



January 06, 2009

To : All CEOs of Lead Managers

**Treasury bills/Treasury bonds issued by the Government of Sri Lanka to
Sri Lankan Diaspora and Migrant Workforce**

These Guidelines/Procedures shall be effective from January 06, 2009

Guidelines/Procedures to Lead Managers

The guidelines and procedures applicable for the sale and purchase of Treasury bills/Treasury bonds issued by the Government of Sri Lanka to Sri Lankan diaspora and migrant workforce are indicated below. In the absence of any specific guideline for any aspect of its operation, Lead Managers (LMs) appointed by Central Bank of Sri Lanka (CBSL) i.e. selected Licensed Commercial Banks (LCBs), selected Licensed Specialized Bank (LSBs) and selected Primary Dealers (PDs) shall comply with the currently applicable operating guidelines, procedures, system rules, regulatory provisions and directions issued by the Public Debt Department (PDD) of the CBSL in the conduct of transactions in Treasury bills/Treasury bonds issues to local investors. If there are no such applicable rules etc., LMs are requested to seek clarification regarding the same from the undersigned. These Guidelines/Procedures shall be effective from January 06, 2009.

1. General

1.1 Eligible Investors

The following categories of persons are eligible to invest in Treasury bills/Treasury bonds issued by the Government of Sri Lanka:

- (a) Sri Lankans who have made their permanent residence overseas (Non-residents);
- (b) Citizens of Sri Lanka who have taken up overseas employment / set up business in abroad;
- (c) Citizens of Sri Lanka with dual citizenship in Sri Lanka and in another country;

(d) Sri Lankan professionals living in Sri Lanka or abroad who earn income in foreign currency;

(e) Banks acting in fiduciary capacity on behalf of the above categories.

All LMs are advised to adhere to the standard “Know Your Customer” (KYC) verification practices, when entertaining requests for investments.

1.2 Tenure of Treasury bills/Treasury bonds

Eligible investors are permitted to purchase or sell Treasury bills/Treasury bonds with any maturity period.

1.3 Limit on Treasury bill/Treasury bond Investment

The total investment permitted to eligible investors including all other foreign investors in Treasury bills/Treasury bonds should not exceed 10% of the total outstanding value of Treasury bills/Treasury bonds at any given point of time (Subject to the Clause 2.3 below).

1.4 Registration

LMs shall be responsible for registering details of their eligible investors at the Central Depository System (CDS) of LankaSecure maintained by the PDD of the CBSL. All Treasury bill /Treasury bond transactions with eligible investors shall be recorded under the CFD account type of the CDS.

CDS will issue statements containing the following to the investors.

- a) A monthly statement confirming the transactions that have taken place during the month.
- b) A statement confirming the outstanding balance held by each investor semi annually.
- c) A statement indicating the maturity proceeds and/or interest payment whenever such payments fall due.

These statements will be issued directly to the name and address of the investor, as registered in the CDS.

2. Investment Procedure

2.1 Eligible investors under Clause 1.1 above are permitted to purchase Treasury bills/Treasury bonds issued by the Government of Sri Lanka only from primary auctions / direct placements through LMs.

In order to effect the transactions in accordance with instructions received from customers, LMs shall ensure that such transactions are within the legal requirements and do not breach the system rules applicable to LankaSettle and any other guidelines issued by PDD and the Exchange Control Department of the CBSL.

2.2 Foreign exchange brought into the country for the purchase of Treasury bills/Treasury bonds and proceeds realized on a sale /maturity of Treasury bills/Treasury bonds or any income realized by way of capital gain or any interest income shall be routed through a special rupee account named **“Treasury bill/ bond Investment External Rupee Account –Deshabhimani (TIERA-D)”** opened in the name of the eligible investor by LMs in a LCB or National Savings Bank (NSB). Thus it is the duty of the LMs to open a special account on customer’s behalf solely for these specified transactions. The operational instructions issued on 06/01/2009 by the Controller of Exchange will be applicable in this respect.

2.3 Before confirmation of the sale, LMs shall be responsible to inquire from the PDD of the CBSL the leeway available in the Treasury bill /Treasury bond limit (10% of the total value of Treasury bill /Treasury bond outstanding) permitted for eligible investors to invest in Treasury bills/Treasury bonds. The PDD shall be informed by fax/e-mail once the deal is confirmed.

2.4 LMs shall be responsible for creating customer owned investor accounts promptly for their eligible investors at the CDS and the transactions should be recorded under the **“CFD”** account type.

2.5 Eligible investors are permitted to enter into Repo/Reverse Repo transactions using Treasury bills/Treasury bonds purchased under this scheme as collateral.

3. Fund Transfers

3.1 When an eligible investor buys Treasury bills/Treasury bonds from the primary market, the relevant LM should remit the proceeds of the bills/bonds to the relevant

account at the CBSL through Real Time Gross Settlement System (RTGS). When an eligible investor sells Treasury bills/Treasury bonds in the secondary market, the LCB or NSB (custodian bank) who maintains the TIERA-D account shall transfer respective rupee amounts to TIERA–D account of the investor. However, eligible investors are not permitted to utilize funds available at NRFC accounts in Sri Lanka to purchase Treasury bills/Treasury bonds under this scheme.

3.2 The CBSL may purchase dollar funds from the market at market price at the time of transaction up to 50% of the total amount received through investments in Treasury bills/Treasury bonds by eligible investors.

4. Payment of Interest and Maturity Proceeds at Maturity

Interest and maturity proceeds payable on Treasury bills/Treasury bonds (face value) shall be payable in rupees by the PDD of the CBSL on behalf of the Government of Sri Lanka through RTGS to respective LMs on respective maturity dates. Such LMs are responsible to transfer the respective payments to the account or any other account specified by eligible investors with value of proceeds on the same day.

5. Joint Holdings

Treasury bills/Treasury bonds may be held jointly within the facilities available (at present, up to three) with the CDS. Payment of maturity proceeds shall be based on the agreement between LM and joint holders.

6. Tax Treatment

Eligible investors who invest in Treasury bill /Treasury bond market pay no further tax on the earnings on such Treasury bills/Treasury bonds apart from the 10% withholding tax imposed at the primary issue of such Treasury bills/Treasury bonds.

7. Stamp Duty

All documents used on the issue or redemption of Treasury bills/Treasury bonds are free from stamp duty in Sri Lanka.

8. On-line Viewing Facility of Investment Status

The investment status could be viewed through internet via LankaSecure net (<https://www.cbsl.lk/lankasec/>). The application to obtain a password protected viewing facility could be submitted to the LM.

9. Jurisdiction

The courts in Sri Lanka shall have exclusive jurisdiction in respect of all matters relating to Treasury bills/Treasury bonds issued by the Government of Sri Lanka.

10. Other

Eligible investors are permitted to transfer funds from the TIERA-D account to any other account maintained in Sri Lankan rupees or foreign currency.

Further operating instructions in this regard will be issued by the Controller of Exchange or the Superintendent of Public Debt as the case may be from time to time.

Any clarifications on these guidelines can be obtained from the following.

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January 06, 2009

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