



# **REGISTERED STOCK AND SECURITIES ORDINANCE**

**( Incorporating Amendments up to 31st December, 2004 )**

Printed by the Central Bank of Sri Lanka.

## **Registered Stock and Securities Ordinance**

Owing to the numerous amendments made to the Registered Stock and Securities Ordinance, it has become necessary to publish a reprint of that Ordinance. This reprint which incorporates all amendments made up to 31st December, 2004 is, however, not a statutory reprint. It is only issued for purposes of convenience.

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*Governor*

Central Bank of Sri Lanka

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## REGISTERED STOCK AND SECURITIES ORDINANCE

AN ORDINANCE TO MAKE PROVISION FOR THE CREATION AND ISSUE OF REGISTERED STOCK, GOVERNMENT PROMISSORY NOTES, BEARER BONDS AND TREASURY BONDS FOR THE PURPOSE OF RAISING LOANS IN SRI LANKA.

*Ordinance*  
No. 7 of 1937,  
*Acts*  
Nos. 58 of 1949,  
51 of 1983,  
3 of 1985,  
32 of 1995,  
2 of 2004.

[ 1st April, 1937. ]

1. This Ordinance may be cited as the Registered Stock and Securities Ordinance.

Short title.

2. (1) Whenever by any enactment, whether enacted before or after the date on which this Ordinance comes into operation, authority has been or is hereafter given to raise any sum of money by way of loan for any purpose mentioned in that enactment, or whenever it is necessary to raise any sum of money for the purpose of repaying any loan raised by the Government under this Ordinance or any other enactment, the Minister in charge of the subject of Finance may from time to time raise such sum or any part thereof under the provisions of this Ordinance in any one or more of the following modes:—

Issue of registered stock, promissory notes, bearer bonds and treasury bonds for the purpose of raising authorised loans.  
[ § 3, 32 of 1995.]

- (a) by the creation and issue of registered stock;
- (b) by the issue of securities in the form of Government promissory notes;
- (c) by the issue of securities in the form of bearer bonds;
- (d) by the issue of securities in the form of treasury bonds.

(2) Registered stock or securities issued under this Ordinance for the purpose of raising any specified sum of money shall be deemed to be stock or securities issued in respect of a separate loan notwithstanding that the sum of money so raised is part only of a sum of money authorised by any other enactment to be raised by way of a loan.

3. The principal moneys and interest represented or secured by any registered stock or securities issued under this Ordinance are hereby charged upon and shall be payable out of the Consolidated Fund and assets of Sri Lanka.

Loans to be a charge upon Consolidated Fund.

4. (1) The Minister in charge of the subject of Finance shall, in respect of each loan to be raised under this Ordinance, specify by Order published in the *Gazette*—

Minister in charge of the subject of Finance to specify mode of raising loan and other particulars.  
[ § 4, 32 of 1995.]

- (a) the sum of money to be raised by that loan;
- (b) the modes of raising the loan and the manner in which such loan is to be raised;
- (c) the rate of interest payable on the loan or the method of determination of the rate of interest payable;
- (d) the dates on which interest on the loan shall be payable;
- (e) the rate at which, and the periods at the end of which, appropriation out of the Consolidated Fund and assets of Sri Lanka

shall be made as a contribution to the sinking fund established for the purpose of redeeming that loan and the date from which such contributions shall commence;

(f) the date of redemption of the registered stock or securities to be issued for the purpose of raising that loan.

(2) The date of redemption of any registered stock or securities shall not be later than sixty years from the date of issue of such stock or securities.

(3) Where the Minister in charge of the subject of Finance deems it expedient to reserve an option to redeem any registered stock or securities at any date earlier than the date of redemption specified for such stock or securities by the Order under subsection (1), he shall by that Order further specify the terms and conditions on which such stock or securities may be redeemed at any earlier date.

Registrar to make necessary arrangements.

5. Upon the publication under section 4 of an Order of the Minister in charge of the subject of Finance in respect of any loan to be raised under this Ordinance, the Registrar may, subject to the provisions of that Order and to such further directions as the Minister in charge of the subject of Finance may issue in that behalf, make all such arrangements as may be necessary to raise that loan upon the most favourable terms that can be obtained.

Restrictions on purchase of stocks and securities.  
[§ 5, 32 of 1995.]  
[§ 2, 2 of 2004.]

5A. (1) Any application or bids for the purchase of registered stock or securities may, having regard to the interests of the national economy, be restricted to primary dealers and designated non-dealer bidders.

(2) Without prejudice to anything contained in this Ordinance particularly the provisions of sections 21C, 21D, 21E, and 21F, the Central Bank shall regulate, supervise and monitor the primary dealers and the designated non-dealer bidders with respect to their transactions in Treasury Bonds issued in the form of written certificates.

## REGISTERED STOCK

Register of stock.

6. The Registrar shall keep a register in respect of each issue of registered stock under this Ordinance.

Liability of Government in respect of issue of registered stock.

7. The Government of Sri Lanka shall be bound to pay to the person registered for the time being as the owner of any registered stock (hereinafter called the "stockholder"), the principal sum represented by that stock and the interest due thereon, in accordance with the provisions of this Ordinance, at the rate and on the dates specified by the Minister in charge of the subject of Finance by Order under section 4 or in pursuance of an option to redeem such stock reserved in that Order.

Stockholders.

8. For the purposes of this Ordinance, no person shall be entitled to any registered stock unless he is registered as a stockholder.

Registration of first stockholders.

9. No person shall be registered as the first stockholder of any registered stock except upon payment in full of the purchase price of that stock.



**10.** Every stockholder shall be entitled to obtain from the Registrar a stock certificate, that is to say, a certificate of the registration in the register of the name of that stockholder as the owner of the stock specified in that certificate. No stockholder of any stock, other than the first stockholder of that stock, shall be entitled to obtain a stock certificate except upon payment of the prescribed fee.

Stock certificates.

**11.** (1) For the purposes of this Ordinance, the title of any stockholder to any registered stock shall not be deemed to be transferred to any other person except upon the execution of an instrument in writing signed by the stockholder and the transferee and upon the registration of that transferee as the stockholder in the manner hereinafter provided.

Transfer of registered stock.

(2) Interest which has fallen due in respect of any registered stock but which has not been paid to the stockholder for the time being shall not be deemed to be payable to a transferee of that stock unless the instrument of transfer expressly provides for the payment of that interest to that transferee.

**12.** No person shall be registered as the transferee of any registered stock except upon payment of the prescribed fee and surrender to the Registrar of the stock certificate and the instrument of transfer relating to that stock.

Registration of transfers of stock.

**13.** (1) Where two or more persons are registered as joint holders of any stock, it shall be lawful for the Registrar to pay any interest due thereon to the person whose name appears first in the register among those joint holders:

Payment of interest to joint stockholders.

Provided, however, that where one or more of the joint holders, including the person whose name appears first in the register, is dead or under any legal disability, it shall be lawful for the Registrar on proof to his satisfaction of such death or disability, to pay such interest to that person whose name appears first on the register among the surviving joint holders or among the joint holders who are not under any such disability;

Provided, further, that if the first of such joint holders or, if that joint holder is dead or under any legal disability, then if the first of the surviving joint holders or the first of the joint holders who are not under legal disability requests the Registrar in writing to pay the interest due on such stock to any specified person, it shall be lawful for the Registrar to pay such interest to that person accordingly.

(2) Nothing herein contained shall affect the rights of joint holders of any registered stock *inter se* or any claim which the representative of a deceased person may have against the survivor or survivors under or in respect of any registered stock to which subsection (1) applies.

**14.** The register of stock shall be closed for a period of fourteen days immediately preceding each date on which interest on that stock falls due; and no transfer of that stock shall be registered during that period.

Closing of register.

**15.** (1) No alteration shall be made in the register of stock except for the purpose of effecting or recording—

Alteration of register.

- (a) a transfer of registered stock;
- (b) an exchange of registered stock for securities or of securities for registered stock;
- (c) a subdivision or consolidation of registered stock;
- (d) a devolution or vesting of title to registered stock on or in any person by reason of the death or insolvency of a stockholder or otherwise;
- (e) a seizure or sequestration of stock by process of law;
- (f) a change in the name, title or designation of any stockholder:

Provided that the Registrar may at any time alter the register for the purpose of correcting any *bona fide* clerical or arithmetical error.

- (2) No alteration shall be made in the register except upon—
  - (a) application made in such form as the Registrar may provide;
  - (b) proof to the satisfaction of the Registrar of the facts stated in the application and of any other matters relevant thereto; and
  - (c) payment of the prescribed fee.

**16.** The entries in the register of stock kept under this Ordinance shall be conclusive evidence of the facts, matters, particulars, and transactions to which those entries relate:

Provided that nothing herein contained shall affect the provisions of the Proof of Public Documents Ordinance.

### GOVERNMENT PROMISSORY NOTES

**17.** (1) Every promissory note shall be signed by the Registrar for and on behalf of the Government of Sri Lanka and shall, when issued, bind the Government of Sri Lanka to pay the principal sum mentioned in that note and the interest thereon in accordance with the provisions of this Ordinance, at the rate and on the dates specified in the Order of the Minister in charge of the subject of Finance under section 4 or in pursuance of an option to redeem such notes reserved in that Order.

(2) Promissory notes shall be issued in such denominations as the Minister in charge of the subject of Finance may direct.

(3) The provisions of section 10 of the Money Lending Ordinance shall have no application to any promissory note issued under this Ordinance.

**18.** Notwithstanding anything in the Bills of Exchange Ordinance—

- (a) no indorsement of a Government promissory note shall be valid unless made by the signature of the holder written on the back of the note in one of the spaces provided for that purpose;
- (b) a person shall not, by reason only of his having indorsed a

Register to be conclusive evidence of facts entered therein.

Government promissory notes.

Manner and effect of indorsement.

Government promissory note, be liable to pay any money due either as principal or as interest thereon.

- 19. (1) Notwithstanding anything in any law to the contrary—
  - (a) when a promissory note is payable to two or more persons jointly, and either or any of them dies, the note shall be payable to the survivor or survivors of those persons; and
  - (b) when a promissory note is payable to two or more persons severally, and either or any of them dies, the note shall be payable to the survivor or survivors of those persons, or to the representative of the deceased, or to any of them.

Right of survivors of joint or several payees of promissory notes.

(2) Nothing herein contained shall affect any claim which any representatives of a deceased person may have against the survivor or survivors under or in respect of any promissory note to which subsection (1) applies.

**BEARER BONDS**

20. (1) Every bearer bond shall be signed by the Registrar for and on behalf of the Government of Sri Lanka and shall, when issued, bind the Government of Sri Lanka to pay the principal sum mentioned in that bond and the interest thereon in accordance with the provisions of this Ordinance, at the rate and on the dates specified in the Order of the Minister in charge of the subject of Finance under section 4 or in pursuance of an option to redeem such bond reserved in that Order.

Bearer bonds.

(2) Bearer bonds shall be issued in such denominations as the Minister in charge of the subject of Finance may direct.

21. (1) There shall be attached to every bearer bond coupons for the payment of interest which fall due thereunder:

Interest coupons.

Provided that the number of coupons attached to a bearer bond on the date of its issue to any person may cover a period shorter than that of the currency of the bond if, in the opinion of the Registrar, it is inconvenient or inexpedient to attach to that bond coupons sufficient in number to cover the entirety of the period of the currency of the bond.

(2) If the number of coupons attached to any bearer bond on the date of its issue to any person is insufficient to cover all payments of interest due on that bond after that date, the holder of the bond shall be entitled to a renewal thereof at the prescribed time and in the prescribed manner and circumstances.

**TREASURY BONDS**

21A. (1) Every Treasury Bond shall, on being issued, bind the Government to pay the principal sum for which the Bond is issued and the interest thereon in accordance with the provisions of this Ordinance, at the rate and on the dates specified in the Order made in terms of section 4 or in pursuance of an option reserved in such Order to redeem such Bond :

Treasury bonds. [§ 6, 32 of 1995.] [§ 3, 2 of 2004.]

Provided that, if the day on which such payment falls due is a day on which the Central Bank is not open for business, payment shall be made in accordance with the procedure as may be prescribed in that behalf.

(2) Notwithstanding any other provisions of this Ordinance, treasury bonds may be issued either as bonds in the form of written certificates or as Scripless Treasury Bonds.

Treasury bonds in the form of written certificates.  
[ § 6, 32 of 1995.]

**21B.** (1) Every treasury bond issued in the form of a written certificate shall be signed by the Registrar for and on behalf of the Government, and the title thereto shall be transferable by endorsement and delivery of the bond.

(2) Notwithstanding anything to the contrary in any written law—

- (a) no endorsement of a treasury bond issued in the form of a written certificate shall be valid unless made by the signature of the holder written on the reverse of the bond in one of the spaces provided for that purpose, or in a separate form prescribed by regulation;
- (b) a person shall not, by reason only of his having endorsed or endorsed and delivered a treasury bond issued in the form of a written certificate, be liable to pay any money due either as principal or as interest thereon.

Issue, trading and maintenance of records of scripless treasury bonds.  
[ § 6, 32 of 1995.]  
[ § 4, 2 of 2004.]

**21C.** (1) Notwithstanding any other provisions of this Ordinance the Minister in charge of the subject of Finance, may by an Order published in the *Gazette* direct the issue of scripless treasury bonds. Such scripless treasury bonds shall be issued and maintained in accordance with the provisions of this section and sections 21D, 21E and 21F of this Ordinance.

(2) The Central Bank shall have the authority to take any action necessary for the issue and trading of scripless treasury bonds in accordance with the provisions of this Ordinance. Without limiting the generality of the foregoing, the Central Bank shall have the authority to undertake and carry out the following:—

- (a) the making and maintaining of entries in the records of the Central Bank to record the issue and trading of scripless treasury bonds;
- (b) the maintenance of accounts to record the ownership or custodial holdings of scripless treasury bonds or interests therein, for or on behalf of direct participants or the Central Bank;
- (c) the appointment from time to time of direct participants referred to in section 21D, and the regulation, supervision or monitoring of such direct participants with respect to their transactions in scripless treasury bonds and the performance of their duties as direct participants;
- (d) the appointment from time to time of dealer direct participants referred to in section 21E, and the regulation, supervision or monitoring of such dealer direct participants with respect to their transactions in scripless treasury bonds and the performance of their duties as dealer direct participants;

- (e) the appointment from time to time of interdealer brokers, and the regulation, supervision or monitoring of such interdealer brokers with respect to their brokering of scripless treasury bonds and the performance of their duties as interdealer brokers;
- (f) the appointment from time to time of primary dealers, and the regulation, supervision or monitoring of such primary dealers with respect to their transactions in securities and the performance of their duties as primary dealers;
- (g) the appointment of designated non-dealer bidders and the regulation, supervision and monitoring of such non-dealer bidders with respect of their transaction in securities and the performance of their duties as non-dealer bidders;
- (h) the formulation of a code of conduct for the promotion and development of an orderly market for scripless treasury bonds.

(3) The Central Bank may, to the extent not otherwise provided for in sections 21C, 21D, 21E and 21F, issue directions to direct participants or any category thereof, to provide for the following:—

- (a) the manner in which the accounts of customers of dealer direct participants are to be maintained and administered;
- (b) the period within which any sum due as principal, interest or redemption proceeds if any, paid on scripless treasury bonds in such accounts should be paid to customers or persons entitled thereto;
- (c) the fees that may be charged for maintaining and administering such accounts;
- (d) the regulating, supervising or monitoring of direct participants, dealer direct participants, or interdealer brokers;
- (e) the manner and means by which scripless treasury bonds, or interests therein, may be purchased, sold, transferred, pledged or encumbered;
- (f) the furnishing of information to the Central Bank, the manner, means and periods at which such information shall be furnished to the Central Bank.

(4) The Central Bank may by Notification published in the *Gazette* and in two local newspapers in the Sinhala, Tamil and English languages, require the holder of Treasury Bonds issued in the form of written certificates of a series to be specified in such Notification, if they so desire to surrender such bonds for conversion into Scripless Treasury Bonds in accordance with such procedure as may be prescribed. Such Treasury Bonds shall upon conversion into Scripless Treasury Bonds be deemed to be Scripless Treasury Bonds issued under this Ordinance.

(5) Nothing contained in subsection (4) shall be construed as affecting or discharging the liability of the Government under this Ordinance to make

payment on a Treasury Bond issued in the form of a written certificate belonging to a series specified in a Notification published under that subsection which has not been converted into a Scripless Treasury Bond in terms of such subsection.

Direct participants.  
[ § 6, 32 of 1995.]  
[ § 5, 2 of 2004.]

**21D.** (1) The Central Bank may in writing appoint any primary dealer or other person to be a direct participant who shall be entitled to maintain accounts in respect of Scripless Treasury Bonds as specified in subsection (2).

(2) A direct participant shall maintain in a depository referred to in the Monetary Law Act, Securities Accounts to hold Scripless Treasury Bonds and other scripless securities to which such direct participant has title and to record the interests of such direct participant in scripless treasury bonds and other scripless securities in accordance with such rules and regulations made under the Monetary Law Act.

(3) The Central Bank shall pay to a direct participant the sum due as the principal, interest and redemption proceeds, if any, on Scripless Treasury Bonds in respect of which such direct participant is recorded as owner in accounts maintained by such direct participant under subsection (2), on the day the sum due as principal, interest, or redemption proceeds, if any, become payable.

(4) The Central Bank may inspect and take copies of any books, records or accounts maintained by a direct participant relating to or affecting any Scripless Treasury Bonds, held in its own account or, in the case of a dealer direct participant, with respect to its own account as well as those held in customers' accounts. The direct participant or dealer direct participant and its officers, directors, employees, servants and agents shall furnish to the Central Bank, all such books, records, correspondence or any other documents as may be required by the Central Bank, and shall provide the Central Bank with all such assistance as it may require to perform the duties imposed on the Central Bank by this Ordinance in respect of Scripless Treasury Bonds. The provisions of this subsection shall apply to any books, records, accounts and correspondence maintained in an electronic form.

(5) In the event of the Government incurring any liability or making payment of any sum due as principal, interest or redemption proceeds with regard to Scripless Treasury Bonds, and where such liability arises or such payment is made in consequence, or by reason, of any default of a direct participant or a dealer direct participant, such participant shall be liable on demand by the Government, to indemnify the Government with respect to such liability or payment.

For the purpose of this subsection “default” includes—

- (a) any negligence or failure on the part of a direct participant or a dealer direct participant in the carrying out of any function, or the discharging of any duty, assigned to, or imposed on, him by this Ordinance or by any other law in relation to any matter dealt with by this Ordinance ; and
- (b) any act or omission on the part of a direct participant or dealer direct participant which constitutes an offence under this

Ordinance or any other written law in relation to any matter dealt with by this Ordinance :—

- (i) whether or not there has been any prosecution in respect of such offence ; or
- (ii) whether such act or omission was by the direct participant, or the dealer direct participant, or by any director, officer, employee or agent of such direct participant or dealer direct participant.

**21E.** (1) The Central Bank may appoint in writing any direct participant to be a dealer direct participant.

Dealer direct  
participant.  
[ § 6, 32 of 1995.]  
[ § 6, 2 of 2004.]

(2) A dealer direct participant shall, in addition to maintaining the accounts required to be maintained under subsection (2) of section 21D, maintain in a depository referred to in the Monetary Law Act, accounts in respect of each of its customers to hold Scripless Treasury Bonds and other scripless securities to which each such customer has title and to record interests of each such customer in Scripless Treasury Bonds and other scripless securities in accordance with such rules and regulations made under the Monetary Law Act.

(3) The Central Bank shall pay to a dealer direct participant, in addition to the payments referred to in subsection (3) of section 21D, the sum due as principal, interest, and redemption proceeds, if any, on Scripless Treasury Bonds in respect of which a customer of such dealer direct participant is recorded as owner in accounts maintained by such dealer direct participant under subsection (2), on the day the sum due as principal interest or redemption proceeds if any, become payable.

(4) No person other than a dealer direct participant may transact in Scripless Treasury Bonds on behalf of any other person. Any person, other than a direct participant and the Central Bank desiring either to make a transfer or to take a transfer of Scripless Treasury Bonds, shall do so only through a dealer direct participant.

(5) A dealer direct participant shall maintain books and records to enable it to perform and discharge its duties and functions under this Ordinance and to discharge its obligations to its customers and shall comply with directions, if any, issued by the Central Bank for such purpose.

(6) Upon receipt by a dealer direct participant of any amount by way of payment from the Central Bank in terms of subsection (3) in respect of Scripless Treasury Bonds held in a customer account, the dealer direct participant shall pay such amount, within the time specified in any direction issued by the Central Bank, to the customer or to any other party entitled to such payment by law or in terms of a written agreement to which the dealer direct participant and the customer are party.

(7) If a dealer direct participant is unable for any reason to effect payment to a customer or to a party entitled to payment in terms of subsection (6), within the time specified in directions issued by the Central Bank, the dealer direct participant shall within such period as may be specified in such

directions, transfer the sum remaining unpaid to a prescribed account of the Central Bank and shall provide the Central Bank with such information as may be required by the Central Bank with regard to the payment and the customer or other party, as the case may be.

(8) The sums of money transferred to a prescribed account of the Central Bank in terms of subsection (7) shall be paid to persons entitled thereto and any monies lying unclaimed shall be dealt with or disposed of, by the Central Bank in such manner as may be prescribed by regulations.

(9) A dealer direct participant shall except to the extent required for the proper conduct of its business and administration, maintain confidentiality in respect of accounts maintained for a customer and any matter connected therewith and shall not disclose to any person other than to the Central Bank, any information relating to an account of a customer unless authorised to do so in writing by the customer, or except where it is required to do so under any law or by an order of court.

(10) Subject to the provisions of any applicable written law, a dealer direct participant shall be wholly responsible and liable to customers in respect of all transfers taken or made by such customer through such dealer direct participant.

**21F.** (1) Where a transfer of title to a Scripless Treasury Bond is made by a dealer direct participant from or into an account maintained for a customer under subsection (4) of section 21E or an interest of any customer in a Scripless Treasury Bond is recorded or any amendment or variation is made in respect of any such interest in any Scripless Treasury Bond in such account, such dealer direct participant shall issue to such customer a confirmation in accordance with such directions as may from time to time be issued by the Central Bank.

(2) The provisions of subsection (1) shall not be construed as derogating from any obligation imposed under the Monetary Law Act on the provider of depository facilities for scripless securities, to issue statements or confirmations in respect of accounts maintained in such depository and in the event of any conflict or inconsistency between a statement or confirmation so issued by the depository and the statement or confirmation issued under subsection (1), the statement or confirmation issued by the depository shall prevail.

(3) The confirmation referred to in subsection (1) shall not be capable of being negotiated and shall be used solely as evidence of dealings between the dealer direct participant who issued it and the customer in respect of the Scripless Treasury Bond to which it relates.

(4) The Central Bank may permit any notification, confirmation, acknowledgment or receipt required under this section to be issued in a non-written form and to be transmitted or delivered by wire, telephone, satellite, cable or any other such electronic, magnetic or optical media, as may be specified by the Central Bank.

(5) An electronic record of a Scripless Treasury Bond, or any confirmation, notice, acknowledgment, receipt or other document or record

Transfers of  
scripless treasury  
bonds.  
[ § 6, 32 of 1995.]  
[ § 7, 2 of 2004.]



issued or maintained for the purposes of this Ordinance in an electronic form shall not be denied legal effect, validity, or enforceability solely on the ground that such scrippless treasury bond is maintained in an electronic form or that such confirmation, notice, acknowledgement receipt or other document or record is issued or maintained in electronic form and such confirmation, notice, acknowledgment, receipt or other document may be tendered in evidence in proceedings before any court or tribunal in accordance with Parts II and III of the Evidence (Special Provisions) Act, No. 14 of 1995 or any other law for the time being in force in relation to the tendering of computer evidence before any court or tribunal.

### **PAYMENT OF INTEREST AND REDEMPTION OF STOCK AND SECURITIES**

**22.** So long as any interest is payable under this Ordinance in respect of any stock or securities, the Minister in charge of the subject of Finance shall, for each period ending with the date on which the interest on such stock or securities falls due, appropriate out of the Consolidated Fund and assets of Sri Lanka a sum sufficient to meet all interest payable on that date and shall authorise the Registrar to pay such interest out of the sum so appropriated.

Appropriation of revenue for payment of interest.  
[§ 7, 32 of 1995.]

**23.** (1) The interest due on any registered stock or securities shall be payable on the dates specified by Order made under section 4.

Payment of interest.  
[§ 8, 32 of 1995.]

(2) Where any amount has become payable on any date as interest due on any registered stock or securities, no interest on that amount shall, after that date, be paid or payable by the Government to any person in any circumstances.

**24.** No person shall be entitled to claim interest on any registered stock or securities in respect of any period which has elapsed after the earliest date on which demand could lawfully have been made for the payment of the principal amount due on such stock or securities.

Cessation of liability to pay interest.

**25.** All payments of interest and all payments of the principal amount due on any registered stock or securities shall be made at the Treasury in Colombo:

Place of payment.

Provided that it shall be lawful for the Registrar or any person authorized by the Registrar in that behalf to pay any such interest or principal amount at any other place, whether within or outside Sri Lanka, in pursuance of any arrangement which the Registrar may make for that purpose.

**26.** Any sum not exceeding five thousand rupees payable by way of interest or as principal in respect of any registered stock or security standing in the name of or held by a minor or a person of unsound mind may be paid in such manner as may be prescribed; and, upon payment of any such sum in the prescribed manner, the Government shall, notwithstanding any written or other law to the contrary, be discharged from all liability to pay that sum.

Payment to minors and persons of unsound mind.

## SINKING FUNDS

Appropriation of revenue for the sinking fund.  
[ § 9, 32 of 1995.]

**27.** After the date specified in the Order under section 4 as the date from which contributions to the sinking fund for any loan shall commence, there shall, for each period ending with the date specified in that Order for the payment of interest on any stock or securities issued in respect of that loan, be appropriated out of the Consolidated Fund and assets of Sri Lanka a sum determined in accordance with the rate specified in that Order as the contribution to the sinking fund established for the purpose of redeeming that loan.

Separate sinking fund for each loan.

**28.** A separate sinking fund shall be established for each loan raised under this Ordinance.

Investment of sinking fund.

**29.** (1) All moneys appropriated under section 27 as contributions to the sinking fund established for any loan shall be paid to the trustees, and may by them be invested—

(a) in stock or securities issued in respect of that loan:

Provided that such stock or securities shall not, for the purpose of such investment, be purchased at a price in excess of their par value; or

(b) in such other investments or classes of investments as may be approved by the Minister in charge of the subject of Finance.

(2) The trustees may from time to time in their discretion vary any investment made under subsection (1) or may realise and reinvest any moneys invested under that subsection; and the provisions of subsection (1) shall apply in like manner to any such variation or reinvestment.

Investment of interest on sinking fund.

**30.** The dividends, interest, bonus and other profits of any investment of any part of any sinking fund shall be invested by the trustees so as to form part of that sinking fund in like manner as moneys appropriated under section 27 as contributions to that sinking fund.

Manner of dealing with income from investments of Joint Investment Fund.  
[ § 2, 3 of 1985.]

**30A.** Where however moneys of any sinking fund are invested by the Joint Investment Fund (hereinafter referred to as the “Fund”) all dividends, interest, bonus and other profits on such investment—

(a) whether already received or accruing to the Fund and constituting the surplus during the period January 1, 1984 to December 31, 1984, after all disbursements in settlement of the deposits of any sinking fund to redeem maturing debt have been made out of the Fund, and

(b) accruing to the Fund on or after January 1, 1985,

shall be paid into the Consolidated Fund.

For the purposes of this section, the “Joint Investment Fund” means the Fund established by the Central Bank in terms of section 106(2) of the Monetary Law Act, in which moneys of any sinking fund are deposited for investment.

**31.** Notwithstanding anything to the contrary contained in this Ordinance, if at any time the trustees are satisfied that the sinking fund of any loan raised under the provisions of this Ordinance will be sufficient with further accumulations of interest, but without further payments of contributions, to enable the loan to be redeemed at the time fixed for its redemption, they shall inform the Minister in charge of the subject of Finance accordingly; and the Minister in charge of the subject of Finance is hereby authorised in such event to suspend further payment of contributions to that sinking fund:

Cessation of contributions to sinking fund.  
[§ 10, 32 of 1995.]

Provided, however, that the contributions to that sinking fund shall be recommenced if the trustees at any time thereafter inform the Minister in charge of the subject of Finance that they are no longer satisfied that the sinking fund with further accumulations of interest will be sufficient for the redemption of that loan.

**32.** There shall be paid out of the sinking fund all expenses specifically incurred in, or incidental to, the investment and management of that fund and the repayment of the loan for which that fund was established.

Expenses to be paid out of sinking fund.

**33.** In the event of the sinking fund established for any loan under this Ordinance being found, at the time fixed for the repayment of that loan, to be insufficient for such redemption, the deficiency shall be made good out of the Consolidated Fund and assets of Sri Lanka.

Deficiency in sinking fund to be a charge upon revenue.

**33A.** (1) Notwithstanding the provisions contained in this Ordinance or any other law or the terms of any Order published under section 4 of this Ordinance, the Minister may, in the interests of the national economy, declare by Order published in the *Gazette* that with effect from the date of such declaration, no contribution shall be made to the sinking fund in respect of any loan raised or to be raised under this Ordinance.

Contributions to the sinking fund to cease.  
[§ 2, 51 of 1983.]

(2) Where a declaration is made under subsection (1), provision shall be made in the Appropriation Act for the redemption of such maturing loan.

## CONVERSION OF LOANS

**34.** The Minister in charge of the subject of Finance shall have and may from time to time exercise the following powers and authorities or any of them:—

Power of Minister in charge of subject of Finance to authorise—

- (a) he may declare any stock or securities issued in Sri Lanka under the provisions of this Ordinance or any other enactment to be convertible into registered stock or other securities to be issued under the provisions of this Ordinance;
- (b) he may authorise the creation and issue under this Ordinance of such an amount of registered stock or securities as may be necessary for the conversion of the stock or securities in respect of which a declaration has been made under paragraph (a);
- (c) he may authorise the creation and issue under this Ordinance of such registered stock or securities as may be necessary for the purpose of paying any expenses incurred in the creation and issue of registered stock or securities under this section;

conversion of loan generally;

creation and issue of stock or securities necessary for conversion;

creation and issue of stock or securities to meet expenses of conversion;

new stock or securities to have all privileges of original stock or securities.

- (d) he may declare that all privileges, exemptions and immunities attaching by virtue of any written law in force in Sri Lanka to any stock or securities shall attach to any new registered stock or securities issued under this Ordinance in conversion of such earlier stock or securities.

Arrangements for conversion.

**35.** Any conversion authorised under section 34 may be effected either by arrangement with the holders of existing stock or securities, or by purchase thereof out of moneys raised by the sale of stock or securities, or partly in one way and partly in the other.

### ISSUE OF DUPLICATES AND RENEWALS OF STOCK CERTIFICATES AND SECURITIES

Issue of duplicate stock certificates.

**36.** When a stock certificate is lost, stolen or destroyed either wholly or in part, the Registrar may, on proof to his satisfaction of such loss, theft or destruction and on payment of the prescribed fee, issue a duplicate stock certificate in the name of the stockholder of the registered stock to which the stock certificate relates. Every duplicate stock certificate so issued shall have the word “DUPLICATE” printed, impressed or stamped thereon.

Issue of duplicate securities.

**37.** (1) When a security is alleged to have been lost, stolen or destroyed either wholly or in part, and a person claims to be the person to whom but for the loss, theft or destruction it would be payable, he may, on application to the Registrar and on producing proof to the satisfaction of the Registrar of the loss, theft or destruction and of the justice of the claim, obtain from the Registrar on payment of the prescribed fee, an order for—

- (a) the payment of interest in respect of such security said to be lost, stolen or destroyed, pending the issue of a duplicate security; and
- (b) the issue after a period to be specified in the order of a duplicate security payable to the applicant.

(2) An order shall not be made under subsection (1) until after the issue of the prescribed notification of the loss, theft or destruction.

(3) The loss of the security in respect of which an order is made under subsection (1) shall be published in the prescribed manner.

(4) If at any time before the Government becomes discharged under the provisions of this Ordinance from liability in respect of any security the whole of which is alleged to have been lost, stolen or destroyed, such security is found, any order passed in respect thereof under this section shall be cancelled.

Renewal of stock certificates and securities.  
[ § 11, 32 of 1995.]

**38.** On the surrender to the Registrar of a stock certificate, promissory note, bearer bond or treasury bond which is defaced or damaged, or of a promissory note in which the spaces provided for indorsement have all been used for that purpose, or of a bearer bond or treasury bond at the end of the period which the interest coupons originally attached to that bond were intended to cover, the Registrar may, if he is satisfied that the claim of the person surrendering the certificate, note or bond is just and lawful, issue to

such person on payment of the prescribed fee, if any, a new certificate, note or bond of the same class or series and value, and thereupon cancel the certificate, note or bond surrendered to him for renewal.

**39.** It shall be lawful for the Registrar, in such circumstances as may be prescribed—

Right of Registrar to compel renewal of securities.

- (a) to issue a notice to the holder of any security directing him to apply for a renewal of that security; and
- (b) to withhold payment of the interest or principal amount due in respect of that security until the application for renewal has been made and determined.

**40.** (1) Where there is a dispute as to the title to a promissory note in respect of which application for renewal has been made, the Registrar may—

Renewal of promissory note in case of dispute as to title.

- (a) where any party to the dispute has obtained a final decision from a court of competent jurisdiction declaring him to be entitled to such note, issue a renewed note in favour of such party, or
- (b) refuse to renew the note until such a decision has been obtained, or
- (c) after such inquiry as he may deem necessary, declare by order in writing which of the parties is, in his opinion, entitled to such note, and may, after the expiration of three months from the date of such declaration, issue a renewed note in favour of such party, unless within that period he has received notice that proceedings have been instituted by any person in a court of competent jurisdiction for the purpose of establishing title to such note.

In this subsection, the expression “final decision” means a decision from which no appeal or further appeal lies or any decision which is appealable but against which no appeal has been filed within the period of limitation allowed by law.

(2) The Registrar may for the purposes of any inquiry under this section exercise all or any of the powers of a commission under the Commissions of Inquiry Act.

**41.** On application made by any person claiming to be the holder of any registered stock or securities issued under this Ordinance, the Registrar may, if he is satisfied that the applicant is the lawful holder of such stock or securities, and on payment of the prescribed fee, exchange stock for securities or securities for stock or securities of one kind for securities of the other kind:

Exchange of registered stock and securities.

Provided that—

- (a) all stock and securities so given or taken in exchange shall have been issued in respect of the same loan; and
- (b) the nominal value of the stock or securities given by the Registrar in exchange shall be the same as the nominal value of the stock or securities taken by him in exchange.

Consolidation and subdivision of stock and securities.

**42.** Subject to such conditions as may be prescribed, the Registrar may—

- (a) on the application of a person claiming to be entitled to any stock or securities, and
- (b) on being satisfied of the justice of the claim of such applicant, and
- (c) on surrender of the stock certificate relating to such stock or of such securities received in the prescribed manner, and
- (d) on payment of the prescribed fee,

consolidate or subdivide such stock or securities and issue to the applicant one or more new stock certificates or securities as may be required.

Liability in respect of promissory note renewed, &c.

**43.** (1) When a renewed promissory note has been issued under section 38 or section 40, or a new promissory note has been issued on an exchange under section 41 or upon a consolidation or subdivision under section 42, in favour of any person, the note so issued shall be deemed to constitute a new contract between the Government and such person and all persons deriving title thereafter through him.

(2) No such renewal, exchange, consolidation or subdivision shall affect the rights as against the Government of any other person to the security or securities renewed, exchanged, consolidated subdivided or to any stock so exchanged.

Indemnity bonds.

**44.** Where application is made to the Registrar under this Ordinance for the issue of a duplicate stock certificate or a duplicate security or for the exchange, renewal, consolidation or subdivision of any stock or securities, the Registrar may require the applicant, as a condition precedent to the grant of the application, to execute a bond with or without sureties undertaking to indemnify the Government against the claims of all persons claiming under the original stock certificate or security or under the stock or securities so exchanged, renewed, consolidated or subdivided, as the case may be.

Immediate discharge in certain cases.

**45.** On payment by or on behalf of the Government to the holder of a bearer bond of the amount expressed therein on or after the date when it becomes due or on the renewal of a bearer bond under section 38, or on the renewal of a promissory note under section 40, or on the exchange of a bearer bond under section 41, or on the consolidation or subdivision of a bearer bond under section 42, the Government shall be discharged in the same way and to the same extent as if such bearer bond or promissory note were a promissory note payable to bearer:

Provided that in the case of a promissory note renewed under section 40, nothing in this section shall be deemed to bar a claim against the Government in respect of such note by any person who had no notice of proceedings under that section or who derives title through a person who had no such notice.

Discharge in other cases.

**46.** Save as otherwise provided in this Ordinance, the liability of the Government shall—

- (a) in respect of any registered stock or security redeemed on or after the date on which payment of the principal amount becomes due, be discharged after the lapse of six years from that date;
- (b) in respect of any security in place of which a duplicate is issued under section 37, be discharged after the lapse of six years from the date of the first notification under section 37(3) published in respect of such security or from the date of the last payment of interest on such security, whichever date is the later;
- (c) in respect of a security for which a renewed security is issued under section 38 or section 40, or in respect of stock or securities in place of which new stock or securities are issued upon an exchange under section 41, or upon a consolidation or subdivision under section 42, be discharged after the lapse of six years from the date of the issue of the renewed security or of the new stock or securities, as the case may be.

**47.** (1) If within six months of the death of a person who was entitled to registered stock or to a promissory note the nominal or face value of which does not in the aggregate exceed five thousand rupees, probate of the will or letters of administration of the estate of such person is not produced to the Registrar, he may, after such inquiry as he may deem necessary, determine who is the person entitled to such stock or promissory note or to administer the estate of the deceased and may—

Summary procedure  
in special cases.

- (a) where any such stock relates to a loan due for repayment, authorise the registration of the name of such person in substitution for the name of the deceased in the register of stock and the payment to such person of the amount due in respect of that stock;
- (b) where any such promissory note relates to a loan due for repayment, authorise payment to such person of the amount due on that promissory note;
- (c) where any such stock or promissory note relates to a loan not due for repayment, authorise, in the case of stock, the registration of the name of such person in substitution for the name of the deceased, and, in the case of a promissory note, the renewal of such promissory note in favour of such person.

(2) Upon the payment or renewal of any promissory note in accordance with subsection (1), the Government shall be discharged from all liability in respect of the note so paid or renewed; and any substitution of names made under that subsection shall, for the purposes of any claim against the Government, be deemed to have effected a valid transfer of the stock in respect of which it was made.

(3) Any creditor or claimant against the estate of the deceased may recover his debt or claim out of money paid to any person under subsection (1) and remaining in his hands unadministered in the same manner and to the same extent as if the said person had obtained letters of administration of the estate of the deceased; and nothing in this section shall affect any claim of an executor or administrator or other representative of the deceased against such

person other than a claim to recover amounts lawfully paid by him in due course of administration of the estate of the deceased.

### MISCELLANEOUS

Registrar and trustees.

**48.** For the purposes of this Ordinance—

- (a) the Monetary Board of the Central Bank shall appoint a person to be or to act as the Registrar, and
- (b) such Monetary Board shall be the trustees of the sinking fund established for each loan.

Signature of Registrar may be printed on stock or securities.  
[§ 12, 32 of 1995.]

**49.** The signature of the Registrar may be printed, stamped, engraved, or impressed by any mechanical process on any stock certificate, promissory note, bearer bond or treasury bond and a signature so printed, stamped, engraved, or impressed shall be as valid as if it had been inscribed in the proper handwriting of the Registrar.

Holding of stock and securities by holders of public and other offices.

**50.** (1) In the case of any public or other office to which the Minister in charge of the subject of Finance may by notification in the *Gazette* declare this subsection to apply—

- (a) registered stock may be issued to or transferred to or by the holder for the time being of that office by the name of his office;
- (b) a promissory note may be made or indorsed payable to or to the order of the holder of that office by the name of his office.

(2) When registered stock or a promissory note is issued to or held by the holder of an office to which subsection (1) applies, such stock or promissory note shall be deemed to be transferred, notwithstanding anything to the contrary in this Ordinance, from each holder of the office to the succeeding holder of the office on the date on which the latter takes charge of the office.

(3) When the holder of an office to which subsection (1) applies indorses to a third party a promissory note made or indorsed as aforesaid, he shall subscribe the indorsement with his name and the name of the office.

(4) This section applies as well to an office of which there are two or more joint holders as to an office of which there is a single holder.

Notice of trust not receivable save as provided.  
[§ 8, 2 of 2004.]

**51.** (1) Save as otherwise provided in or under this Ordinance, no notice of any trust in respect of any registered stock or securities shall be receivable by the Registrar or by the Government.

(1A) The provisions of subsection (1) shall not preclude the Registrar or the Central Bank from recognizing Treasury Bonds held in trust for customers by primary dealers or other authorized persons in accordance with directions issued from time to time by the Central Bank.

(2) The Registrar shall not be deemed to have received notice of any trust by reason only of the fact that he has recognized an indorsement on a



Government promissory note by an executor or an administrator as such, nor shall he inquire into the terms of any will by which such executor or administrator may be bound; but, on being satisfied of the due appointment of such executor or administrator, he shall be entitled to treat such executor or administrator as the owner of any promissory note belonging to the estate represented by such executor or administrator.

**52.** The provisions of section 229 of the Civil Procedure Code shall apply to the seizure of stock or securities by the Fiscal in the execution of a decree of court, as if stock certificates or securities were share certificates and as if the Registrar were the proper officer of a company or corporation referred to in that section.

Seizure of stock or securities by Fiscal.

**53.** All documents or instruments made or used under the provisions of this Ordinance shall be in such form as the Minister in charge of the subject of Finance may specify and shall be free from stamp duty, anything in any other enactment to the contrary notwithstanding.

Exemption from stamp duties.

**53A.** Whenever by any provision of this Ordinance any power, duty or function is authorised or required to be exercised or performed by the Central Bank such power, duty or function may be exercised or performed by an officer of the Central Bank or any other person authorised in writing in that behalf by the Monetary Board of the Central Bank.

Powers of Central Bank exercised by officers etc. [§ 13, 32 of 1995.]

**53B.** No suit or prosecution shall lie against the Government, the Monetary Board, the Registrar, or any officer or servant of the Central Bank in respect of any payment made or any act which in good faith is done, or purported to be done under this Ordinance, by the Government, the Monetary Board, Registrar, or any such officer or servant of the Central Bank.

Protection of action. [§ 13, 32 of 1995.]

**54.** (1) No person shall be entitled to inspect, or to receive information derived from, any registered stock or security in the possession of the Government or any register, book or other document kept or maintained by or on behalf of the Government in relation to registered stock or securities, save on payment of such fee and save in such circumstances and on such terms and conditions as may be prescribed.

Inspection of register and documents.

(2) Nothing in this section shall apply to the Auditor-General or to the Commissioner-General of Inland Revenue.

**55.** (1) The Minister in charge of the subject of Finance may make regulations for the purpose of giving effect to the provisions of this Ordinance.

Regulations. [§ 14, 32 of 1995.] [§ 9, 2 of 2004.]

(2) In particular and without prejudice to the generality of the foregoing power, such regulations may provide for all or any of the following matters:—

- (a) the manner in which payment of interest in respect of stock or securities is to be made and acknowledged;
- (b) the circumstances in which promissory notes must be renewed before further payment of interest thereon can be claimed;
- (c) the fees to be paid in respect of the issue of duplicate stock certificates or securities and of the renewal, exchange, consolidation and subdivision of stock or securities;

- (d) the proof required to be produced by persons applying for duplicate stock certificates or securities;
- (e) the conditions subject to which stock or securities may be exchanged, consolidated or subdivided;
- (f) enabling holders of registered stock to be described in the register of stock as trustees, and either as trustees of any particular trust or as trustees without qualification, and for the recognition of powers of attorney granted by holders of stock so described;
- (g) the holding of registered stock or promissory notes by the holders of offices other than public offices, and the manner in which and the conditions subject to which stock so held may be transferred;
- (h) the appointment of primary dealers and the conditions to be observed by, and the privileges of, and the duties to be performed by, the primary dealers;
- (i) the appointment of direct participants, dealer direct participants, and interdealer brokers, and their regulation, supervision or monitoring;
- (j) the issue, holding and administration of scripless treasury bonds under this Ordinance;
- (k) the manner in which stock and securities, including scripless treasury bonds, or interests therein, may be purchased, sold, transferred, pledged or encumbered;
- (l) the procedures and conditions applicable to the primary issue of, and subsequent transfers and other transactions relating to, stock and securities; and
- (m) all matters required by this Ordinance to be prescribed and all matters incidental to or connected with the matters hereinbefore enumerated.

(2A) The Scripless Treasury Bonds issued under this Ordinance shall be transferred, pledged, encumbered, lent, borrowed or otherwise transacted in, as provided by regulations and any transfer, pledge, encumbrance, loan, borrowing or any other transaction effected accordingly shall be valid and effectual notwithstanding any other law relating to such transactions in Treasury Bonds issued in the form of written certificates.

(3) Nothing in any regulation made under paragraphs (f) and (g) shall, as between any trustees or as between any trustees and beneficiaries under a trust, be deemed to authorise the trustees to act otherwise than in accordance with the rules of law applying to the trust and the terms of the instrument constituting the trust; and neither the Government nor the Registrar nor any person holding or acquiring any interest in any registered stock shall by reason only of any entry in the register of stock or of anything in any document or instrument relating to registered stock, be affected with notice of any trust or of the fiduciary character of any stockholder or of any fiduciary obligation attaching to the holding of any registered stock.

(4) All regulations made by the Minister in charge of the subject of Finance shall be published in the *Gazette* and shall upon such publication be as valid and effectual as if herein enacted.

**56.** The Minister in charge of the subject of Finance may by Order published in the *Gazette* delegate to the Secretary to the Treasury any power conferred on the Minister in charge of the subject of Finance by this Ordinance subject to such conditions, reservations and restrictions as may be specified in the Order.

Delegation of powers of Minister in charge of subject of Finance.

**56A.** (1) Any person who—

- (a) fails to comply with any provision of this Ordinance or any regulation, order, or direction given thereunder;
- (b) furnishes for the purposes of this Ordinance any information which is, or any return the contents of which are, to his knowledge false or incorrect;
- (c) with intent to deceive—
  - (i) makes or causes to be made a false entry, or
  - (ii) omits to make, or causes to be omitted, any entry; or
  - (iii) alters, conceals or destroys, or causes to be altered, concealed or destroyed, any entry, in any of the records of the Central Bank, or in any books, records or accounts of any direct participant, including any dealer direct participant, or any primary dealer,

Offences.  
[§ 15, 32 of 1995.]  
[§ 10, 2 of 2004.]

shall be guilty of an offence under this Ordinance.

(2) Any person guilty of an offence under this Ordinance shall be liable on conviction after summary trial before a Magistrate, to imprisonment for a term not exceeding five years or to a fine not exceeding ten million rupees or where the offence has resulted in monetary loss or monetary gain or a loss or gain which is quantifiable in monetary terms to any person, to a fine equivalent to twice the value of such loss or gain or to both such imprisonment and fine.

(3) The Central Bank may, with the consent of Court, having regard to the circumstances in which an offence under this Act was committed compound such offence for a sum of money not exceeding rupees five million, or where the offence has resulted in monetary loss or monetary gain or a loss or gain which is quantifiable in monetary terms, to any person, for a sum of money equivalent to one and a half times the value of such loss or gain.

(4) The compounding of an offence under this section shall have the effect of an acquittal.

**56B.** Where the person convicted of an offence under the Ordinance is a body corporate, every person who at the time of the commission of the offence was a director or an officer of the body corporate shall be deemed to be guilty of that offence unless he proves that the offence was committed without his knowledge, or that he exercised all due diligence to avoid the commission of such offence.

Offence of directors and officers.  
[§ 15, 32 of 1995.]

Savings.

- 57.** Nothing in this Ordinance contained shall affect the provisions of—  
the Monetary Law Act;  
the Ceylon Inscribed Rupee Stock Ordinance;  
the General Loan and Stock Ordinance;  
the Colonial Treasury Bills Ordinance;  
the Local Treasury Bills Ordinance;

or any stock, debentures, Treasury Bills or other Government securities issued thereunder.

Interpretation.  
[ § 16, 32 of 1995.]  
[ § 11, 2 of 2004.]

- 58.** In this Ordinance, unless the context otherwise requires—

- “ aggregate customers account ” means the single account maintained by a dealer direct participant with the Central Bank, in accordance with subsection (2) of section 21E;
- “ bearer bond ” means a bearer bond issued under this Ordinance;
- “ customer ” in relation to a dealer direct participant means any person who purchases or sells or otherwise acquires or disposes of Scripless Treasury Bonds or an interest therein through such dealer direct participant or who negotiates with such dealer direct participant for the possible acquisition or disposition of such bond or interest and shall include where the context so permits a legal representative of such customer or of the estate of such customer;
- “ dealer direct participant ” means any direct participant appointed by the Central Bank in writing under subsection (1) of section 21E to be a dealer direct participant;
- “ designated non-dealer bidder ” means any institution, other than a primary dealer that is appointed in writing by the Central Bank as being eligible to bid directly at Central Bank auctions of securities;
- “ direct participant ” means any primary dealer or other person, appointed by the Central Bank in writing under subsection (1) of section 21D to be a direct participant;
- “ interdealer broker ” means any person or firm appointed to be an interdealer broker by the Central Bank pursuant to subsection (2) (e) of section 21C;
- “ Monetary Law Act ” means the Monetary Law Act (Chapter 422) as amended from time to time and shall include any enactment that replaces such Act in relation to the matters contained therein, and where any section is specifically referred to in this Ordinance the reference shall be taken to include the corresponding sections in the subsequent enactment;
- “ non-dealer direct participant ” means any direct participant who is not a dealer direct participant;
- “ pledge ” includes a pledge of, or any security interest in, scripless treasury bonds as collateral for loans or advances, or to secure deposits of public moneys or the performance of an obligation;

- “prescribed” means prescribed by this Ordinance or by any regulation made thereunder;
- “primary dealer” means any commercial bank, company, or other person appointed by the Monetary Board as a primary dealer for the purpose of dealing with the Central Bank as counterparty in the primary and secondary markets for stock and securities;
- “promissory note” means a Government promissory note issued under this Ordinance;
- “rate of interest” includes a rate of interest determined in accordance with the method, if any, specified in terms of an Order under subsection (1)(c) of section 4;
- “records of the Central Bank” include records maintained on behalf of the Central Bank by any person authorised for that purpose by the Monetary Board, and include records kept, stored or transmitted in the form of computer files, disks, tapes or other magnetic, electronic or optical media;
- “register of stock” means the register of stock kept under section 6;
- “registered stock” or “stock” means registered stock issued under this Ordinance;
- “scripless treasury bond account” means the single account maintained by a direct participant with the Central Bank in accordance with subsection (2) of section 21D;
- “securities account” shall have the same meaning as in the Monetary Law Act (Chapter 422);
- “scripless treasury bond” means a treasury bond issued in the form of entries in the records of the Central Bank and not embodied in or represented by a certificate or other instrument;
- “security” means a bearer bond, a promissory note or a treasury bond;
- “stockholder” means the person registered for the time being as the owner of any registered stock;
- “treasury bond” means a treasury bond issued under this Ordinance and other than in sections 37, 38, 39, 42, 44, 46(b) and (c), 49, 52 and 55(2)(c) and (d), includes a scripless treasury bond.



**REGISTERED STOCK AND SECURITIES ORDINANCE**

**Regulations**





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### REGULATIONS

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**TREASURY BONDS (CONVERSION INTO SCRIPLESS TREASURY BONDS)****1324/11 of 21.01.2004****Regulations**

**1.** This Regulation may be cited as the Treasury Bonds (Conversion into Scripless Treasury Bonds) Regulation No. 1 of 2004.

**2.** A holder of treasury bond issued in the form of written certificate and of a series specified in a notification published in terms of subsection (4) of section 21C of the Registered Stock and Securities Ordinance (Chapter 420) (hereinafter referred to as the Ordinance) in respect of which no encumbrance or transaction subsists or which is not held by such holder for the benefit of another may, if such holder desires to convert such bond into a scripless treasury bond surrender without endorsement for such conversion the bond to held together with unpaid coupons attached thereto, if any, and a duly completed mandate in a prescribed form—

- (a) where the holder of such treasury bond is a direct participant, to the Central Bank; and
- (b) where the holder of such treasury bond is a person other than a direct participant to a dealer direct participant.

**3.** A dealer direct participant to whom a treasury bond together with unpaid coupons, if any, and a mandate in the prescribed form are surrendered in terms of paragraph (2)(b) of these regulations shall forthwith issue to the holder an acknowledgement receipt therefore and forward the bond, coupons, if any, and mandate so surrendered to the Central Bank.

**4.** Upon the receipt by the Central Bank of a treasury bond, coupons if any, and mandate surrendered in terms of paragraph (2) or forwarded in terms of paragraph (3) of these regulations, the Central Bank shall enter the particulars of the treasury bond and coupons, if any, and of such holder—

- (a) in the case of a direct participant, in an account maintained in terms of subsection (2) of section 21D of the Ordinance by such direct participant in the Central Depository referred to in section 112A of the Monetary Law Act to hold scripless securities to which such direct participant has title; and
- (b) in the case of any other person, in an account maintained in terms of subsection (2) of Section 21E of the Ordinance by a dealer direct participant named in the said mandate in the Central Depository referred to in section 112A of the Monetary Law Act to hold scripless securities to which such person has title.

**5.** Where the holder of a treasury bond issued in the form of a written certificate belonging to a series specified in a notification referred to in paragraph (2) of these regulations is the Central Bank, the Central Bank shall enter the particulars of such treasury bond, coupons if any, and of the holder in the account maintained by the Central Bank in the Central Depository referred to in Section 112A of the Monetary Law Act to hold scripless securities to which the Central Bank has title.

**6.** Upon entering the particulars of the treasury bond, coupons if any, and of the holder in an account as provided in paragraph (4) or paragraph (5) of these regulations, the Central Bank shall cancel such bond and shall issue a confirmation of such entry and of the cancellation of the treasury bond issued in the form of a written certificate, to the holder of the bond and, where the holder is a person other than a direct participant or the Central Bank, to the dealer direct participant who

maintains the account of such holder. A confirmation required to be issued to be issued to the holder of a bond under this paragraph shall be sent to the address of the holder given in the mandate referred to in paragraph 2.

**7.** Every treasury bond issued in the form of a written certificate the particulars of which are entered in an account under paragraph (4) or (5) of these regulations shall from the date of cancellation of such bond under paragraph (6) be deemed to be converted to a scripless treasury bond for the purpose of subsection (4) of section 21C of the Ordinance.

For the purposes of paragraph (4), (5) and this paragraph “particulars of the treasury bond, coupons, if any, and of the holder” shall mean such particulars relating to a treasury bond, coupons if any, and to the holder of such bond respectively as are required to be recorded in terms of the rules applicable to such Central Depository.

**8.** A holder of treasury bond issued in the form of a written certificate in respect of which an encumbrance or transaction subsists or who is not the beneficial owner of such bond shall not surrender such bond under paragraph (2) of these regulations.

**9.** Unless context otherwise requires the terms and expressions used in these regulations shall have same meanings as assigned to them in the Ordinance.

**SCRIPLESS TREASURY BONDS (TRANSACTIONS)****1325/33 of 30.01.2004****Regulations**

1. These Regulations may be cited as the Scripless Treasury Bonds (Transactions) Regulations of No. 02 of 2004.

2. Scripless treasury bonds issued in terms of the Registered Stock and Securities Ordinance (Chapter 420) (hereinafter referred to as the “Ordinance”) shall be issued on Lanka Secure.

3. (1) Any transaction involving a transfer of scripless treasury bonds between direct participants shall be effected on a Delivery versus Payment or Receive versus Payment basis unless the transaction underlying the transfer is of such a nature as not to involve a payment, or the parties to such transaction have agreed in writing on any other manner for the settlement of payment in either of which event a transfer of scripless treasury bonds may be effected on Lanka Secure on a Delivery Free or Receive Free basis.

(2) A person other than a direct participant shall effect a transfer of scripless treasury bonds or receive a transfer of Scripless treasury bonds, or of an interest in scripless treasury bonds only through a dealer direct participant who shall maintain securities accounts of the relevant Account Type in Lanka Secure for each such customer to record such title or interest as the case may be.

(3) Where a dealer direct participant effects a transaction in scripless treasury bonds for a customer involving a transfer of scripless treasury bonds from a Securities Account maintained by such dealer direct participant for the customer to a Securities Account maintained by any other direct participant, such transfer shall be effected on a Delivery versus Payment or Receive versus payment basis as provided for in paragraph 3(4) of these regulations unless instructions are given to the dealer direct participant by the customer for transfer of such scripless treasury bonds on a Delivery Free or Receive Free basis.

(4) Payment for a scripless treasury bond transaction effected on a Delivery versus Payment or Receive versus Payment basis for a customer by a dealer direct participant in terms of paragraph 3(3) of these regulations shall be made on Lanka Settle to such dealer direct-participant from the Settlement Account of the transferee if the transferee is a direct participant or if the transferee is a customer of a dealer direct participant from the settlement Account of the dealer direct participant of the transferee.

4. (1) A scripless treasury bond may be pledged only in accordance with these regulations.

(2) A pledge of a scripless treasury bond shall be effected—

- (a) by the execution of a written agreement (hereinafter referred to as a “Pledge Agreement”) conforming to the requirements specified in these regulations, entered into between the pledger and the pledgee; and
- (b) by the delivery of the scripless treasury bond to the pledgee.

(3) Subject to paragraph 4(4) of this regulation the delivery of a scripless treasury bond for the purpose of paragraph 4(2) shall be deemed to have been effected upon the transfer of the scripless treasury bond to a Pledge Account maintained by a dealer direct participant who himself is not the pledger or pledgee, in which account the pledger shall be recorded as the

owner or pledger of the scripless treasury bond and the pledgee shall be recorded as the pledgee of the scripless treasury bond.

(4) (i) Notwithstanding the provisions of paragraph 4(3) of this regulation if the pledgee is an Approved Credit Agency in terms of the Mortgage Act (chapter 89), a pledge of scripless treasury bonds may be created in the manner set out below and the Pledgee shall be recorded as the owner of such scripless treasury bonds in such Pledge Account and the pledger shall be recorded as pledger of such bonds.—

(a) by the execution of an instrument in the form set out in the Third Schedule to the Mortgage Act and the Pledge Agreement shall be referred to in the Second Schedule to that instrument; and

(b) where the pledgee is a direct participant, by transferring the scripless treasury bonds that are subject to the pledge, to a Pledge Account to be maintained by the pledgee or where the Pledgee is not a direct participant, by transferring the scripless treasury bonds subject to the pledge to a Pledge Account to be maintained by a dealer direct participant.

(ii) The pledger shall thereupon be deemed to have created a mortgage in terms of section 73 of the Mortgage Act and to have deposited the scripless treasury bonds with the pledgee and to have executed a transfer of such bonds in favour of the pledgee.

(5) A dealer direct participant who maintains a Pledge Account in terms of paragraph 4(3) or paragraph 4(4)(b) of the regulation, shall also be a party to the Pledge Agreement between the pledgee and the pledger in its capacity as dealer direct participant and shall act both in the capacity of the Pledger's dealer direct participant and the Pledgee's dealer direct participant and the obligations and liabilities shall attach to such dealer direct participant in terms of the Pledge Agreement, these regulations and the Systems Rules according to the capacity in which such dealer direct participant functions at any given point of time.

(6) In the event a notice of default under the Pledge Agreement is served by the pledgor in accordance with the Pledge Agreement on a dealer direct participant who maintains a Pledge Account in terms of paragraph 4(3), the dealer direct participant shall retain the scripless treasury bonds in the Pledge Account and shall deal with such bonds in a manner directed by courts. If a court order prohibiting the transfer of the scripless treasury bonds or requiring that such bonds be dealt with in any other manner has not been served on the dealer direct participant and—

(a) where the pledgee instructs the dealer direct participant in writing, with the written consent of the pledger, that the scripless treasury bonds have been released from the pledge and that such bonds should be released to the person recorded as pledger, the dealer direct participant shall reposition the scripless treasury bonds in a Customer Account in which such pledger shall be recorded as owner ; or

(b) where the pledger instructs the dealer direct participant in writing, with the written consent of the pledgee, that the scripless treasury bonds may be transferred to the person recorded as pledgee, the dealer direct participant shall reposition the scripless treasury bonds in a Customer Account in which such pledgee shall be recorded as owner.

(7) Scripless treasury bonds in a Pledge Account shall not be capable of being traded.

(8) A Pledge Agreement shall set out all agreements of parties relating to the Pledge and shall, without restricting the generality of the aforesaid, provide for the matters set out in Schedule II to these regulations.

(9) The Central Bank may specify the form of Pledge Agreement to be used for the purpose of these regulations.

(10) Interest, maturity proceeds and redemption proceeds, if any, due on a Pledged scripless treasury bond shall be paid by the Central Bank to the direct participant or the dealer direct participant who maintains the Pledge Account and it shall be the duty of such direct participant or dealer direct participant, as the case may be, to pay such interest, maturity proceeds or redemption proceeds to the person recorded as owner of such scripless bond, unless otherwise required under a written law or by the Pledge Agreement.

**5.** (1) Repurchase Transactions and Reverse Repurchase Transactions in scripless treasury bonds may be effected only in accordance with these regulations.

(2) A Repurchase Transaction or Reverse Repurchase Transaction in scripless treasury bonds shall be preceded by a written agreement (hereinafter referred to as a “Repurchase/Reverse Repurchase Agreement”) conforming to the requirements imposed by these regulations and entered into between the parties to the transaction. If one party is a customer of a dealer direct participant or both parties are customers of a dealer direct participant or of two respective dealer direct participants, the dealer direct participant or dealer direct participants, as the case may be, shall also be party to such Agreement.

(3) A Repurchase/Reverse Repurchase Agreement shall set out the terms and conditions agreed to by the parties to the transaction. Without prejudice to the generality of the foregoing, a Repurchase/Reverse Repurchase Agreement shall provide for the matters set out in Schedule III to these regulations. A Repurchase or Reverse Repurchase Agreement may consist of more than one document to be read together.

(4) The Central Bank may specify the form of Repurchase or Reverse Repurchase Agreement to be used by parties for the purpose of these regulations.

(5) Where a dealer direct participant acts in the capacity of a dealer direct participant for both parties in a Repurchase Transaction or a Reverse Repurchase Transaction, the obligations and liabilities shall attach to such dealer direct participant in terms of the Repurchase or Reverse Repurchase Agreement, these regulations and the System Rules according to the capacity in which such dealer direct participant functions at any given point of time.

**6.** (1) A dealer direct participant shall have entered into a Customer Agreement with each customer for whom a Securities Account is maintained by such dealer direct participant in terms of paragraph 3(2) of this regulation, which agreement shall provide for the matters set out in Schedule 1 to these regulations. The Central Bank may prescribe the form of Customer Agreement to be used for the purposes of these regulations. A Customer Agreement shall not be terminated by a dealer direct participant unless it has ceased to hold any securities account or to hold funds arising from scripless treasury bonds or from transactions therein for the customer and has discharged its obligations to the Customer under applicable written law and the Customer Agreement.

(2) Without prejudice to the duties and responsibilities vested in a dealer direct participant, in terms of any written law and in terms of the Customer Agreement, a dealer direct participant shall —

- (a) promptly and accurately record on Lanka Secure the particulars relating to the customer as required by the System Rules when the customer obtains title to or an interest in a scripless treasury bond;
- (b) promptly and accurately record in Lanka Secure any change of title or interest and other particulars relating to the owner or interest holder as the case may be, of a scripless treasury bond in a Securities Account maintained by the dealer direct participant for a customer;
- (c) make payment to a customer of any interest, maturity proceeds, or redemption proceeds, if any, due to the customer on scripless treasury bonds or of other monies due to the customer on account of transactions in scripless treasury bonds, and comply with directions, if any, issued by the Central Bank in respect of such payment;
- (d) where monies of or due to a customer are in the custody of the dealer direct participant such monies shall be held separate from its own funds in a bank account maintained for such customer or customers;
- (e) proper books and records shall be maintained in respect of the dealings of the dealer direct participant with or on behalf of a customer, and reasonable access shall be provided to the Customer to such books and records;
- (f) issue of confirmations and statements to customers relating to the Securities Accounts and funds held for such customers as required by any written law or by directions issued by the Central Bank;
- (g) subject to any written law and the System Rules, effect transactions on behalf of a customer only as provided for in the Customer Agreement; and
- (h) unless otherwise required by any other written law, a dealer direct participant shall not transfer or reposition a scripless treasury bond which is in a Securities Account maintained for a customer to or in another Securities Account except in accordance with an approval or instruction issued by the customer in accordance with the Customer Agreement or in accordance with any other agreement in respect of a transaction in scripless treasury bonds to which the customer and the dealer direct participant are parties.

**7. In these regulations —**

“Approved Credit Agency” has the same meaning assigned to it in section 3 of the Mortgage Act;

“Central Bank” means the Central Bank of Sri Lanka established under the Monetary Law Act;

“customer” has the meaning assigned to it in the Registered Stock and Securities Ordinance (Chapter 420);

“customer account” means an account in which the title or interest of a customer to a scripless treasury bond is recorded;

“dealer direct participant” means a person appointed as a dealer direct participant in terms of the Registered Stock and Securities Ordinance (Chap. 420) and Local Treasury Bills Ordinance (Chapter 417);

“Delivery Free” or “Receive Free” transaction means a transaction which requires only a transfer of scripless treasury bonds on Lanka Secure and does not require a transfer of funds on RTGS against such transfer of bonds;



- “Delivery versus Payment” or “Receive versus Payment” means a transaction in which transfer of funds in RTGS by one party is effected against the transfer of scripless treasury bonds on Lanka Secure by the other and the transaction is settled by crediting the Settlement Account of one party and the Securities Account of the other;
- “Lanka Secure” means the scripless securities depository system established in terms of the Monetary Law Act to electronically issue scripless securities, store holdings of and to record ownership and interests in such scripless securities and to settle transactions in scripless securities, which forms a component of Lanka Settle;
- “Lanka Settle” means the Sri Lanka Real Time Gross Settlement and Scripless Securities Depository System established for the purposes of sections 62 A and 112 A of the Monetary Law Act;
- “Monetary Law Act” means the Monetary Law Act (Chapter 422);
- “Mortgage Act” means the Mortgage Act (chapter 89) ;
- “Pledge” has the meaning assigned to it in the Registered Stock and Securities Ordinance (Chapter 420);
- “reposition” means the moving of a scripless treasury bond from one Securities Account maintained by a dealer direct participant to another Securities Account maintained by the same dealer direct participant;
- “Real Time Gross Settlement (RTGS)” means the facility for the processing and settlement of payments electronically on a gross basis in real-time which forms a component of Lanka Settle;
- “scripless treasury bonds” mean scripless treasury bonds issued in terms of the Registered Stock and Securities Ordinance and includes treasury bonds which have been converted into scripless treasury bonds in terms of that Ordinance;
- “Scripless Securities” mean scripless treasury bonds, scripless treasury bills and securities issued by the Central Bank in scripless form in terms of the Monetary Law Act;
- “Securities Account” means an account maintained in LankaSecure by a direct participant to record title and interests in scripless treasury bonds of such direct participant and if such direct participant is a dealer direct participant, of its customers;
- “Settlement Account” means a funds account maintained by a direct participant with the Central Bank in accordance with a Mandate Agreement; and
- “System Rules” means the procedures and standards adopted by the Central Bank and issued to participants from time to time in terms of the Monetary Law Act which govern the operation of LankaSettle and participation by direct participants in LankaSettle.

## SCHEDULE I

## MATTERS TO BE PROVIDED FOR IN A CUSTOMER AGREEMENT

The following matters may be provided for in a Customer Agreement:—

- (a) identify the customer and dealer direct participant;
- (b) identifying the persons authorized to act on behalf of the customer for purposes of the Agreement;
- (c) authorizing the dealer direct participant to open and maintain Securities Accounts to hold scripless securities and interests therein of the customer in accordance with authority granted and instructions issued in terms of the Agreement;
- (d) identifying the transactions, if any, where the dealer direct participant is authorized to carry out for the customer without specific instructions being issued by the customer;
- (e) authorizing dealer direct participant to execute instructions issued by the customer in terms of the Agreement, subject to the System Rules;
- (f) authorizing the dealer direct participant to receive interest, maturity proceeds and redemption proceeds, if any, on scripless treasury bonds to which the Customer is entitled, and proceeds of transactions in scripless treasury bonds carried out on a Delivery versus Payment or Receive versus Payment basis for the customer;
- (g) specifying the fees and charges payable to the dealer direct participant by the customer;
- (h) requiring the customer to report in writing any errors in confirmations or statements issued by the Central Bank or by the dealer direct participant within 14 days of receipt of the confirmation or statement;
- (i) making provisions for the dealer direct participant to be liable for negligence or default on its part or on the part of any of its employees or agents in the carrying out of its responsibilities, duties and functions on behalf of the customer;
- (j) indemnifying the dealer direct participant from loss or liability arising from the carrying out of instructions of the customer given in accordance with the Agreement if there has been no negligence or default on its own part;
- (k) authorizing the dealer direct participant to rectify an erroneous debit or credit to a Securities Account of the customer under written notice to the customer;
- (l) specifying the methods by which instructions may be given by the customer to the dealer direct participant for purposes of the Agreement;
- (m) requiring the customer to provide promptly to the dealer direct participant all information required in respect of the customer for the opening and maintenance of Securities Accounts for the customer, and upon the occurrence of any change to promptly update such information;
- (n) specifying information relating to the parties for the service of any notice in terms of the Agreement and require parties to update such information upon the occurrence of any change;
- (o) requiring the dealer direct participant to act in accordance with any written law in the carrying out of its responsibilities, duties and functions as a dealer direct participant in the provision of services to the customer.

## SCHEDULE II

## MATTERS TO BE PROVIDED FOR IN A PLEDGE AGREEMENT

The following matters may be provided for in a Pledge Agreement:—

- (a) identifying the pledgee and pledgor;
- (b) identifying the scripless treasury bonds pledged;
- (c) specifying the capital sum lent or the obligation to be performed in respect of which the scripless treasury bonds are pledged;
- (d) specifying the rate of interest, if any, to be paid on the capital sum so secured and the date or dates on which such interests is payable;

- (e) specifying the date or dates on which repayment so secured is due or the obligation so secured is to be discharged;
- (f) specifying the dealer direct participant, if any, who is party to the Pledge Agreement;
- (g) specifying the means by which any instructions required to be given to the dealer direct participant under the Pledge Agreement shall be given;
- (h) providing for the manner in which interest, maturity proceeds, or redemption proceeds, if any, shall be paid on the pledged scripless treasury bonds during the period of the pledge are to be dealt with;
- (i) specifying whether substitution, or replenishment of the pledged scripless treasury bonds is permitted, and if so the manner for effecting such substitution or replenishment;
- (j) specifying the address at which notice of default, if any, is to be served on the pledgor and address at which the dealer direct participant is to be served with notice of such default.

### SCHEDULE III

#### MATTERS TO BE PROVIDED FOR IN A REPURCHASE OR REVERSE REPURCHASE AGREEMENT

The following matters may be provided for in a Repurchase or Reverse Repurchase Agreement—

- (a) identifying the scripless treasury bonds that are the subject matter of the trade;
- (b) identifying the parties to the trade;
- (c) identifying the price at which the scripless treasury bonds are being sold/purchased, and the price at which they will be repurchased/resold;
- (d) identifying the date on which scripless treasury bonds are to be repurchased or resold;
- (e) stating whether substitution of scripless treasury bonds is permitted;
- (f) stating whether replenishment of scripless treasury bonds can be called for during the tenure of the Agreement;
- (g) stating whether scripless treasury bonds may be traded during the tenure of the Agreement;
- (h) specifying the manner of determining the market value of scripless treasury bonds;
- (i) specifying the manner in which interest, maturity proceeds or redemption proceeds (if any) paid on a scripless treasury bond that is subject to the Repurchase or Reverse Repurchase Agreement are to be dealt with.

**SCRIPLESS TREASURY BONDS (RECOGNITION OF TRUSTS)**

1373/7 of 29.12.2004

**Regulations**

1. These regulations may be cited as the Scripless Treasury Bonds (Recognition of Trusts) Regulation No. 3 of 2004.

2. The Central Bank may, recognize the existence of a trust in respect of a Scripless Treasury Bond held in a scripless securities account in which a direct participant is recorded as owner, only if—

- (a) the scheme for the creation of such trust, the terms of such trust, the trust instrument and other agreements and documents relating to the same have received the prior approval of the Central Bank;
- (b) the direct participant has in the manner specified in any directions as are issued from time to time by the Central Bank, notified the Central Bank of the creation of the trust, and that the treasury bonds held in such account are held in trust by such direct participant for the beneficiaries of a specified trust; and
- (c) the trust as is described above has been created in accordance with the law for the time being in force.

3. Notwithstanding the provisions of regulation 2, the Central Bank may on being notified of the existence of a trust in the manner aforesaid, recognize the existence of a trust expressed, implied or constructive, in respect of a scripless treasury bond held in a scripless securities account of a direct participant, if—

- (a) the primary objective of the direct participant shall be to act as a central depository to a stock exchange licensed under the Securities and Exchange Commission Act, No.36 of 1987 which has been approved by the Minister in consultation with the Securities and Exchange Commission established by the Securities and Exchange Commission Act; and
- (b) the Central Bank has satisfied itself of the existence of such trust, on the basis of documents furnished to it.

4. In approving a trust under regulation 2, or determining whether notice should be taken of a trust under regulation 3, the Central Bank shall satisfy itself that the creation of such trust is in the interest of the development of a sound and efficient secondary market in government securities.

5. No obligation shall be imposed on the Central Bank towards the beneficiaries of a trust by the recognition of the existence of a trust in terms of these regulations. Such recognition shall only serve as notice to the Central Bank that the scripless treasury bonds in the account specified in the notice under regulation 2 or 3 are held by a direct participant as trustee and not as beneficial owner.

6. Scripless treasury bonds, which are subject to a trust and recognized in terms of these regulations shall be held in a Trust Account maintained by a direct participant in the central depository in terms of the Sri Lanka Real-Time Gross Settlement (RTGS) and Central Depository Regulations, No.1 of 2004, published in *Gazette* Extraordinary No. 1331/8 of March 09, 2004 as amended by regulations published in *Gazette* Extraordinary No.1348/11 of July 8, 2004.

**7.** A direct participant shall not hold scripless treasury bonds to which it has any beneficial interest or which do not form part of the trust property, in an account in which scripless treasury bonds held in trust by such direct participant are held.

**8.** A direct participant shall operate an account in which scripless treasury bonds are held in trust by such direct participant only in accordance with and for the purposes stipulated in the trust instrument and/or any other agreements, documents or rules relating to such trust.

**9.** A direct participant shall utilize any payment received from the Central Bank by way of maturity proceeds and other income arising from scripless treasury bonds held in trust by such direct participant, only in accordance with the terms of such trust.

**10.** A direct participant shall not make any changes to a scheme, terms, instrument, agreement or other document, unless—

- (a) such direct participant has furnished the Central Bank a schedule of the intended changes, for the information of the Central Bank; and
- (b) the Central Bank has signified in writing, its approval of the intended changes.

**11.** The Central Bank may call for such information and documents, as it may consider necessary for implementing the provisions of these regulations or in respect of a beneficiary of a trust.

**12.** In case of any inconsistency or conflict between the provisions of these regulations and the provisions of any other regulations or directions issued under the Registered Stocks and Securities Ordinance or under any other law, the provisions of these regulations shall prevail.

**13.** The terms and expressions used in these regulations shall in so far as the same is necessary for the purpose thereof, have the same meanings as are assigned to them in the Registered Stocks and Securities Ordinance (Chapter 420).



**REGISTERED STOCK AND SECURITIES ORDINANCE**

**Directions**





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Ref. No. : 08 / 24 / 002 / 005 / 01

## **DIRECTIONS ON CUSTODIAL & TRUST HOLDINGS OF SCRIP SECURITIES**

This direction is issued under section 10 of the Regulations made by the President dated 1 March 2000 under the Local Treasury Bills Ordinance and the Registered Stock and Securities Ordinance and will come into effect from 1 January 2002.

Colombo  
February 14, 2003.

K.G.D.D. Dheerasinghe  
*Superintendent of Public Debt*

- (1) A dealer direct participant shall deposit any securities purchased, received or retained by the dealer direct participant for the account of a customer in a custodial securities account in the name of the customer, provided that where a security purchased, received or retained by a dealer direct participant on behalf of more than one customer the dealer direct participant shall maintain accounts to show the rights of each such customer in the security and such security shall be maintained in a custodial securities account on behalf of all such customers.
- (2) A dealer direct participant shall deal with securities held on behalf of a customer by the dealer direct participant only in accordance with instructions given by the customer to the dealer direct participant in writing.
- (3) Where securities are physically held by a dealer direct participant on behalf of a customer such securities shall be physically segregated from the securities of the dealer direct participant or of other customers of the dealer direct participant, and shall be held in safe and secure custody.
- (4) Securities held by the dealer direct participant on behalf of a customer shall be clearly identified in the records of the dealer direct participant as being held for the customer, and shall not form part of the assets of the dealer direct participant.
- (5) The dealer direct participant's records relating to securities held on behalf of customers shall be available for inspection by the Central Bank and to the customer or the customer's authorised representative at reasonable times, subject to applicable laws.
- (6) A dealer direct participant shall furnish to the Central Bank returns in respect of custodial holdings of securities on a monthly basis in the format at Schedule – I.
- (7) A dealer direct participant shall issue to its customers confirmations in respect of purchases and sales of securities on behalf of the customer in the format at Schedule – II and shall, in addition, issue to the customers a monthly statement with respect to the securities held by the dealer direct participant on behalf of the customers. Where a dealer direct participant holds a security on behalf of more than one customer, the dealer direct participant shall issue a confirmation to each such customer at the time that the customer acquires a right in the security, specifying the serial number of the security due to the customer and the coupon rate, if any, payable to the customer on such security in the format at Schedule – II.

SCHEDULE 1

**REGISTER OF SECURITIES HELD IN CUSTODY/TRUST ON BEHALF OF CUSTOMERS  
FOR THE MONTH OF .....**

Purchase Date	Name of Customer	Reference No. of Confirmation Letter	Purchase Amount (Face Value)	Maturity Date	T. Bill/ T. Bond	Part/Full Ownership/ Beneficial Ownership	Face Value of T. Bill/ Bond	Securities					
								In		Out			
								Signature	Date	Signature	Date		

**CONFIRMATION ADVICE**

**Purchase of Treasury Bills under Custodial Arrangements**

Reference No. :  
Date :  
Name of Customer :  
Address :

Dear Sir/ Madam,

**Purchase of Treasury Bills**

With reference to your application, we confirm that the following Treasury Bill/s is/are held in our custody on your behalf. On maturity you will receive the face value of the Treasury Bill/s.

- 1. Face Value :
- 2. Treasury Bill No. :
- 3. Purchase Date :
- 4. Yield :
- 5. Price :
- 6. Maturity Date :

Yours faithfully,

.....  
*Manager*

.....  
*Authorised Officer*

## SCHEDULE II

**CONFIRMATION ADVICE****Purchase of Treasury Bonds under Custodial Arrangements**

Reference No. :  
 Date :  
 Name of Customer :  
 Address :

Dear Sir/ Madam,

**Purchase of Treasury Bonds**

With reference to your application, we confirm that the following Treasury Bond/s is/are held in our custody on your behalf. On maturity you will receive the face value of the Treasury Bond/s and on coupon payment dates you will receive semi-annual interest payments

1. Face Value :
2. Treasury Bond No. :
3. Coupon Rate :
4. Yield :
5. Purchase Date :
6. Coupon Payment Dates :
7. Interest Payment Amounts :
8. Maturity Date :
9. Accrued Interest Paid :
10. Clean Price :
- 11 Total Price Paid :

Yours faithfully,

.....  
*Manager*

.....  
*Authorised Officer*

**CONFIRMATION ADVICE**

**Purchase of Treasury Bills under Trust Arrangements**

Reference No. :  
Date :  
Name of Customer :  
Address :

Dear Sir/ Madam,

**Treasury Bills held in Trust**

With reference to your application, we confirm that the following Treasury Bill/s is/are held in trust by us and that your beneficial ownership in the Bill/s is as stated in Item 1 below. On maturity you will receive the said value of the Treasury Bill/s as stated in Item 1 below.

- 1. Value of Beneficial Ownership :
- 2. Treasury Bill No. & Face Value :
- 3. Purchase Date :
- 4. Yield :
- 5. Price :
- 6. Maturity Date :

Yours faithfully,

.....  
*Manager*

.....  
*Authorised Officer*

## SCHEDULE II

**CONFIRMATION ADVICE****Purchase of Treasury Bonds under Trust Arrangements**

Reference No. :  
 Date :  
 Name of Customer :  
 Address :

Dear Sir/ Madam,

**Treasury Bonds held in Trust**

With reference to your application, we confirm that the following Treasury Bond/s is/are held by us in trust and that your beneficial ownership of the Bond is as stated in Item 1 below. On maturity you will receive the said value of the Treasury Bond/s as stated in Item 1 and on coupon payment dates you will receive semi-annual interest payments as stated in Item 7.

1. Value of Beneficial Ownership :
2. Treasury Bond No and Face Value :
3. Coupon Rate :
4. Yield :
5. Purchase Date :
6. Coupon Payment Dates :
7. Value of Interest Payment :
8. Maturity Date :
9. Accrued Interest Paid :
10. Clean Price Paid :
11. Total Price Paid :

Yours faithfully,

.....  
*Manager*

.....  
*Authorised Officer*



## **DIRECTION ON FORWARD RATE AGREEMENTS AND INTEREST RATE SWAPS**

This Direction is issued under Section 12 of the Regulations made by the Minister of Finance dated February 1, 2002 under the Local Treasury Bills Ordinance and the Registered Stocks and Securities Ordinance and will come into effect from April 1, 2003.

Colombo  
April 1, 2003.

**K.G.D.D. Dheerasinghe**  
*Superintendent of Public Debt*

Financial derivatives such as Forward Rate Agreement (FRA) and Interest Rate Swaps (IRS) are useful for managing interest rates risks.

### **Description of the Product**

1. A Forward Rate Agreement (FRA) is a financial contract between two parties to exchange interest payments for a 'notional principal' amount on settlement date, for a specified period from start date to maturity date. Accordingly, on the settlement date, cash payments based on contract rate (fixed) and the settlement rate, are made by the parties to one another. The settlement rate is the agreed bench-mark/reference rate prevailing on the settlement date.
2. An Interest Rate Swap (IRS) is an agreement between two parties to exchange a stream of interest payments for a 'notional principal' amount on multiple occasions during a specified period. Such agreements generally involve the exchange or swapping of future fixed rate interest payments for future floating rate interest payments or the exchange of future floating rate interest payments for future floating rate interest payments. Accordingly, on each payment date that occurs during the swap period, cash payments based on the fixed/floating and floating rates, are made by the parties to one another.

### **Participants**

3. Primary Dealers (PDs) can undertake FRAs/IRS as a product for their own balance sheet management and for market making. PDs can offer these products to Licensed Commercial Banks, Licensed Specialised Banks, Registered Finance Companies, Registered Leasing Companies, Registered Insurance Companies, institutional investors and corporates for hedging their own balance sheet exposures.

### **Product Policy and Internal Control System**

4. Prior to undertaking FRAs/IRS, PDs are required to inform Public Debt Department (PDD), Central Bank of Sri Lanka and abide by such reporting and any prudential requirements as prescribed by the Central Bank of Sri Lanka, from time to time.
5. PDs are required to ensure that appropriate infrastructure and risk management systems such as ability to price the product and to "mark to market" their positions, monitor and limit exposures on an ongoing basis, *etc.*, are put in place.

6. A copy of the document detailing Product Policy and Internal Control System should be submitted to the Public Debt Department, Central Bank of Sri Lanka.

### **Types of FRAs/IRS**

7. PDs can undertake different types of basic FRAs/IRS. Swaps having explicit/implicit option features such as caps/floors/collars are not permitted.

### **Bench Mark Rate**

8. The benchmark rate shall be the Treasury Bill or Treasury Bond rate

### **Size**

9. There will be no restriction on the minimum or maximum size of 'notional principal' amounts of FRAs/IRS. Norms with regard to size are expected to emerge in the market with the development of the product.

### **Tenor**

10. There will be no restriction on the minimum or maximum tenor of the FRAs/IRS.

### **Capital Adequacy**

11. PDs are required to maintain capital for FRAs/IRS, as per the stipulations contained in *Annex 1*.

### **Exposure Limits**

12. In order to set exposure limits for counterparties, PDs may apply the conversion factors to notional principal amounts as per the exposure method prescribed in *Annex 1*.
13. Furthermore, while dealing with corporates and institutions other than Licensed Commercial Banks, PDs should exercise due diligence to ensure that they are undertaking FRAs/IRS only for hedging their own rupee balance sheet exposures. PDs are advised to also obtain a certificate from the authorised signatory/signatories of corporate/s to the effect that the transactions undertaken by them are meant for hedging balance sheet exposures only, *i.e.*, size and tenor of the transactions undertaken are not in excess of their underlying rupee exposures.

### **Swap Position**

14. Preferably, PDs should undertake FRAs/IRS only for hedging underlying genuine exposures. However, recognising the crucial role played by the market maker in development of the product and creating of the market itself, PDs have been allowed to undertake market making activity, which would involve at times dealing in the market without underlying exposure. ***However to ensure that market makers do not over extend themselves, market makers are required to place prudential limits on swap positions, which may arise on account of market making activity.***

### Accounting and Valuation

15. Transactions for hedging and market making purposes should be recorded separately. ***While transactions for market making purposes should be “marked to market” (at least at weekly intervals), those for hedging purposes could be accounted for on accrual basis.*** PDs should adopt accounting treatment on the basis of the International Accounting Standards (IAS 32 & 39). PDs may refer to *Annex 2*.

### Documentation

16. For uniformity and standardisation, PDs should use International Swap Dealers Association (ISDA) documentation, as suitably modified to comply with these Directions for undertaking FRAs/IRS transactions. Institutions should further evaluate whether the counterparty has the legal capacity, power and authority to enter into FRAs/IRS transactions.

### Reporting

17. PDs are required to report, as per the proforma indicated in *Annex – 3* their FRAs/IRS operations on a monthly basis to Public Debt Department, Central Bank of Sri Lanka.
18. These directions are intended to form the basis for development of Rupee derivative products such as FRAs/IRS in the country. The directions are subject to review, on the basis of development of FRAs/IRS market.

### Annex 1

#### Capital Adequacy for Primary Dealers on Interest Rate Contracts for Credit Risk

Primary Dealers undertaking Forward Rate Agreements and Interest Rate Swaps, will be required to fulfill the following minimum capital/capital adequacy requirements:

***Over and above the minimum capital requirements and the capital adequacy ratio required by the Direction on Capital Adequacy, Primary Dealers will have to maintain additional capital at 12 per cent of Risk Weighted Assets (RWA) towards credit risk on Interest Rate Contracts.***

The methodology for these off-balance sheet items will be as follows :

- (i) The notional principal amount will be multiplied by the conversion factors given below to arrive at the adjusted value.
- @ 0.5 per cent of notional principal value for original maturity of less than 1 year.
  - @ 1.0 per cent for original maturity of one year and less than two years.
  - @ 1.0 per cent for each additional year.
- (ii) The adjusted value thus obtained shall be multiplied by the risk weight applicable to the counter party as specified below.
- |   |               |
|---|---------------|
| Primary Dealers/Licensed Commercial Banks | 20 per cent.  |
| All others                                | 100 per cent. |

## Annex 2

**Accounting Norms****Accounting for Hedge Swaps**

- (i) Interest Rate Swap which hedges interest bearing asset or liability should generally be accounted for like the hedge of the asset or liability.
- (ii) The Swap that is accounted for like a hedge should be accounted for on accrual basis except the swap designated with an asset or liability that is carried at market value or lower of cost or market value in the financial statements. In that case the swap should be marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability.
- (iii) Gains or losses on the termination of swaps should be recognised when the offsetting gain or loss is recognised on the designated asset or liability. This implies that any gain or loss on the terminated swap would be deferred and recognised over the shorter of the remaining contractual life of the swap or the remaining life of the asset/liability.
- (iv) **Redesignation of Hedge Items**

If a hedge is redesignated from one item of asset/liability to another item of asset/liability such redesignation should be accounted for as the termination of one hedge and acquisition of another. On the date of redesignation the swap should be marked to market and the mark to market value would be amortised over the shorter period of the remaining life of the swap or remaining life of the asset/liability. The offsetting mark to market entry adjustments would be treated as premium received or paid for hedge on the newly designated item of asset/liability and this would be amortised over the life of the redesignated asset/liability or remaining term of the swap whichever is shorter.
- (v) When a PD is acting like a broker for matching parties and is not a Principal to the contract itself, then the fee should be recognised immediately as an income. In case where the bank acts like a Principal the fee should be amortised over the life of the contract.

**Accounting for Trading Positions**

The following should be used as general principles for accounting of trading transactions.

- (i) Trading swaps should be marked to market with changes recorded in the income statement.
- (ii) Income and expenses relating to these swaps should be recognised on the settlement date.
- (iii) Fees should be recognised as immediate income or expenditure.
- (iv) Gains or losses on the termination of the swaps should be recorded as immediate income or expenses.

**Disclosures**

The following should be disclosed in the note to the balance sheet:

- the notional principal of swap agreements;
- nature and terms of the swaps including information on credit and market risk and the accounting policies adopted for recording the swaps;
- quantification of the losses which would be incurred if counterparties failed to fulfil their obligation under the agreement;

- collateral required by the entity upon entering into swaps;
- any concentration of credit risk arising from the swaps. Examples of concentration could be exposures to particular industries or swaps with highly geared companies; and
- the “fair” value of the total swaps book. If the swaps are linked to specific assets, liabilities or commitments, the fair value would be estimated amount that the entity would receive or pay to terminate the swap agreements at balance date. For a trading swap the fair value would be its mark to market value.

## Annex 3

## Monthly Return on Forward Rate Agreement/Interest Rate Swaps

Name of the Institution :

Month and Year :

- 
1. Gross Notional Amount (Rs.) :
- Total** :
- Of which for**
- Hedging** :
- Market Making** :

## 2. FRAs/IRS contracted during the month of ..... 200...

Original Maturity	No. of Contracts	Notional Amount (Rs. )	Floating# Rate (Range)	Fixed Rate (Range)	Floating@# Rate (Range)
Upto 3 Months					
3 – 6 Months					
6 – 12 Months					
1-2 Years					
2-3 Years					
3-4 Years					
4-5 Years					
5-6 Years					
6-7 Years					
7-8 Years					
8-9 Years					
9-10 Years					
10-11 Years					
11-12 Years					
12-13 Years					
13-14 Years					
14-15 Years					

# Along with rates benchmarks should also be mentioned in brackets.

@ Rate pertaining to second leg, if the swap is ‘floating to floating’ in nature.

**3. FRAs/IRS outstanding as at the end of the month of ..... 200...**

Residual Maturity/ Repricing Date*	No. of Contracts	Notional Amount (Rs. )	Floating # Rate (Range)	Fixed Rate (Range)	Floating@# Rate (Range)
Upto 3 Months					
3 – 6 Months					
6 – 12 Months					
1-2 Years					
2-3 Years					
3-4 Years					
4-5 Years					
5-6 Years					
6-7 Years					
7-8 Years					
8-9 Years					
9-10 Years					
10-11 Years					
11-12 Years					
12-13 Years					
13-14 Years					
14-15 Years					

\* Residual maturity or repricing date, whichever is earlier, is to be reported.

# Along with rates benchmarks should also be mentioned in brackets.

@ Rate pertaining to second leg, if the swap is 'floating to floating' in future.

Ref. No. : 08 / 24 / 002 / 0005 / 001

Public Debt Department  
Central Bank of Sri Lanka  
30 Janadhipathi Mawatha  
Colombo 1.

23rd July 2003

To : Chief Executive Officer

- Ceybank Securities Ltd.
- Commercial Bank Primary Dealer Ltd.
- NSB Fund Management Co. Ltd.
- HNB Securities Ltd.
- First Capital Treasuries Ltd.
- Sampath Surakum Ltd.
- Seylan Bank Asset Management Ltd.
- Ceylinco Shriram Securities Ltd.
- Peoples' Bank
- Hongkong & Shanghai Banking Corporation Ltd.
- Capital Alliance Ltd.

### **DIRECTION ON FIRM TWO WAY QUOTES (BID AND OFFER PRICES) FOR BENCHMARK MATURITIES**

We refer to the Direction on Secondary Market Firm Two Way Quotes issued on July 2, 2002 where PDs are required to make firm two way quotes for 12 month Treasury Bills.

In order to promote the liquidity of medium and long-term market, it is necessary to expand the firm two-way quote requirement for selected benchmark maturities.

In this regard, the Public Debt Department has selected four benchmark maturities, that cover short to medium- term securities.

All PDs are hereby required to make *firm (effective) two-way quotes* for the following benchmark maturities for trading with the public.

#### **Firm Two Way Quotes for Selected Benchmark Maturities**

- (a) 3 month Treasury Bills
  - (b) 12 month Treasury Bills
  - (c) 2 year Treasury Bonds
  - (d) 5 year Treasury Bonds
- All PDs required to submit their effective buying and selling quotes for securities in the benchmark maturities to the Public Debt Department in the specimen format provided in the Annex. The firm two way quotes should be e-mailed to the Public Debt Department by at least 10.00 a.m. daily. The e-mail address is pdebt@cbsl.lk

- All PDs are also required to put their effective buying and selling quotes for securities in the benchmark maturities on the Bloomberg Screen by 10 a.m. daily.

PDs are also encouraged to make two way quotes for securities in other maturities.

All PDs are required to comply with this direction with immediate effect and non compliance may result in prohibition to participate in auctions conducted by the Public Debt Department in the future.

This direction is issued under Section 12 of the Regulations made by the Minister of Finance dated February 1,2002 in terms of the Registered Stocks and Securities Ordinance & the Local Treasury Bills Ordinance.

K.G.D.D. Dheerasinghe  
*Superintendent of Public Debt*

ANNEX

SPECIMEN FORMAT

**FIRM & EFFECTIVE TWO WAY QUOTES**

Name of Primary Dealer : .....

<i>Instrument / Period</i>	<i>Buying Yield Rate (Range)</i>	<i>Selling Yield Rate (Range)</i>
3 Month Treasury Bill		
12 Month Treasury Bill		
2 Year Treasury Bond		
3 Year Treasury Bond (optional)		
4 Year Treasury Bond (optional)		
5 Year Treasury Bond		
6 Year Treasury Bond (optional)		
10 Year Treasury Bond (optional)		
15 Year Treasury Bond (optional)		



Ref. No. : 08 / 24 / 002 / 0005 / 003

Public Debt Department  
Central Bank of Sri Lanka  
30 Janadhipathi Mawatha  
Colombo 1.

15th August 2003

*To : Chief Executive Officer of Primary Dealers*

**DIRECTION ON MINIMUM SUBSCRIPTIONS LEVELS FOR  
TREASURY BILL AND BOND AUCTIONS**

This direction is issued in terms of Section 12 of the Regulations dated February 1, 2002 issued by the Minister of Finance under the Registered Stocks and Securities Ordinance and the Local Treasury Bills Ordinance. In terms of this direction each Primary Dealer is hereby required to subscribe a minimum 10% of the amount offered for each maturity at each Treasury Bond auction and Treasury Bill auctions in order to ensure that the auctions are fully subscribed.

All Primary Dealers are required to comply with this direction with immediate effect.

K.G.D.D. Dheerasinghe  
*Superintendent of Public Debt*

Ref. No. : 08 / 24 / 002 / 0005 / 003

Public Debt Department  
Central Bank of Sri Lanka  
30 Janadhipathi Mawatha  
Colombo 1.

28th November 2003

*To : Chief Executive Officers of Primary Dealers*

**DIRECTION ON SPECIAL RISK RESERVE**

In order to promote the safety, soundness and the stability of the Primary Dealer (PD) system and to build up PD capital base, with effect from July 1, 2004, Primary Dealers (PDs) are required to transfer a percentage of their profit after tax annually to a Special Risk Reserve as follows.

- a.* 50% of the profit after tax annually by the PDs who maintain capital funds less than Rs.400 million
- b.* 25% of the profit after tax annually by the PDs who maintain capital funds in excess of Rs.400 million.

This direction is issued in terms of Section 12 of the Regulations dated February 1, 2002 issued by the Minister of Finance under the Registered Stock and Securities Ordinance and the Local Treasury Bills Ordinance.

Please acknowledge receipt.

K.G.D.D. Dheerasinghe  
*Superintendent of Public Debt*

Ref. No. : 08 / 24 / 002 / 0005 / 003

Public Debt Department  
Central Bank of Sri Lanka  
30 Janadhipathi Mawatha  
Colombo 1.

28th November 2003

To : Chief Executive Officers of Primary Dealers

### **DIRECTION ON MINIMUM CAPITAL REQUIREMENT**

In terms of the direction dated December 23, 2002 issued under the section 7 of the Local Treasury Bills Ordinance and the Registered Stock and Securities Ordinance, all Primary Dealers (PDs) are required to maintain a minimum capital requirement of Rs. 200 million of which a minimum of Rs. 150 million should be maintained as Tier-I capital.

However, in view of the changing market conditions and viability and stability of the primary dealer system, the Central Bank of Sri Lanka has decided that the minimum capital maintained by a primary dealer should be increased to Rs. 400 million of which minimum Rs. 350 million should be maintained as Tier-1 Capital. The timeframe for enhancement of minimum capital from Rs. 200 million to Rs. 400 million will be as follows.

	<u>Before 31/12/2004</u>	<u>Before 1/7/2005</u>
Minimum Capital Funds Required	Rs.350 million	Rs.400 million

The composition of Tier I capital and Tier II capital for the above purpose is as follows :

#### **Tier-1 Capital**

- (a) Issued and paid up ordinary share capital.
- (b) Issued and paid up non-cumulative preference shares (non-redeemable or redeemable at issuer's option).
- (c) Share premium account.
- (d) Reserves created or increased by appropriations of retained earnings or other surpluses *eg.*: retained profits and other reserves (excluding fixed assets revaluation reserve).

#### **Less**

Goodwill and other intangible assets accumulated losses, investments in shares of subsidiaries and affiliate companies.

#### **Tier-2 Capital**

- (a) Short term subordinated debt.
- (b) Long term subordinated debt.
- (c) Cumulative preference shares.
- (d) Perpetual subordinated debt.

K.G.D.D. Dheerasinghe  
Superintendent of Public Debt

Ref. No. : 08 / 24 / 002 / 0005 / 003

Public Debt Department  
Central Bank of Sri Lanka  
30 Janadhipathi Mawatha  
Colombo 1.

19th December 2003

*To : Chief Executive Officers of Primary Dealers*

**DIRECTION ON ACCOUNTING FOR REPO TRANSACTIONS**

All Repurchase and Reverse Repurchase transactions should be recorded to reflect the true commercial effect or substance of the transaction. As all Repo transactions are in effect collateralised borrowings/ lending, they should be accounted for as follows.

1. Repurchase Transactions  
Dr. Cash/Bank  
Cr. Repurchase A/c
2. Reverse Repurchase Transactions  
Dr. Reverse Repurchase A/c  
Cr. Cash

Carrying value/Book value of securities given as Collateral for Repo borrowings should also be taken out of the Trading/Investment portfolio account and put into a separate encumbered Trading/Investment portfolio account. When preparing the Balance Sheet, Primary Dealers should report the encumbered and unencumbered securities together but a note to the accounts should disclose the value of encumbered securities included in the Trading/Investment portfolio. A note to the accounts should also disclose the market value of securities obtained as collateral on Reverse Repurchase transactions and the policy on haircuts on the collateral taken on Reverse Repurchase transactions.

K.G.D.D. Dheerasinghe  
*Superintendent of Public Debt*

Ref. No. : 08 / 24 / 032 / 0003 / 003

Public Debt Department  
Central Bank of Sri Lanka  
30 Janadhipathi Mawatha  
Colombo 1.

31st December 2003

*To : Chief Executive Officers of Primary Dealers*

**VALUATION OF TRADING PORTFOLIO OF  
PRIMARY DEALERS (PDS)**

We write with reference to our Direction on “Segregation of Proprietary Government Securities Accounts” dated 10 January 2002.

As per the direction, all PDs are required to value their trading portfolios using the “purchased prices” in the “weekly report on weighted average market prices” compiled by the Public Debt Department (PDD). In the event purchased prices are not available in the weekly report, PDs should use “sold prices” compiled by the PDD for portfolio valuation. Further, in the absence of both purchased & sold weighted average market prices PDs should use purchased/sold prices in the weekly report for the previous week and so on for portfolio valuation.

K.G.D.D. Dheerasinghe  
*Superintendent of Public Debt*