studied physics and worked on a US Navy submarine during the second world war. He then travelled through Asia as a salesman and eventually stumbled into the cooking oil business. While working at the Pacific Commodities Exchange, he observed how commodity traders would buy and sell warehouse receipts rather than physical barrels of oil or ingots of gold.

“You store a commodity and you get a warehouse receipt and you can finance on that warehouse receipt. You can sell it, do a lot of things with it. Because you don’t want to be moving the merchandise back and forth all the time, so you keep it in place and you simply transfer the warehouse receipt,” he later recalled to ETF.com.

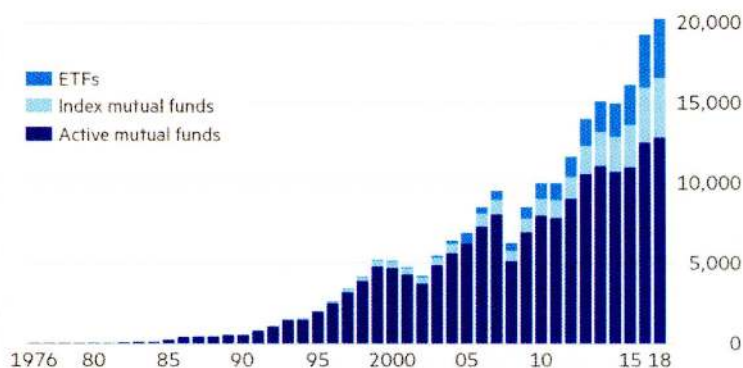
Decades later, Most ended up as head of product development at the American Stock Exchange, a venerable institution that had fallen on hard times. Ironically, the Black Monday crash on October 19 1987 — the worst day of wealth destruction Wall Street has ever witnessed — provided him with the break he needed.

The Securities and Exchange Commission’s subsequent autopsy blamed an algorithmic trading strategy called “portfolio insurance” for the crash. Intriguingly, the post-mortem suggested that if traders could have turned to a single product for trading entire baskets of stocks, it might have ameliorated the turmoil. Most and his young sidekick Steven Bloom quickly set about engineering such a product.

One idea was to see whether existing index funds could be listed and traded just like a stock. But Most’s visit to Vanguard did not go well. “Nate Most was a fine gentleman but it was the antithesis to what

Index revolution reshapes US asset management industry

Assets under management (\$bn)



Source: ICI
© FT

“Nate Most was a fine gentleman but it was the antithesis to what I like,” Bogle says. “I said, ‘You want people to be able to trade the S&P but I just want them to buy and never sell it’.”

I like,” Bogle says. “I said, ‘You want people to be able to trade the S&P but I just want them to buy and never sell it.’”

Most remained undeterred. By then he was already far along his path towards creating the first ever ETF with State Street. Just as his former colleagues would trade paper receipts for physical commodities, Most envisaged a structure where brokerages — or “authorised participants” in industry jargon — would continually create, redeem and facilitate trading in electronic shares of a passive basket of shares.

“Nathan was a brilliant innovator. Always thinking outside the box,” says Jim Ross, then a junior member of the State Street team, and now head of its global ETF business.

Unfortunately, jumping over all the regulatory hurdles took time, allowing Canada to steal ahead. In 1990, the Toronto Stock Exchange unveiled the world’s first successful exchange-traded fund. But on January 29 1993, the Standard & Poor’s Depository Receipts (SPDR, usually just referred to as “Spider”) finally began trading.

Not only is SPDR now a \$265bn behemoth, it is also the most traded equity security on the planet: everyone from hedge funds in Connecticut to day-traders in Ukraine uses

it to punt on the US stock market. But “Spider” is only the crown jewel in what is now a staggeringly vibrant, complex and rapidly expanding \$5tn ETF universe that allows anyone to bet on anything from risky loans or African stocks to companies approved by the US Conference of Catholic Bishops, or the nascent music-streaming industry.

Even more than index funds, ETFs are fundamentally reshaping the investment industry. Their tradeability means they can be used as Lego-like building blocks for strategic portfolios or tactical punts, by anyone from sophisticated hedge funds to ordinary retail investors. “Now everybody can invest globally,” says Mark Wiedman, head of BlackRock’s index fund business. “That was one of the huge impacts of the rise of ETFs.”

For a time, many fund managers hoped the growth of passive investing would open up lucrative anomalies for them to exploit. Instead, the performance of active managers has actually deteriorated. Michael Mauboussin, head of research at Blue Mountain Capital, compares this to a poker game where poorer players — the dumb money — get wiped out quickly, making the game harder for the remaining card sharps.

Jeremy Grantham, the founder of GMO, a Boston money manager, reckons this logic will hold at least until index funds account for 90 per cent of the market — a distant prospect. “Asset management is getting tougher and tougher. The argument that it will become easier is nonsense,” he warns.

However, great success can breed resentment and fear. Given the index industry’s size — up fivefold from \$2tn on the eve of the financial crisis to nearly \$10tn today — and growth trajectory, concerns over its impact are only going to multiply in the coming years. Even some of its champions now admit to growing unease. “Even back then, we would discuss whether it could go too far. It seemed a silly discussion at the time, but not so much now,” says LeBaron. “Everything goes too far, doesn’t it?”

Some say index funds are lazy owners, leading to unaccountable management and ultimately sapping the economy of its dynamism.

The future

On February 14 2018 Nikolas Cruz used a semi-automatic rifle to murder 17 people in six minutes at his former school in Parkland, Florida. In the aftermath of the tragedy, index funds suddenly became part of the debate, after activists called for a boycott of BlackRock and Vanguard over their big shareholdings in gunmakers.

This was awkward for the two index fund behemoths. Traditional, active fund managers can always sell companies that they or their investors dislike but index funds cannot sell as long as the companies remain in indices they track.

In an attempt to mollify the backlash, Vanguard said it met gunmaker executives and “sought to understand how the companies plan to help prevent similar tragedies from happening again”. BlackRock promised it would offer its investors vehicles that exclude gunmakers and talk to those it was already invested in.

However, the imbroglio highlighted what is emerging as the pivotal battlefield for the future of the index fund industry: how, when and why should they exercise their considerable and expanding power over companies around the world? “It’s a serious issue, and everyone that says it isn’t, isn’t telling the truth,” admits Bogle.

The concerns about what the growth of passive investing means for corporate governance are multipronged and conflicting — but sometimes have a kernel of truth to them. Some say index funds are lazy owners, leading to unaccountable management and ultimately sapping the economy of its dynamism. Others worry they are becoming too activist, stepping into controversial public policy issues better left to regulators and politicians.

As the Parkland tragedy underscored, navigating the pressure to be socially aware investors, the reality of what index funds can actually do and the backlash they could engender if they overplay their hands is a tricky task that will only become more difficult in the coming years.

There is another big question as well: whether index funds help fuel bubbles or increase the fragility of the global financial system. Of course, markets have always been prone to bubbles and busts. But because most money goes into index funds that weight by the size of a company, it means they are a pro-cyclical force that can ensure the big get bigger, and companies outside indices languish in the shadows. For example, a decade ago about 15 cents of every dollar that went into SPDR or the Vanguard 500 went into technology stocks; today it is about 25 cents.

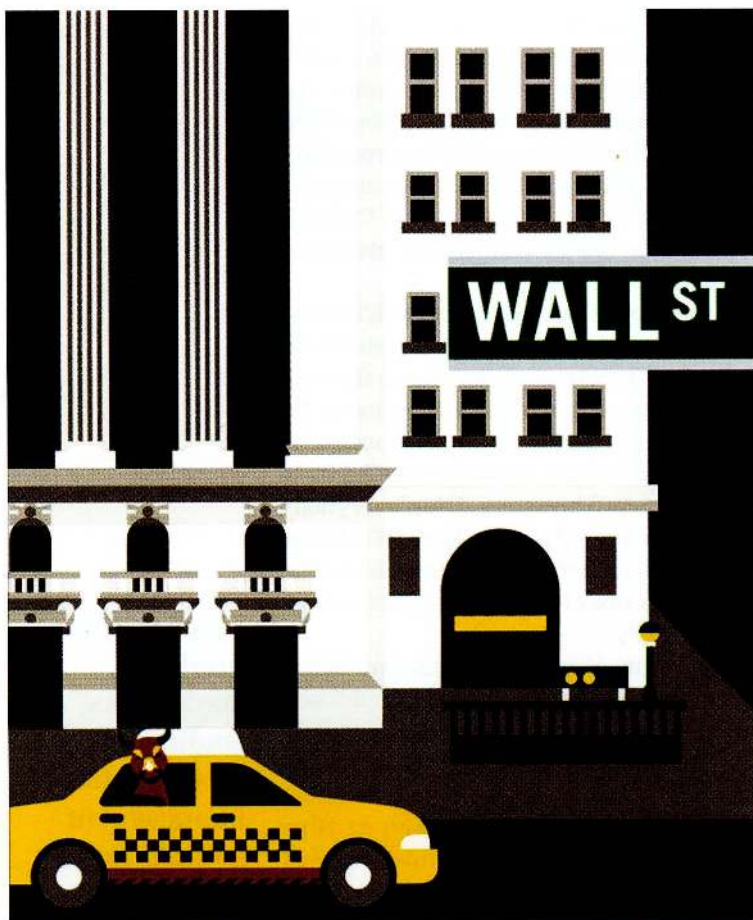
The concern is that if money starts seeping out of index funds in a future bear market, it will exacerbate the slump and reveal fragilities in the index fund ecosystem. "The risks related to the rapid growth of index funds represent one of the biggest challenges facing markets today," argues Paul Singer of Elliott Management.

"The sheer force of flows into these funds has been an important driver of the relative outperformance of indexed assets. When these flows reverse, or even pause, the effects could be just as impactful on relative prices, but in reverse, and possibly more abrupt and intense."

Recently, a fringe theory — that the rising concentration of shareholders caused by the explosion of index funds appears to be crimping competition — has also started to gain more prominence.

Earlier this month, the Federal Trade Commission held an open hearing on the subject.

The index industry says this is absurd, and counters that passive investing remains a minor player in the grander scope of global financial markets. And without a doubt, index funds are one of the largest, most disruptive innovations the finance industry has seen in the past century. Evidence that they are somehow wrecking markets is scant, and the benefits have directly and indirectly accrued to every saver on the planet in the form of cheaper fees.




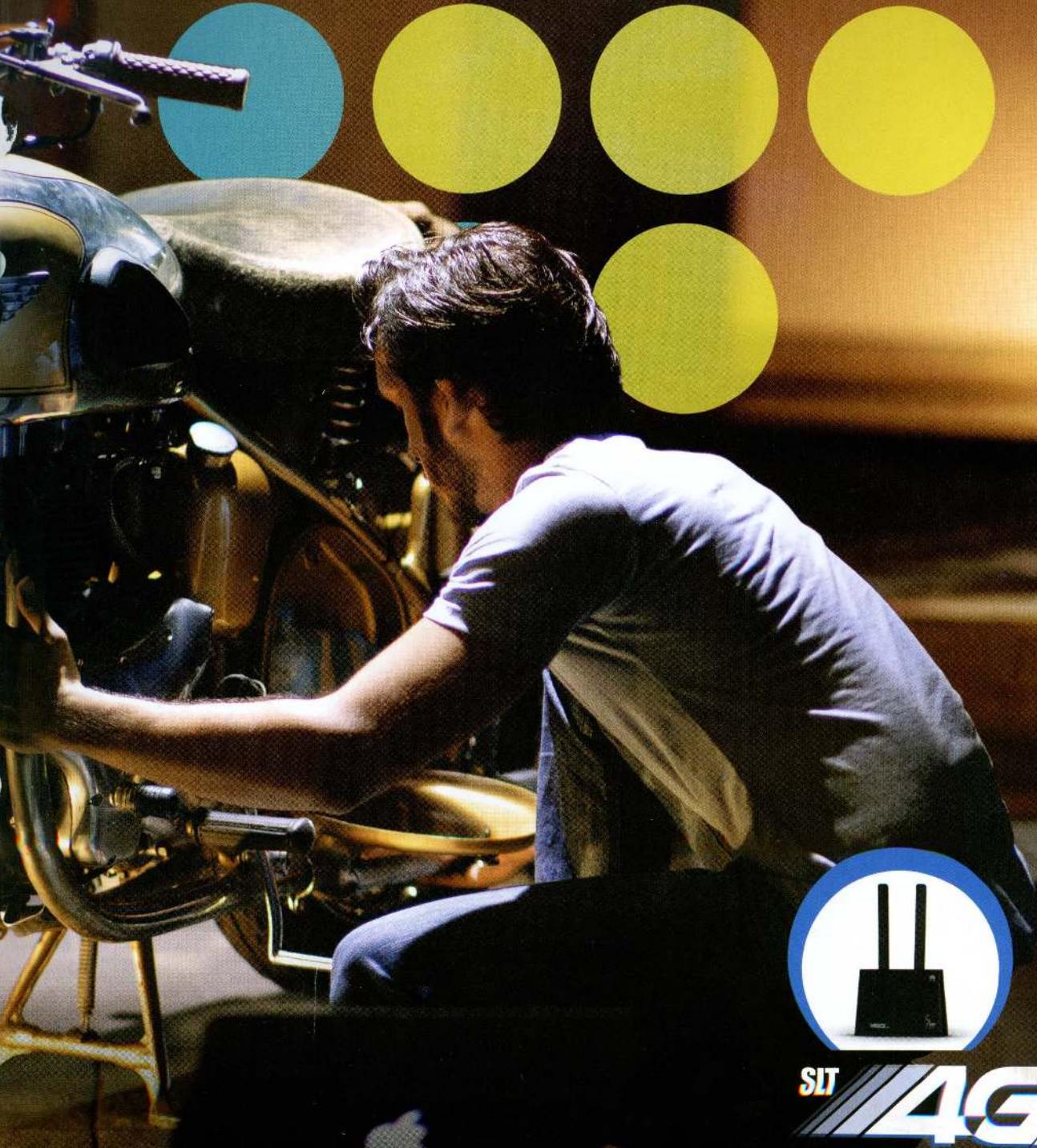
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"But to solve this we should not destroy the greatest invention in the history of finance."

But the implications of the industry's swelling heft — and especially the "Big Three" of BlackRock, State Street and Vanguard — should not be dismissed lightly. Every great invention comes with side effects that should be recognised and addressed. Within the foreseeable future, they could hold a commanding vote in most major US public companies — a development that worries even Bogle.

"Is that good for capitalism?" he questions. "It's hard to know how big we can get, and the consequences. But it does raise issues that we need to address. We cannot ignore them. But to solve this we should not destroy the greatest invention in the history of finance."

Robin Wigglesworth is the FT's US markets editor 



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