

The Law Relating to Unit Trusts in Sri Lanka

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The COVID-19 crisis has taken root across the globe significantly affecting the personal and economic lives of people. The pandemic has created a financial crisis for many Sri Lankans and institutions. With the reduction of the interest rates of fixed deposits, savers who depended on such earnings for living, now face enormous difficulty. These circumstances compel savers to explore alternative forms of investment such as Unit Trusts. Unit Trust can be identified as an extension of the concept of Trust into the contemporary commercial world. As defined by the Securities Exchange Commission of Sri Lanka, ‘Unit Trust means any arrangement made for the purpose, or of having the effect, of providing for the participation by persons as beneficiaries under a trust, in profits or income and capital gains arising from the acquisition, holding, management or disposal of securities or any other property vested in the trustee or such trust’. Unit Trusts are relatively new and has only become recently popular in Sri Lanka although a large portion of the general public remains unaware of the concept as well as the relevant legal framework. Hence, the objective of this paper is to critically analyse the laws relating to Unit Trusts in Sri Lanka and their applicability in the country to generate awareness of the regulations in the area. This research has adopted a doctrinal methodology that typifies distinctly legal research. The analysis of regulations demonstrates that the current legal framework in Sri Lanka provides for strict regulatory demands concerning the method of operation of the Unit Trusts to ensure the security of the funds invested by the general public.

Keywords: Laws; Regulations; Sri Lankan Context; Unit Trusts