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The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY

අංක 2213/2 - 2021 පෙබරවාරි මස 01 වැනි සඳුදා - 2021.02.01

No. 2213/2 – MONDAY, FEBRUARY 01, 2021

(Published by Authority)

PART I : SECTION (I) — GENERAL

Central Bank of Sri Lanka Notices

LANKASETTLE SYSTEM RULES

Issued on 01.02.2021

(incorporating amendments upto 31.12.2020)

Version 2.2

Payments and Settlements Department

Central Bank of Sri Lanka



VOLUME 1
GENERAL PROVISIONS

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1 SYSTEM OVERVIEW

The LankaSettle System owned and operated by the Central Bank of Sri Lanka (CBSL) has two sub-systems, namely;

Real Time Gross Settlement (RTGS) System;
and LankaSecure System.

The RTGS System transfers and settles funds between Participant accounts using the real time gross settlement principles. The settlements also cover payments from participants' customers. The LankaSecure System comprises of the Scripless Securities Settlement System (SSSS) and the Central Depository System (CDS), which electronically records the ownership of government debt securities and Central Bank Securities issued in scripless form. For securities transactions, the LankaSettle System supports the Delivery-versus-Payment (DvP) mechanism where the transfer of ownership of securities and the underlying transfer of funds are realized simultaneously on real time.

1.1 Real Time Gross Settlement System

1.1.1 Settlement of Payments on Real Time Gross Settlement Basis

In the RTGS System, transactions are processed individually and on real time as and when they are entered to the system. In each transaction, the Settlement is made immediately when there are sufficient funds in the Settlement Account of the paying institution to cover the entire transaction value, by transferring the respective value from the account of the payer to that of the payee maintained with CBSL. A Settlement is irrevocable and final when the transfer is recorded in the system. However, if funds are not sufficient, the payment instruction gets stored in a queue until the availability of sufficient funds in the paying institution's account.

1.1.2 Settlement of Payments on Net Basis

Not all transactions in the RTGS System need to be subjected to the principles of RTGS. Gross settlements in the system co-exist with deferred net settlements of obligations arising from the exchange of low-value high-volume payment types (e.g. cheques and low value electronic transactions through Sri Lanka Inter-Bank Payment System and other electronic retail payment mechanisms). These post-clearing settlements of Participant obligations are processed in batches periodically in the LankaSettle System on a multilateral net settlement basis.

1.2 LankaSecure System – SSSS and CDS

LankaSecure System provides following facilities;

- an electronic depository facility for holding of government debt securities and Central Bank Securities issued in scripless form;
- a central registry to record the title of securities and account balances of individual investors;
- a mechanism to settle scripless securities transactions through real time DvP basis;
- a mechanism for transferring securities between accounts without a corresponding fund transfer (Deliver Free and Receive Free) and movement of securities between a participant's accounts (repositioning); and
- a mechanism to allocate collateral for the Intra-day Liquidity Facility (ILF) to maintain the liquidity in the system.

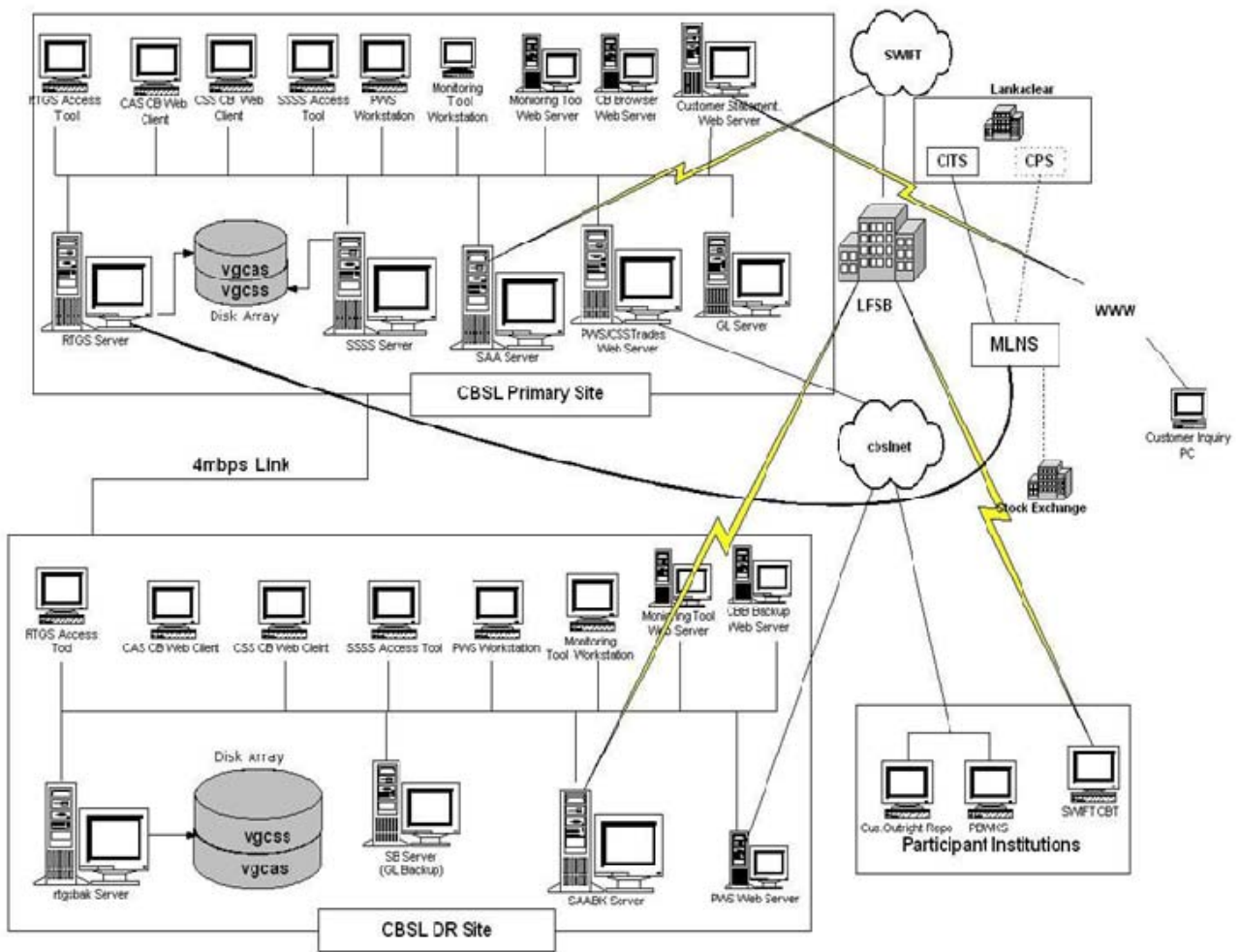
1.3 System Components

The LankaSettle System operates through the following components:

- (i) Participant Browser Workstation
- (ii) CBSL Browser Workstation
- (iii) SWIFTNet, including SWIFT FIN Y-Copy Service and FIN Network,
- (iv) CBSLNet which connects LankaSettle Participants to CBSL
- (v) Link for LankaClear (Pvt.) Ltd. for Multilateral Net Settlement Batch (MNSB) file processing (for SLIPS, Cheque clearing and other electronic retail payments) and
- (vi) Customer web enquiry facility for government debt securities

The diagram below shows an overview of the system with its components. The functions of the system components are described with more details in Volumes 2 and 3.

Figure 1 - LankaSettle System Overview



2 GENERAL PROVISIONS

2.1 Interpretation

In these System Rules, unless the context otherwise requires:

“Accession Agreement” means the agreement specified by CBSL should be executed between a Participant and CBSL.

“Accounts” means the Settlement Accounts and Securities Accounts.

“Account Transfers” means Settlement Account Transfers and/or Securities Account Transfers.

“Account Types” means the various types of Securities Accounts required by Regulations and the System Rules to be maintained by a Participant, or categories of Participants in the LankaSecure System.

“Back-up facilities” means the systems and procedures that a Participant is required to maintain in terms of the System Rules to deal with a failure or a breakdown or other problem in the Browser Interface or the SWIFT Interface or any part thereof.

“Beneficial Owner or Customer in relation to a Dealer Direct Participant” means any person who purchases or sells or otherwise acquires or disposes of Scripless Treasury Bills/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 Bill/Bond or interest and shall include where the context so permits a legal representative of such Customer or of the estate of such Customer.

“Business Day” means a day on which CBSL is open for the Settlement of transactions through the LankaSettle System.

“Central Bank of Sri Lanka (CBSL)” means the Monetary Board established under the Monetary Law Act No. 58 of 1949.

“Central Bank Securities” means the securities issued by CBSL under the Monetary Law Act No. 58 of 1949.

“CBSLNet” means a data communication network set up by CBSL connecting all the Participants of the LankaSettle System.

“Customer” has the meaning assigned to the term in the Registered Stock and Securities Ordinance and the Local Treasury Bills Ordinance.

“Dealer Direct Participant” means any Direct Participant appointed as a Dealer Direct Participant by CBSL in terms of the Registered Stock and Securities Ordinance and the Local Treasury Bills Ordinance.

“Delivery-versus-Payment (DvP)” means the link between the SSSS (securities transfer system) and the RTGS (fund transfer system) that ensures that delivery occurs if, and only if, payment occurs.

“Designated Non-Dealer Bidder” means a person appointed by CBSL in terms of the Registered Stock and Securities Ordinance and the Local Treasury Bills Ordinance to participate in Primary Auctions, but which can hold and trade securities only for its own account.

“Direct Participant” means a Licensed Commercial Bank, a Primary Dealer or any other person appointed as a Direct Participant by CBSL in terms of the Registered Stock and Securities Ordinance and the Local Treasury Bills Ordinance.

“Dispute” means a disagreement between CBSL and a Participant arising out of, or in any way connected with these Rules but shall not include any dispute or matter arising from or connected to any act or thing done or carried out or purported to be done or carried out by CBSL under or by virtue of its powers, authority or functions under any written law in its capacity as the supervisor or the regulator of the Participant.

“Final Cut-off Time” means the time specified for close of the business of the LankaSettle System in the Daily Operating Schedule in Rule 1.2 of Volume 4 of these Rules, unless otherwise specified by CBSL.

“Government Securities” means Treasury Bills and Treasury Bonds issued by CBSL on behalf of the Government of Sri Lanka.

“Gridlock” means a situation which can arise in the LankaSettle System in which the failure of execution of any Instruction of a Participant (due to unavailability of sufficient funds or securities in the respective Account) prevents execution of any other Instruction of a Participant or participants or the same participant.

“Instruction” means a Payment Instruction or a Securities Transfer Instruction.

“Intraday Liquidity Facility (ILF)” means the provision of funds to a Participant by CBSL in terms of ILF Agreement.

“ILF Agreement” means an agreement specified by CBSL executed by a Participant with CBSL.

“LankaSecure System” means the Scripless Securities Settlement System and the Central Depository System established by CBSL in terms of the Monetary Law Act.

“LankaSettle System” means the Real-Time Gross Settlement System and the LankaSecure System established by CBSL in terms of the Monetary Law Act.

“Licensed Commercial Bank” means a bank licensed under the Banking Act No. 30 of 1988 as amended from time to time to carry on banking business as defined in that Act.

“Licensed Specialized Bank” means any company or a body corporate which has been issued with licence under the Banking Act No. 30 of 1988 as amended from time to time to carry on the business of accepting deposit money and investing and lending such money.

“Local Treasury Bills Ordinance” means the Local Treasury Bills Ordinance No.8 of 1923 as amended from time to time.

“Mandate Agreement” means the agreement specified by CBSL entered into by a Participant with CBSL for the maintenance and operation of such Participant’s Settlement Account and Securities Accounts by CBSL.

“Matching” means the process of comparing the trade/Settlement details of Instructions entered to the system by relevant parties to ensure that they agree with respect to the terms of the transaction.

“Minimum Balance Requirement” means the minimum balance, if any, required to be maintained in a Settlement Account of a Participant at all times in terms of the System Rules.

“Monetary Board” means the Monetary Board of CBSL established under the Monetary Law Act.

“Monetary Law Act” means the Monetary Law Act No. 58 of 1949 as amended from time to time.

“Multilateral Net Settlement Batch” or “Net Settlement Batch” means a Settlement Account Transfer involving multiple debits and credits, initiated by CBSL to settle net obligations (arising from the conduct of a payment clearing system) as described in the System Rules.

“Open Market Operations (OMO)” means transactions carried out under Part V of Chapter V of the Monetary Law Act.

“Official Prices” means the prices determined by CBSL on a daily basis for the purpose of valuing securities offered as collateral for ILF and recorded in the LankaSecure System.

“Payment Instruction” means an instruction initiated by a Participant to debit its Settlement Account and credit the Settlement Account of another Participant in the LankaSettle System in a form and manner provided for in the System Rules.

“Participant” means an institution which has been authorized to participate in the LankaSettle System having executed an Accession Agreement.

“Person Resident in Sri Lanka” shall have the meaning as assigned to it in the Foreign Exchange Act No. 12 of 2017 or any other Act which replaces it.

“Person Resident Outside Sri Lanka” shall have the meaning as assigned to it in the Foreign Exchange Act No. 12 of 2017 or any other Act which replaces it.

“Pledge” has the meaning assigned to it in Regulations.

“Primary Auction” means the initial allocation and issue of Scripless Securities by CBSL on behalf of the Government to Primary Dealers and Designated Non-Dealer Bidders against payment.

“Primary Dealer” means an institution appointed as a Primary Dealer by CBSL under the Local Treasury Bills Ordinance and the Registered Stock and Securities Ordinance to participate in the Primary Auctions and to hold and transact Scripless Securities for itself and for others.

“Real Time Gross Settlement (RTGS)” means the processing and Settlement of payment obligations in real time on the gross basis.

“Registered Stock and Securities Ordinance” means the Registered Stock and Securities Ordinance No.7 of 1937 as amended from time to time.

“Regulations” means Regulations made under the Monetary Law Act, the Registered Stock and Securities Ordinance and the Local Treasury Bills Ordinance applicable to the LankaSettle System and its operations.

“Repurchase Agreement (Repo)” means an agreement by which one party agrees to sell Scripless Securities to another on an undertaking to buy back such securities on an agreed date on agreed terms.

“Reverse Repurchase Agreement (Reverse Repo)” means an agreement by which one party agrees to buy Scripless Securities from another on an undertaking by such party to sell back such securities on an agreed date on agreed terms.

“Scripless Securities” means Scripless Treasury Bills and Scripless Treasury Bonds issued under the Local Treasury Bills Ordinance and Registered Stock and Securities Ordinance, respectively, and Central Bank Securities issued in scripless form under the Monetary Law Act.

“Scripless Treasury Bills” means the Treasury Bills issued in scripless form under the Local Treasury Bills Ordinance.

“Scripless Treasury Bonds” means the Treasury Bonds issued in scripless form under the Registered Stock and Securities Ordinance.

“Securities Account” means an account maintained in the LankaSecure System by a Direct Participant to record title and other details in Scripless Securities of such Direct Participant, and if such Direct Participant is a Dealer Direct Participant, of its Customers, in accordance with the Regulations and the System Rules.

“Securities Account Transfer” means the debiting and crediting of Securities Accounts of two Participants or transfer of securities between two Securities Accounts of a Participant initiated by CBSL.

“Securities Transfer Instruction” means an instruction in a form and manner provided for in the System Rules, initiated by two Participants to transfer specified Scripless Securities from a specified Securities Account to another specified Securities Account in the LankaSecure System or an Instruction by a Participant to reposition specified Scripless Securities between Securities Accounts of such Participant.

“Settlement” means successful posting for value of debits and credits to the relevant Accounts notified in the Payment Instruction, Settlement Account Transfer, Securities Transfer Instruction or Securities Account Transfer.

“Settlement Account” means an account maintained by a Participant with CBSL in terms of the Monetary Law Act for the maintenance of deposit reserves, clearance of payments and the Settlement of balances among Participants and for the Settlement of payments for Scripless Securities transactions among Participants, or for any one or more of such purposes as applicable to such Participant.

“Settlement Account Transfer” means the debiting and crediting of Settlement Accounts of two Participants initiated by CBSL.

“System Rules” mean these rules which are issued in terms of the Monetary Law Act, as may be amended from time to time.

“SWIFT” means the Society for Worldwide Inter-bank Financial Telecommunication.

“SWIFT Interface” means the computer-based terminal via which a Participant transmits Payment Instructions and Securities Instructions to the LankaSettle System.

“Value Date” means the date on which the Settlement of a transaction is to be effected.

In these System Rules:

- (a) words indicating one gender include the other gender;
- (b) the plural number includes the singular and vice versa;
- (c) headings are inserted for convenience of reference and do not alter the interpretation of these Rules
- (d) a reference to any legislation includes any statutory regulations, rules, orders or instruments made or issued pursuant to that legislation and any amendments to, re-enactment of, or replacement of that legislation.

2.2 Governing Legislation

These System Rules are issued in terms of the Monetary Law Act as amended.

2.3 Purpose of the System Rules

The objectives of the System Rules are to regulate;

- (a) the legal relations between CBSL and Participants with regard to Payments and Settlements in the LankaSettle System; and
- (b) business level interactions of Participants as account holders and CBSL as the Settlement agent and the operator of the system.

2.4 Amendments to the System Rules

CBSL may change the contents and make additions or deletions to the System Rules from time to time and the amended Rules are binding on the Participants.

Participants may submit to CBSL proposals for changes to the System Rules and such proposals should be in writing and fully describe the purpose and benefits of the change being proposed. CBSL will consider such proposals, but will retain sole discretion as to the implementation of any such procedural or system change.

Participants are informed by CBSL on proposed amendments and additions that CBSL has decided upon. Such notifications will be sent to the Participants at least 30 days prior to the amendments taking effect. Such notification may, however, be sent in less than 30 days if:

- the amendment or addition is occasioned by operation of law or by court decisions or judgments; and
- CBSL considers that there exist special reasons.

2.5 Language Versions

The System Rules are available in all three languages.

2.6 Eligibility to be a Participant in the System

The following categories of institutions are eligible to be Participants:

- (a) Licensed Commercial Banks
- (b) Licensed Specialized Banks
- (c) Primary Dealers
- (d) Parties appointed by CBSL as Direct Participant under Registered Stock and Securities Ordinance (RSSO) and the Local Treasury Bills Ordinance (LTBO)

2.7 Participation in the LankaSettle System

An eligible institution is required to make a formal request for the participation in the LankaSettle System together with the relevant documents and information to the Director, Payments and Settlements Department, Central Bank of Sri Lanka, No. 30, Janadhipathi Mawatha, Colombo 01.

An institution shall have its domicile or a branch within Sri Lanka to be a Participant in the LankaSettle System. Participation is strictly on a single tier membership structure with each Participant being directly connected to the LankaSettle System for Settlement of its payment obligations.

Pursuant to consideration of the request and, upon being admitted to participate after demonstrating that the requesting institution qualifies to participate in the LankaSettle System, the institution is bound by the System Rules by signing the Agreements mentioned in the item (g) of the Rule 2.8 of this Volume, with CBSL.

2.8 Pre-requisites to be a Participant

The following pre-requisites shall be met by an eligible institution to be accepted as a Participant in the LankaSettle System;

- (a) Availability of valid legal status and capacity to assume with binding effect the rights and obligations ensuing from the System Rules;
- (b) Agree that the System Rules shall be valid and enforceable in the institution's country of domicile;
- (c) Access to SWIFT service for transmission of payment information to the LankaSettle System;
- (d) Access to CBSLNet;
- (e) Demonstrate to the Payments and Settlements Department and the Public Debt Department of CBSL that the operational staff, by participating in the test system, has the knowledge and competency in operations related to participating in the LankaSettle System;
- (f) Demonstrate that the institution has the necessary systems and procedures for risk management, secured technical systems including Disaster Recovery and Business Continuity Planning;
- (g) Enter into the Mandate Agreement and the Accession Agreement, and other relevant Agreements (ILF Agreement and the Master Repurchase and Reverse Repurchase Agreement) with CBSL to participate in the LankaSettle System.

A Licensed Specialized Bank shall first fulfill the requirements specified in the **Attachment A**, in addition to qualifying the requirements specified under (a) to (g) above.

2.9 Evaluations of Requests

CBSL has the right, at the expense of the institution which has requested to become a Participant in the LankaSettle System, to carry out any examination and request for documents or information that CBSL deems necessary, including the following, in order to ascertain whether such institution has met the requirements specified in the System Rules.

- a statement regarding the institution's legal status and capacity to assume with binding effect the obligations ensuing from the System Rules.
- information on the activities of the institution, in the case of a Licensed Specialized Bank, that CBSL considers necessary for ascertaining whether the institution has complied with Rule 2.8 of this Volume and **Attachment A** and its ability to comply with the System Rules.
- a statement regarding rules of law in the institution's home country which (if the applicant institution's registered office is abroad) is significant to the validity and enforcement of the System Rules in that country (country opinion).

2.10 Duties of Information/Notification

2.10.1 Changes in Operations of Participants

The Participant shall voluntarily inform CBSL of any changes in operations that might have significant impact on the qualification status of the Participant or the functions of the LankaSettle System as a result of such changes.

2.10.2 Disruptions in the Payments Flow

If a Participant receives information about conditions that can disrupt the flow of payments in the LankaSettle System, it is a duty of the Participant to inform CBSL in this regard. CBSL, if aware of such situations shall inform the Participants of such circumstances as early as possible.

2.11 Authorized Signatories

Every Participant shall provide to the Payments and Settlements Department and the Public Debt Department of CBSL a list of persons together with their signatures, who are authorized to sign and send Instructions, communication and confirmation according to these System Rules and shall ensure that the list and the signatures are continually kept updated.

2.12 Fees and Charges

2.12.1 Notification of Determination of Fees and Charges

- Fees for transactions are determined and circulated by CBSL from time to time.
- Each Participant shall pay fees to CBSL as invoiced by CBSL.
- The setting of fees is based on the principle of cost coverage and is furthermore designed to promote use of the LankaSettle System for the Settlement of large value payments.
- CBSL may, by a special order, charge Participants for improvements in the LankaSettle System or introduction of new services.

2.12.2 Notification of Fee Changes

Notification of changes in fees is to be sent to Participants at least 30 days prior to the effective date of the new fees.

Notification of a change of fees may however, be sent in less than 30 days, if ;

- (a) such change is consequent to a new law or amendment to legislation or a court decision or judgment;
and
- (b) CBSL considers that special reasons exist.

2.13 Suspension, Cessation, Withdrawal, Merger or Acquisition of a Participant by another Participant

- (a) CBSL shall have the sole discretion to suspend or cease a Participant temporarily or permanently if CBSL deems in its sole opinion that the Participant, at some point, has failed to meet the qualifying

criteria prescribed by CBSL from time to time, or if the Participant is declared insolvent or its banking/ Primary Dealer licence or approval given by CBSL is revoked by CBSL or any other reason deemed appropriate by CBSL.

- (b) A Participant may opt to withdraw from the LankaSettle System or amalgamate with another Participant or make arrangements on acquiring the business from another Participant, provided that the prior approval has been given by CBSL for such arrangements.
- (c) In any of the above mentioned events, CBSL shall, as appropriate, direct the respective Participant to surrender its rights, systems, software and any other material that relates to the LankaSettle System and the Participant shall comply with such directions.

2.13.1 Notice period for Suspension, Cessation, Withdrawal or Merger or Acquisition of a Participant by another Participant

- (a) In a suspension or cessation of a Participant by CBSL on temporary or permanent basis, the Participant being suspended or ceased shall be notified by CBSL by sending a communication to that effect electronically or by fax followed by a letter addressed to the Chief Executive Officer (CEO) or an officer in the same capacity of the Participant immediately. The notice shall be deemed delivered as soon as the electronic message is released or the fax is transmitted to the head office of the Participant. The other Participants and related parties shall be advised by CBSL about the suspension or cessation through a similar communication immediately.
- (b) In the event of a withdrawal or a merger of Participants or an acquisition of the business of a Participant by another Participant, all parties related to such withdrawal, merger or acquisition should obtain prior approval from CBSL. Request for the approval should be made to the Director, Payments and Settlements of CBSL 45 calendar days prior to the expected implementation date of such withdrawal, merger or acquisition.
- (c) CBSL shall notify all other Participants and related parties about the withdrawal, merger or acquisition by such Participant by giving at least 15 calendar days' notice in advance.
- (d) In an event of a revocation, of a suspension or a temporary cessation, CBSL shall notify the other Participants and related parties at least within 10 calendar days of such revocation.

2.13.2 Obligations on Suspension, Cessation, Withdrawal, Merger or Acquisition of a Participant by another Participant

- (a) In the event a Participant has been suspended, ceased or withdrawn from the LankaSettle System, all its pending payment messages shall be automatically cancelled by the system. However, the concerned Participant shall continue to have liability for effecting those payments to the related parties on time. The Participant shall also continue to remain liable for all its accrued and accruing obligations relating to the LankaSettle System.
- (b) In the event of merger or acquirement of business of a Participant by another Participant, CBSL may take actions to divert obligations of the Participant who transfers its business with respect to the LankaSettle transactions to the account of the Participant who acquires the business on a written approval of the former.
- (c) All agreements, contracts and any other binding documents with the LankaSettle System and the Participant suspended/ceased from the LankaSettle System will become expired, subject to that all the obligations mentioned in section (a) above are fulfilled.

2.13.3 Explanation and Rectification

CBSL shall, if it considers to cease a Participant, give an opportunity to such Participant of providing an explanation and undertaking rectification within a reasonable time. CBSL however, does not need to provide opportunity for explanation by the Participant in advance of cessation, if CBSL finds that it is manifestly unnecessary or there are any special reasons.

2.14 Access to System Functions

Participants are allowed to access the facilities and functions in the LankaSettle System based on their institutional status. Participants appointed as “Dealer Direct Participant” shall have access to facilities and functions related to holding and transferring Scripless Securities on its own account and on behalf of its Customers. Participants designated as “Non-Dealer Bidder” shall have access to facilities and functions related to holding and transferring Scripless Securities only on its own Account.

2.15 Inconsistency with Mandate Agreement or SWIFT

In the event of any conflict or inconsistency between the provisions of these Rules and the provisions of the Mandate Agreement, the provisions of these Rules shall prevail.

In the event that a provision in the System Rules is inconsistent with any mandatory requirements of SWIFT, the SWIFT requirement will prevail to the extent of that inconsistency.

2.16 SWIFT Documentation for Participants

The System Rules describe how Participants shall interact at business level with each other and CBSL. However, in addition to these System Rules, Participants should make reference to other documentations related the LankaSettle System and the requirements of the SWIFT system which describe interaction with both systems at operational level.

2.17 Suspension of System Rules

- (a) CBSL may suspend the validity of the System Rules in whole or part in circumstances where continued application of the System Rules would undermine the operation and stability of the system.
- (b) During a suspension of a part of the System Rules, CBSL and Participants shall attempt to continue system operations to the extent possible, in accordance with the remaining System Rules.
- (c) During the suspension of the System Rules, system operations shall be conducted as determined by CBSL following reasonable consultation with the Participants.
- (d) CBSL will restore validity of the System Rules as soon as practicable under immediate advice to the Participants.

2.18 Assignment to Third Parties

Subject to the provisions of Section 112B of the Monetary Law Act, neither CBSL nor the Participant may assign or transfer its rights or obligations to a third party under these System Rules without the prior written consent of the other party.

2.19 Confidentiality

- (a) CBSL and the Participants shall maintain confidentiality in respect of all information relating to Instructions, Account Transfers, Accounts, Participants and Customers of Participants in accordance with the applicable law.
- (b) The Participant may request and authorise CBSL to release information concerning the Participant’s activities in the system for audit purposes to such persons as the Participant may notify to CBSL.

- (c) Subject to Rule 2.19 (a) above, CBSL and each Participant may disclose or publish:
- (i) aggregate or summary data of the operation of the system;
 - (ii) educational and descriptive information about the system.
- (d) CBSL shall have the right to release information concerning any Participant’s activities in the System to the auditors of CBSL.
- (e) The Participant and CBSL acknowledge that subject to any applicable law, the release of information shall be made in the event of an order by any court of law requiring such release or if required by any provision of law.
- (f) The obligations set out in the provisions of these Rules shall continue to bind a Participant notwithstanding the termination of the Participant’s participation in the System.

3 DISCLAIMERS AND LIMITATION OF LIABILITY

3.1 Force Majeure

- (a) Neither CBSL nor the Participant will be liable for any act, omission or failure to fulfill its obligations under the System Rules if and to the extent that such act omission or failure arises from any cause reasonably beyond its control which prevents performing of its obligations under these Rules, (called a “Force Majeure Event”).

An event is not a Force Majeure Event if:

- (i) the effect of the event could have been avoided by CBSL or the Participant, as the case may be, performed its obligations under the System Rules;
 - (ii) the effect of that event could have been prevented or avoided by exercising a reasonable standard of care; or
 - (iii) it is an event for which CBSL or the Participant, as the case may be, or their respective employee or agent is directly responsible.
- (b) If CBSL or a Participant is unable to fulfill its obligations due to a Force Majeure Event, CBSL or such Participant shall immediately:
- (i) notify the other in writing of the Force Majeure Event which has resulted in its failure to fulfill its obligations, the extent to which the Force Majeure Event prevents performing of its obligations, the reasons why, and the expected duration of the Force Majeure Event; and
 - (ii) use all reasonable endeavors to avoid or remove the cause of the Force Majeure Event and perform its obligations as soon as possible and in the meantime, to mitigate the effect of such Force Majeure Event.

3.2 Limit of Liability

CBSL will not be liable for any act or failure to act in the performance of its obligations under the System Rules, nor for the consequences of such acts or omissions and will therefore, not be liable to the Participant for any loss, loss of opportunity, profit, market, goodwill, interest, expense, costs, claims, demands or other direct or indirect damages suffered or incurred by the Participant, arising out of the System Rules or the performance of them, unless such liability arises from the proven gross negligence, willful default, fraud or theft by CBSL or any of its employees or agents [in which case CBSL will be liable only for the amount of any funds lost or the value of the securities, as the case may be, from the Participant’s account as a direct result of such proven gross negligence, willful default, fraud or theft which is

not reasonably able to be recovered by the Participant (taking reasonable steps to do so without delay) and provided that the immediate cause of any such loss from the Participant's account is not due to any act or omission on the part of the Participant or any of its employees or agents].

3.3 Consequential Losses

For the avoidance of doubt, it is expressly agreed that in no event will CBSL be liable to the Participant for any indirect, special, incidental or consequential loss or damages of any kind, however arisen, (including loss of revenue or profits, lost data, business interruptions, or loss arising from errors, or breaches of security, in the Participant's own systems) even if advised of the possibility of such events.

3.4 Indemnity

The Participant shall indemnify the Monetary Board, its members, CBSL, CBSL employees and agents against all expenses, claims damages and liabilities whatsoever arising directly or indirectly from the actions or omissions of the Participant or its employees or agents (whether or not authorised by the Participant) and/or failure of the Participant to comply with the System Rules insofar as such actions or omissions affect CBSL in its capacity as operator of the System, and the Participant agrees that such indemnity shall survive any termination of the Participant's participation in the System.

3.5 Netting on Insolvency

For purposes of clause (a), Subsection (8) of Section 62A of the Monetary Law Act as amended by Monetary Law (Amendment) Act, No. 32 of 2002, if winding up proceedings have commenced in respect of a Participant, obligations incurred by such Participant to other Participants in respect of which Instructions have been entered in the System shall be netted against the obligations of other Participants to such Participant in respect of which Instructions have been entered in the System irrespective of whether such obligations have matured or not.

VOLUME 2

**REAL TIME GROSS
 SETTLEMENT SYSTEM**

(RTGS System)

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1 OPERATIONS OF THE RTGS SYSTEM

1.1 Participant Accounts

CBSL provides a Settlement Account for each participating institution in the RTGS System which provides the facility for real time Settlement of individual payments of Participants subject to the availability of funds in the paying Participant's Settlement Account.

1.2 Payment Message Communication

Communication between Participants and the LankaSettle System shall take place through SWIFT Net and CBSL Net. Every Participant of the LankaSettle System is required to obtain the membership of the SWIFT Closed User Group (CUG) administered by CBSL. Only the members of CUG can transmit payment messages to the Lanka Settle System. The message handling technology is based on the SWIFT message format and the SWIFT FIN Copy service. All messages with regard to Payment Instructions shall be entered to the system *via* SWIFT Net. The details and directions on the RTGS messaging system are given in Rule 2 of this volume.

1.3 Settlement of Payments

When Payment Instructions are entered to the System by Participants, such transactions are processed individually and in real time on gross basis. In each transaction, the Settlement is made immediately when there are sufficient funds in the Settlement Account of the paying institution to cover the transaction value, by transferring value from the Settlement Account of the payer to that of the payee. Each transaction is recorded in the System simultaneously with the debiting and crediting of the relevant accounts. However, if funds are not sufficient, the relevant payment instruction is sent to a queue, until sufficient funds are available in the paying institution's Account. The details on queue management of the RTGS System are given in Rule 6 of this volume.

1.4 Irrevocability and Finality

A payment which is settled by the RTGS System is considered as irrevocable and final when the transfer is recorded in the system. Participants cannot revoke transactions after the relevant Accounts are debited and credited according to the payment Instructions. Cancellation or refusal of a payment Instruction is not allowed to Participants after the relevant Accounts of a transaction are credited and debited through the System.

1.5 Service Hours of the System

The RTGS System is open for Settlement of payment messages, on all banking Business Days between 8.00 a.m. and 4.30 p.m. A daily operating schedule is circulated by CBSL from time to time. The daily opening hours may be temporarily changed by CBSL if there is a valid reason to do so. In such cases, CBSL will inform Participants in advance whenever possible, in a way that CBSL considers appropriate.

1.6 Participants' Connectivity to the LankaSettle System

Each Participant shall keep its links to the LankaSettle System open and have sufficient skilled staff for its operations during the time period that LankaSettle System remains open.

2 MESSAGING IN THE RTGS SYSTEM

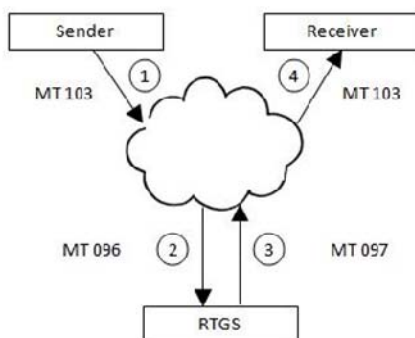
2.1 SWIFT FIN Y-Copy Service

The LankaSettle System uses the SWIFT network for the transmission of payment messages.

For the exchange of Payment Instructions, the SWIFT FIN Y-Copy Service is used. SWIFT monitors the payments traffic of Participants and directs any payment instruction designated for the LankaSettle System to the SWIFT FIN Y-Copy Service. Details required for settlements are routed to the LankaSettle System, via SWIFT messages, for processing. SWIFT holds the original Settlement Instruction, pending receipt of the authorization or rejection message

from LankaSettle System. When the payment is settled, immediate entries are made by debiting the sending participant's Settlement Account and crediting the receiving participant's Settlement Account. An authenticated message is sent to SWIFT which contains the settlement status of message by the LankaSettle System to the SWIFT Network. If the payment cannot be settled, then it gets stored in a queue in the RTGS System. SWIFT also stores the payment message until it is authorized or cancelled.

The basic message flow of processing instructions is depicted below.



2.2 SWIFT FIN

The LankaSettle System also uses the FIN network for the exchange of a limited range of non-value messages, e.g. enquiries and confirmations. Payment Instructions exchanged and settled in the RTGS System are sent using the SWIFT Net. CBSL has entered into a contract with SWIFT service for the provision of FIN Y-Copy services to support the Settlement of Payment Instructions in the system.

The SWIFT FIN Y-Copy service uses the facilities of the FIN messaging service, copying selected information to the RTGS System for Settlement authorization.

SWIFT FIN Y-Copy CUG consists of:

- CBSL as the administrator (central institution); and
- Participants

2.3 CUG Administration

CBSL administers the SWIFT FIN Y-Copy Service, including the determination of the membership of the CUG, the message types/contents to be supported by the CUG and various other aspects of the SWIFT FIN Y-Copy service.

2.4 Amendments in the SWIFT Identity

A Participant shall seek CBSL's approval prior to submitting any requests to SWIFT service for any amendment to its SWIFT identity or capabilities that may impact on its participation in the LankaSettle System.

2.5 Identifier Codes (BIC) of Participant

Each Participant shall maintain a single Bank Identifier Code (BIC) in order to carry out transactions in the LankaSettle System. This is the BIC to which payment messages should be addressed and to which all LankaSettle System payment messages are routed after the Settlements are completed in the RTGS System.

A Participant may nominate only one BIC as a destination for payment messages in the LankaSettle System.

BICs of LankaSettle Participants are published in CBSL Website.

2.6 SWIFT FIN Y-Copy Service Identifier for RTGS

A sending Participant shall include a three character Service Identifier Code in an outgoing SWIFT Payment Instruction for it to be intercepted and copied by the SWIFT Y-Copy service.

The Service Identifier Code (placed in Field 103 of the user header, or block 3) for RTGS transactions in the Lanka Settle System is **LKB**.

2.7 Message Types Accepted in CUG

The following SWIFT message types (Payment Instructions) are available for use in CUG.

MT102	Multiple Customer Credit Transfer
MT103	Single Customer Credit Transfer
MT202	General Financial Institution Transfer
MT205	Financial Institution Transfer Execution

2.8 Settlement Messages in the LankaSettle System

The SWIFT FIN Y-Copy service uses the following message types to carry out the Settlement process.

MT096	FIN Copy Message to the RTGS System
MT097	FIN Copy Message of Authorization/Refusal Notification from the RTGS System

The incoming Payment Instruction is intercepted, copied and stored pending receipt of a positive or negative response from the Lanka Settle System. SWIFT FIN Y-Copy service operates in “partial” copy mode, i.e. only some information is included in the MT096 sent to the Lanka Settle System for Settlement processing (Fields 20 and 32A being transaction reference, value date, currency code and amount) together with Header (Sender and Receiver) and Trailer.

The Lanka Settle System processes the MT096 and responds to SWIFT FIN Y-Copy with MT097.

SWIFT FIN Y-Copy forwards the successfully settled Payment Instruction (e.g. MT103) to the receiving Participant with Settlement details contained in the Header block of the message. If MT096 fails in the Lanka Settle System’s verification process, a negative MT097 (rejection response) will be returned to SWIFT FIN Y-Copy.

2.9 Abort Notification (MT019) and Abort Reason Codes

Where the RTGS System is unable to complete a Settlement of a Payment Instruction it sends a negative MT097 (rejection response) to the SWIFT FIN Y-copy service. Then the SWIFT FIN Y-Copy service sends an Abort Notification (MT019) to the sending Participant, advising the reason for the rejection.

Each reason for rejection is assigned a two-digit Abort Notification Code (**Attachment B**). This appears in Field 432 of the Abort Notification (MT019). The Abort Notification Code may be assigned by SWIFT or RTGS System depending on the reason and point in the process at which rejection is identified.

2.10 Sender Notifications (MT012)

On receipt of a positive MT097 authorization response from RTGS System, SWIFT FIN Y-Copy sends a Sender Notification (MT012) to the sending Participant.

2.11 SWIFT Charges and Reverse Billing

Each Participant shall be directly responsible to pay to SWIFT the messaging costs associated with SWIFT FIN Y-Copy treatment of Payment Instructions initiated by such Participant as per the charges determined by SWIFT service in accordance with applicable agreements.

Each Participant shall also be responsible to pay to SWIFT the messaging costs associated with Instructions initiated by such Participant to effect transactions in the Lanka Secure System.

Each Participant shall also be responsible to pay SWIFT directly the costs of messages sent to such Participant by the RTGS System and the Lanka Secure System under a “Reverse Billing” arrangement, i.e. SWIFT charges are usually levied against the sender of a SWIFT message.

3 SPECIFIC MESSAGE CONTENT REQUIREMENTS

3.1 Customer Beneficiary Identification

Customer beneficiaries of Payment Instructions are to be identified by Participants using both the account name and number.

3.2 Transaction References

Participants shall ensure that all Payment Instructions contain a reference number. This reference shall be unique within any calendar year.

3.3 Value Dates and Payments Warehousing

At the start of each day, the Lanka Settle System checks whether each stored Payment Instruction has a valid value date. If a stored Instruction has a Value Date that has already passed, it is rejected.

The Lanka Settle System is able to accept and warehouse Payment Instructions for Settlement on future Value Dates. The System accepts Payment Instructions for Settlement up to ten (10) calendar days from the current value date. Transactions with future Value Dates exceeding ten (10) calendar days in advance are rejected.

In the event that a Business Day is declared as a holiday e.g. a day on which CBSL is not open for business due to extraordinary circumstances, it is the responsibility of the Participant to cancel warehoused Payment Instructions for that Value Date or re-send them with a new Value Date.

3.4 Currency

All Lanka Settle Payment Instructions shall be denominated in Sri Lanka Rupee (LKR) and shall be settled in Sri Lanka Rupees.

3.5 Branch Identification

Each Participant, wherever possible, shall have a mechanism to identify branches of the participant at which the beneficiary accounts are domiciled.

4 INCORRECTLY PROCESSED PAYMENTS

4.1 Return of a Settled Payment which was sent in error

Sending Participants can withdraw unsettled Payment Instructions from their Settlement queues, but once a payment has been settled across the Lanka Settle Settlement Accounts, the sending Participant has no ability to recall.

In such an event, the sending Participant may request from the receiving Participant the return of the payment by facsimile or by telephone (with facsimile confirmation). The receiving Participant shall make its own assessment of whether it should comply with such a request.

4.2 Payments unable to be applied

A receiving Participant shall return to the sending Participant a received and settled payment in the event of being unable to apply the payment, i.e.

- end-beneficiary account details are inadequate or inconsistent; or
- the end-beneficiary account designated in the payment is closed.

Participants shall return such payments to the sending Participant on the same Business Day in the case of Participant-to-Participant payments (MT202 and MT205) and by the end of the next business day in the case of customer payments (MT102 and MT103).

A return payment shall be initiated as a new MT202 Participant-to-Participant Payment Instruction. The return Instruction shall also contain the reference number of the original Instruction and clearly indicate that the payment is a “Return Payment”. The returning Participant may claim from the sending Participant costs reasonably incurred in returning the payment.

5 SETTLEMENT ACCOUNT TRANSFERS

Settlement Account Transfers are debits and credits to a Participant’s Settlement Account initiated by CBSL directly. These direct account operations are undertaken for the purposes provided for in the Mandate Agreement.

Participants will receive debit and credit notifications via SWIFT (MT900 and MT910) in respect of these transactions.

6 QUEUE MANAGEMENT

6.1 Verification of Funds Availability

When the LankaSettle system receives a Payment Instruction to debit a Participant’s Settlement Account, the system verifies the relevant Settlement Account for the availability of funds. Transactions will not be processed unless there are sufficient funds in the Settlement Account at the time of verification. Availability of funds will be determined with reference to account balance as well as any other parameters set on the account, i.e. Minimum Balance Requirements and Settlement Account limit (if any).

If there are sufficient funds, the Settlement Account of the sending Participant is debited and the Settlement Account of the receiving Participant is credited as specified in the original Payment Instructions and the relevant output message is issued.

6.2 Queues

Payment Instructions for which there are insufficient funds in relevant Settlement Accounts to effect the payments are queued in the system. Queued Payment Instructions are re-checked by the system for availability of funds when such Settlement Accounts are credited with funds.

6.3 First-in-First-Out Queue Order

All Payment Instructions are queued based on the priority assigned to each transaction and re-submitted for funds availability verification on a *First-in-First-Out* (FIFO) basis within the assigned priority, i.e. all Payment Instructions of a similar priority are queued in the order in which they were received and the “oldest” transaction in each Participant’s queue is verified first for availability of funds. Only the transaction at the head of each Participant’s queue is verified for funds availability.

The FIFO order of queues can only be overridden by use of the queue management facilities described in Rule 6.4 of this volume.

6.4 Priorities Assigned to Transactions

Priorities are assigned to Payment Instructions by way of numbers in the range between 0 and 99 where zero is the highest priority and 99 is the lowest. Priorities from 0-11 and 99 are reserved for the system or for the use of CBSL. Priorities in the range 12 - 98 are available for the use of Participants.

CBSL Account Transfers are given highest priority in all situations. Intraday Liquidity Facility (ILF) transactions are accorded a high priority of 5 in order to ensure timely delivery and return of ILF funds.

If a Participant submits a Payment or Securities Instruction without a priority number, it will be accorded a default priority of 98, i.e. it will be positioned at the bottom/end of the Payment Instructions queue of the participant.

6.5 Changing the Order of Payments Already in the Queue

A sending Participant can change priorities of Payment Instructions in the queue by promoting individual payments using the Participant's Browser Interface facility.

CBSL may intervene to change the priority of a queued Payment Instruction. This would be an exceptional measure taken to clear queue blockages and resolve Settlement problems.

6.6 Cancelling Payments from the Queue

A sending Participant may cancel any of its Payment Instructions held in its queue using the Participant's Browser Interface facility.

A Participant cannot cancel a Settlement Account Transfer from its queue. Only CBSL can cancel a Settlement Account Transfer.

6.7 Gridlock Resolution

The application software of the LankaSettle System provides CBSL with tools to resolve significant backlogs of queued Payment Instructions, in its Gridlock resolution module.

This module applies an algorithm to select a sub-set of Payment Instructions, which are queued due to insufficient funds, that can be processed as a group without breaching the limits for minimum account balances, and cause to settle as a group. Payments are selected for Gridlock resolution in the order that they are queued against each Settlement Account.

Gridlock resolution is scheduled for automatic activation at set times or intervals as specified by CBSL. It can also be manually invoked by CBSL, when there is a backlog of a large volume of unsettled payment instructions.

6.8 Treatment of Unsettled Transactions at the End-of-Day

Payment Instructions with the current Business Day as the Value Date that are not settled by the end of the operating day will be rejected by the system. The sender will receive a SWIFT Message advising of the rejection.

7 INTRADAY LIQUIDITY FACILITY(ILF)

7.1 Overview

To assist Participants to meet their intra-day liquidity requirements under the RTGS System, CBSL may extend ILF to eligible Participants. ILF is available to all Dealer Direct Participants and such a Participant may carry out multiple ILF requests and reversals at its discretion within a Business Day. ILF is available to a Designated Non-Dealer Bidder only if so determined by CBSL at its sole discretion.

ILF is provided by way of Repurchase transactions and shall be fully secured by eligible securities. A Participant who is eligible for ILF shall enter into an ILF Agreement with CBSL and shall comply with Operating Instructions that are issued by CBSL from time to time.

7.2 Eligible Securities

All Scripless Treasury Bills and Scripless Treasury Bonds shall be considered as Eligible Securities for the purpose of ILF. However, CBSL may, at its sole discretion, make changes in the eligibility of securities with seven (7) calendar days prior notice to the Participants. Participants should not include any ineligible securities as their ILF collateral.

Dealer Direct Participants shall not use securities owned by their Customers as ILF collateral.

7.3 ILF Agreement

The terms and conditions applicable to ILF are more fully described in the ILF Agreement specified by CBSL and in the event of any inconsistency between these Rules and the provisions of the ILF Agreement; the provisions of the ILF Agreement shall prevail.

8 MINIMUM BALANCE REQUIREMENTS

CBSL may, at any time with reasonable notice to the Participants, impose a Minimum Balance Requirement on the Lanka Settle System. In the event of such a requirement being imposed, transactions that would reduce the balance in their Settlement Account below the stipulated minimum balance would not be settled and would be queued in the RTGS System.

9 MULTI-LATERAL NET SETTLEMENT BATCHES

9.1 Mandate to Act on Third Party Settlement Obligation Advices

Participants authorize CBSL to debit or credit their Settlement Accounts to meet their obligations under payments clearing arrangement carried out by an authorized third party clearing operator who sends debit and credit advices directly to CBSL. CBSL makes debit and credit entries in Settlement Accounts of Participants based on such advices and accepts no liability for any errors made by any third party clearing operator.

9.2 Conduct of Net Settlements over LankaSettle Settlement Accounts

A Net Settlement Batch is a set of Settlement Account Transfers involving multiple debits and credits initiated by CBSL to settle net obligations arising from the conduct of a payment or securities clearing system. The net Settlement batch arrangements of following clearing systems operated by Lanka Clear Pvt. Ltd. are currently submitted to CBSL for Settlements:

- Main Cheque Clearing
- SLIPS Clearing
- Adjustment Clearing
- Settlement Clearing

In addition, CBSL may approve any clearing Settlements at its own discretion.

The Net Settlement Batches are transferred to the system at the times indicated in the Daily Operating Schedule specified by CBSL.

9.3 Settlement Batch Suspension or Failure Due to Insufficient Funds

Participants shall ensure that there are sufficient funds in their Settlement Accounts to allow immediate processing of a Net Settlement Batch. In the event that any one or more Participants with a net clearing debit do not have sufficient funds in its/their Settlement Account/s, the entire batch will be suspended. No debits or credits will be made in a Net Settlement Batch unless all Participants with a net debit clearing figure have sufficient funds in their settlement accounts. When a Net Settlement Batch Instruction being entered into the System, CBSL shall have the right to earmark funds in a Participant's Settlement Account up to a Participant's net debit clearing figure and to withhold the processing of Instructions to debit such Settlement Account until the Batch Settlement is completed. CBSL may initiate a retry of a failed Net Settlement Batch at any time subject to other scheduled net Settlement arrangements on the RTGS System.

Each Participant shall nominate a senior officer that CBSL may contact in the event that a Net Settlement Batch is suspended as a result of insufficient funds. Upon being so informed, the Participant shall make immediate arrangements to fund its Settlement Account to enable the Settlement to be completed. It is, however, not obligatory on CBSL to

inform a Participant of insufficiency of funds and each Participant is fully responsible for ensuring the adequacy of funds in its Settlement Account.

If a Net Settlement Batch is still suspended, at the close of business, all transactions in the batch will be rejected. If a Participant defaults on more than one occasion during a period of one year, CBSL may, notwithstanding the fact that such a requirement has not been imposed on other Participants, require such Participant to maintain a stipulated minimum balance in its RTGS Settlement Account for the purpose of settling clearing balances at the stipulated times.

9.4 Default Charges for Insufficient Funds in Settlement Account

It shall be the responsibility of each Participant to ensure that sufficient funds are available in its Settlement Account at the times stipulated in the Daily Operating Schedule specified by CBSL for processing of a Net Settlement Batch until such Settlement is completed. The non-availability of sufficient funds in the Settlement Account of a Participant with a net debit clearing figure to allow the debit to be made will render the Participant liable to a default charge as follows:

Rs.100,000/= for the first hour or any part thereof;

Rs.200,000/= for the second hour or any part thereof;

An additional sum of Rs.500,000/= if the insufficiency of funds extends beyond two hours.

9.5 Calculating the Time Duration of a Default

For the purpose of calculating the default charge as shown in Rule 9.4 above, the duration of the default shall be calculated from the time that the clearing batch is first submitted for Settlement to the LankaSettle System by CBSL up to the time of the Settlement of the batch. However, if a defaulting Participant infuses sufficient funds to its Settlement Account to meet its failed payment obligation prior to the time of the Settlement of the batch and maintains such funds, in addition to meeting its other payment obligations as they become due on the RTGS System, the duration of the default shall be calculated only up to the time of the infusion of such funds to the Settlement Account by the defaulting Participant.

9.6 Debiting the Default Charge to Settlement Accounts

The default charge shall be debited by CBSL to the Settlement Account of the Participant, who was unable to maintain sufficient funds for the settlement of net settlement batch on time, on the next Business Day after the Business Day on which the default was occurred and shall be credited to CBSL. Ten per cent (10%) of each default charge so credited shall be deducted as an administrative charge by CBSL and the balance shall be available for utilization for training of bankers and shall be paid for such purpose upon an application being made by the Sri Lanka Banks' Association (Guarantee) Ltd. to CBSL in a prescribed manner, subject to the approval of the Monetary Board.

Any default charge imposed shall not be in substitution or derogation of, or preclude the exercise by CBSL or any Participant of any right or claim which CBSL or the Participant has or is entitled to in any action, suit or proceeding in a court of law arising from the failure of any Participant to settle an obligation in a Net Settlement Batch.

10 INTER-PARTICIPANT FORWARD VALUE/SAME DAY VALUE TRANSACTIONS

10.1 Forward Value Transactions

Money market and foreign exchange transactions (rupee leg) entered into between Participants for future value dates should be settled early on the respective Value Date in the LankaSettle System. Accordingly, the paying Participants should ensure the Settlement of such transactions by 10.00 a.m. on the value date.

10.2 Same Day Value Transactions

The paying Participants should ensure the Settlement of the same day value transactions for money market and foreign exchange transactions (rupee leg), in the LankaSettle System within two hours of entering such transactions into the system.

11 BUSINESS CONTINUITY AND SECURITY

The Lanka Settle System has a Disaster Recovery (DR) site located at a geographically separated place from the primary site at CBSL head office. The Business Continuity Plan (BCP) of the Lanka Settle System is regularly tested for all critical IT related systems in CBSL. In the event of a breakdown of operations at the primary site, a transfer can be made to the DR Site of the Lanka Settle System within two hours after the breakdown is announced to the Participants.

Each Participant is required to set up a DR Site and prepare a BCP document explaining all the procedures to be followed in a contingency event in order to ensure uninterrupted operations, adhering to the BCP Guidelines issued by CBSL.

VOLUME 3

The LankaSecure System

**(Scripless Securities Settlement System
and
Central Depository System)**

(SSSS and CDS)

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1 OVERVIEW

1.1 Functions and Architecture of the LankaSecure System

The LankaSecure System is an integral part of the LankaSettle System. The LankaSecure System is established and operated by CBSL in accordance with the Monetary Law Act (MLA). The LankaSecure System operates in conjunction with the RTGS System to handle following tasks:

- issue of Government Securities and CBSL Securities in electronic form (Scripless Securities);
- maintenance of a central record of ownership;
- payment of interest and maturity proceeds over the Settlement Accounts of Participants in the RTGS System;
- Settlement of security trades on a DvP basis, whereby transfer of securities and Settlement of funds only occurs if both are available in the respective Accounts of Participants;
- transfer of securities between Accounts on a Deliver Free/Receive Free basis; and
- Provision of Securities Account facilities to allow segregation of holdings according to ownership and purpose of holding.

The overall architecture of the LankaSettle System is described in Volume 1. The main elements of the LankaSecure System are:

- the Scripless Securities Settlement System (SSSS) that facilitates the Settlement of transactions in Scripless Securities;
- the Central Depository System (CDS) that records ownership (title) of Scripless Securities;
- SWIFT FIN that provides the communications network over which Securities Instructions are exchanged;
- a Browser Interface facility that provides Participants with enquiry and queue management facilities;
- CBSLNet Wide Area Network that connects the Browser Interfaces to the LankaSecure System; and
- an interface to the RTGS application which handles the payment leg of LankaSecure transactions.

1.2 Role of the Central Bank of Sri Lanka

The Central Bank of Sri Lanka performs the following roles in the LankaSecure System:

- The operator of the LankaSecure System;
- The agent of the Government of Sri Lanka to administer the issue of new securities in scripless form, conduct of Primary Auctions and payment of interest and maturity obligations on Government Securities;
- The Issuer of its own securities (Central Bank Securities) in scripless form;
- The counterparty in its own right to trades and Settlements in Scripless Securities issued by the government, particularly in respect of its conduct of Open Market Operations;
- The provider of liquidity support to Participants via the Intraday Liquidity Facility; and
- The provider of its depository facilities and the regulator of the market for Government Securities and its Participants as provided for in the Local Treasury Bills Ordinance (LTBO) and Registered Stock and Securities Ordinance (RSSO). This role includes monitoring the transactions of Participants in the LankaSecure System and the supervision of Primary Dealers and Dealer Direct Participants.

2 PARTICIPANTS AND CUSTODIAL RESPONSIBILITIES

2.1 Participants

Participation in the LankaSecure System is available to institutions appointed as “Direct Participants” by CBSL under the provisions of LTBO and RSSO. Each Participant shall enter into agreements with CBSL as mentioned in the Rule 2.8 of Volume 1. Each Participant is also required to subscribe to the SWIFT network.

The LankaSecure system is structured to operate on a single tier of membership, that is:

- access to the system is restricted to Participants.
- each Participant has a Settlement Account in the RTGS System as well as Securities Account(s) in the LankaSecure System.

In general, all Participants shall use the same system facilities. The exceptions to this generality are:

- Primary Dealers appointed under LTBO and RSSO may only use the LankaSettle System available to them to carry out transactions to support the activities they are authorised to conduct as per Regulations made under the provisions of LTBO and RSSO;
- Only Primary Dealers and other institutions appointed by CBSL as Designated Non-Dealer Bidders under LTBO and RSSO may participate in the Primary Auctions conducted for issuance of Government Securities; and
- Only institutions appointed as Dealer Direct Participants (including Primary Dealers) under LTBO and RSSO may transact in securities on behalf of others.

CBSL may restrict the availability of system functions to individual Participants or a class of Participants at its discretion.

2.2 Custodial Responsibilities

Dealer Direct Participants shall comply with applicable law, regulations and directions issued by CBSL in the conduct of their business as a Dealer Direct Participant.

Dealer Direct Participants shall act as custodians for their Customers in the LankaSecure System. This custodial role includes the following responsibilities:

2.2.1 On mandatory basis, promptly and accurately record the name, valid postal address and National Identification Number or Company Registration Number or the number of any other identification document approved by CBSL of each Customer in the LankaSecure System when the Customer obtains legal ownership of securities. A valid email address and a valid mobile number (in International Phone Number Format, e.g. 94nnnnnnnnn), shall be recorded as referred in 2.2.1.1 and 2.2.1.2 below.

2.2.1.1 It is mandatory for all Dealer Direct Participants in the LankaSecure System to obtain a written confirmation of a preferred real-time notification method from every Customer. The real-time notification method shall be recorded in the LankaSecure System as “Email”, “SMS”, “Email and SMS” or “None” (where “None” means Customers do not intend to receive notifications by either Email or SMS). Above Customer consent on real-time notification method shall be preserved for future reference.

2.2.1.2 A valid email address shall be recorded for the method of notification opted as “Email” option, a valid mobile number shall be recorded for the method of notification opted as “SMS” option and, both a valid email address and a valid mobile number shall be recorded for “Email and SMS” option.

2.2.1.3 Postal/email address will be used by the Central Depository System to send statements to Customers, and email address/mobile number will be used by the Central Depository System for real-time notification via Email/SMS of each and every debit and credit record of scripless securities carried out for each Securities Account of the LankaSecure System.

2.2.2 at any given point of time during the tenor of a Repo transaction, according to the Master Repurchase Agreement (MRA), Instructions of the Customer/ Participant and any other relevant agreements the Participant shall;

2.2.2.1 in case of Customer Repurchase (tradable) Account (RET) or Participant Repurchase (Tradable) Account (PRT) maintain sufficient security balances (by substitution or by replenishment) to match the amount invested with the market value of the securities allocated in terms of the regulations, directions, guidelines issued on Repo, Rev. Repo transactions which are in effect.

2.2.2.2. in case of Customer Repurchase (not-tradable) Account (REN) or Participant Repurchase (not-tradable) Account (PRN),

(a) replenish with adequate quantity of the same security

or,

(b) if the additional quantities of the same security is not available, replenish with adequate quantity of a similar security

to match the amount invested with the market value of the securities allocated in terms of the regulations directions guidelines issued on Repo, Rev. Repo transitions which are in effect

2.2.3 to promptly and accurately record in the LankaSecure System, ownership or any change of ownership or owner details of Securities, and in the event of a failure to record the said details, CBSL may in its sole discretion impose a charge/regulatory action on the Dealer Direct Participant as stipulated in section 2.2.4 of this volume.

2.2.4 Without prejudice to the generality of the foregoing, CBSL may take the following steps.

Frequency of Non-Compliance	<i>CBSL Action</i>
1st instance	Severe warning in writing
2nd instance	Charge Rs. 25,000/- per transaction or 1.0% of the value of the transaction (face value) whichever is higher.
3rd instance	Charge Rs. 50,000/- per transaction or 2.0% of the value of the transaction (face value) whichever is higher.
Over 3 instances	Severe regulatory action, as may be determined by CBSL including the suspension of the Dealer Direct Participant status of a Licensed Commercial Bank and suspend the Primary Dealer status of a Primary Dealer as appropriate for a period of time determined by CBSL.

2.2.4.1 The amount so charged shall be debited from the Settlement Account on the next Business Day falling after the day on which the decision for the charge is taken by CBSL and shall be credited to CBSL. If sufficient funds are not available in the Participant's Settlement Account, then Participant shall pay the non-recording transaction charges within 3 Business Days of the date of notice of the decision of CBSL;

2.2.4.2 Ten per cent (10%) of each charge so credited shall be deducted as an administrative charge of CBSL. The balance shall be available for utilization for training of the staff of banks and Primary Dealers upon an application being made by the Sri Lanka Banks' Association (Guarantee) Ltd. and/or the Association of Primary Dealers, as applicable, to CBSL, subject to the approval of the Monetary Board;

2.2.4.3 Any charge imposed for non-recording of transactions shall not be in substitution or derogation of, or preclude the exercise by CBSL of any right or claim which CBSL has or is entitled to any action, suit or proceeding in a court of law arising from the failure of any Participant to record ownership or any change of ownership or owner details of securities within its Securities holdings;

- 2.2.5 to account and make payment to their Customers of any interest or maturity proceeds due to them in accordance with directions that may be issued in this regard; and
- 2.2.6 to effect transactions on behalf of their Customers in accordance with Instructions received from Customers, provided that such transactions are legal and do not place the Participant in breach of these System Rules.

Dealer Direct Participants shall comply strictly with Instructions of a Customer in transferring Customer securities.

3 SCRIPLESS SECURITIES

3.1 Legislative Authority to Issue Securities in Scripless Form

Scripless Treasury Bills and Scripless Treasury Bonds held in the LankaSecure System are issued in terms of the provisions of LTBO and RSSO, respectively. In addition, CBSL may issue its own Scripless Securities in terms of MLA.

3.2 Securities Held in the LankaSecure System

Treasury Bills, Treasury Bonds or any other Securities issued under LTBO and RSSO and Central Bank Securities issued under MLA in scripless form are held in the LankaSecure System.

3.2.1 Treasury Bills

Treasury Bills are Government Securities generally issued at discount with maturity periods of 91, 182 and 364 days and are tradable instruments. Investment yields or returns are computed based on the margin between purchased price and maturity proceeds.

3.2.2 Treasury Bonds

Treasury Bonds are Government Securities initially issued with maturity periods of 2 or more years and are tradable instruments.

Treasury Bonds generally provide for semi-annual interest payments. In the case of semi-annual payments, the first interest payment date (coupon date) will be six months after the issue date (i.e. the date of commencement of a particular series and the date from which interest starts to accrue). The second interest payment date will be six months after the first interest payment date. This pattern will continue until maturity. The last interest payment date will thus fall on the maturity date. Payment of principal is made on the maturity date.

3.2.3 Central Bank Securities

Central Bank Securities are issued by CBSL under the provisions of MLA. The maturity periods of Central Bank Securities depend on the monetary policy requirement of CBSL. These Securities are tradable instruments, but are not accepted as underlying securities by CBSL for Reverse Repo arrangements.

3.3 Co-existence of Securities in Scrip Form

Government Securities were, prior to the introduction of the LankaSecure System, issued in the form of written certificates. These physical securities may be converted into scripless form via a voluntary scheme for surrender and conversion in accordance with applicable laws and regulations issued for this purpose.

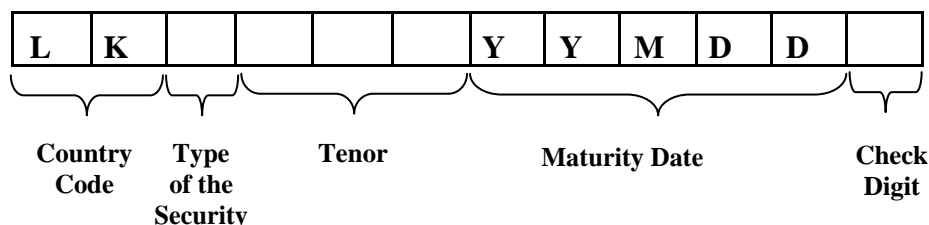
Upon conversion, these System Rules will apply to such Securities as though they had been issued in scrip form.

Issued scrip Securities that are not converted into scripless form will remain in the form of written certificates until those Securities reach maturity.

3.4 International Securities Identification Number

Each issue of Scripless Securities is uniquely identified by a number constructed according to the International Securities Identification Numbering system.

The International Securities Identification Number (ISIN) is 12 characters in length. Country Code, Type of the Security, Tenor and Maturity Date are defined within the number. The Check Digit is calculated as per ISO6166 standards.



Codes are used to define Type of the Security and Tenor. Maturity Date constitutes the last two digits of the Year (YY), Month (M) denoted by a sequential letter of the alphabet (e.g. A=January, B=February, etc. up to L=December) and the respective Date (DD) of the Month.

Type of the Security

A	Treasury Bills
B	Treasury Bonds - with coupon
C	Treasury Bonds - without coupon
D	Central Bank Securities
E	Inflation Linked Bonds

Tenor (e.g.)

091	91 days
182	182 days
364	364 days
002	2 years
003	3 years
010	10 years
030	30 years

3.5 Unit Size and Minimum Marketable Parcels

Scripless Securities are issued with face values expressed in multiples of one Sri Lanka Rupee. Trades in the LankaSecure System specify the securities to be transferred expressed in number of Units of a particular ISIN.

The minimum marketable parcel of securities for trade is one unit i.e. a face value of one Sri Lanka Rupee.

4 SECURITIES ACCOUNTS

4.1 Account Definition and Structure

The LankaSecure System establishes Securities Accounts on receipt of Securities Instructions that specify valid account criteria. Individual Accounts are defined in the LankaSecure System using four criteria:

- Participant
- Account Type
- Beneficial Owner (if applicable)
- ISIN

Securities Accounts are created automatically by the LankaSecure System based on the information contained in each Securities Settlement Instruction as required, according to the criteria above. A separate Securities Account is created for each unique incidence of this combination of criteria.

A Securities Account maintained by a Participant is potentially made up of many individual Securities Accounts under its control. Accounts which have Beneficial Owner recorded are for securities held in custody on behalf of a Customer. Accounts that have no Beneficial Owner recorded are for securities owned by the Participant itself, its “Own” accounts.

4.2 Account Types Available in the LankaSecure System

The following Account Types are used in the LankaSecure System. CBSL may, at its discretion, restrict the Account Types that may be available to any Participant or category of Participants as well as the transaction types that may be applied to each Account Type.

Account Type	Code	Purpose
Participant's/ CBSL's Own Account	OWN	Holds Scripless Securities owned by the Participant/CBSL – ["Trading" and "Investment" portfolios of the Participant shall be held under this account with ownership labelled as "Trading" and "Investment", respectively].
ILF Account	ILF	Holds Government Securities, in the case of Participants, to be transferred to CBSL as collateral for ILF, and, in the case of CBSL, transferred by the Participants to CBSL as collateral for ILF.
Pledged Account	PLG	Holds Scripless Securities that have been Pledged, as per the Scripless Treasury Bonds (Transactions) Regulations No. 2 of 2004 and Scripless Treasury Bills (Transactions) Regulations No. 2 of 2004.
Customer Account (Resident)	CSL	Holds Scripless Securities owned by a “Person Resident in Sri Lanka”, Customer of a Participant. The account is created by specifying a resident owner in securities transactions. This Account Type is available only to Dealer Direct Participants.
Customer Account (Non-Resident)	CSF	Holds Scripless Securities owned by a “Person Resident outside Sri Lanka”. The account is created by specifying a non-resident owner in securities transactions. This Account Type is available only to Dealer Direct Participants.
Sri Lankan Diaspora and Migrant Workforce Account	CFD	Holds Scripless Securities issued under the Special Scheme for Sri Lankan Diaspora and Migrant Workforce, including Customers who hold dual citizenship.

Account Type	Code	Purpose
Participant Repurchase (Tradable) Account	PRT	Holds Scripless Securities that are transferred by a Participant to another Participant under a Repurchase Agreement, that are to be returned at a future date under the terms of such agreement. Securities in this account are tradable. [Refer to special guidelines on recording of a repurchase transaction between two Participants Rule 4.3 of this volume]
Participant Repurchase (Non-tradable) Account	PRN	Holds Scripless Securities that are transferred by a Participant to another Participant under a Repurchase Agreement, that are to be returned at a future date under the terms of such agreement. Securities in this account cannot be traded. [Refer to special guidelines on recording of a Repurchase transaction between two Participants – Rule 4.3 of this volume]
Customer Repurchase (Tradable) Account	RET	Holds Scripless Securities that are transferred by a Participant to a Customer or by a Customer to another Customer under a Repurchase Agreement, that are to be returned at a future date under the terms of such agreement. Securities in this account are tradable. [Refer to special guidelines on recording of Customer Repurchase transactions – Rule 4.3 of this volume]
Customer Repurchase (Non-tradable) Account	REN	Holds Scripless Securities that are transferred by a Participant to a Customer or by a Customer to another Customer under a Repurchase Agreement, that are to be returned at a future date under the terms of such agreement. Securities in this account cannot be traded. [Refer to special guidelines on recording of Customer Repurchase transactions – Rule 4.3 of this volume]

Account Type	Code	Purpose
Customer Reverse Repurchase (Tradable) Account	RRT	Holds Scripless Securities that are transferred by a Customer to a Participant under a Reverse Repurchase Agreement, that are to be returned at a future date under the terms of such agreement. Securities in this account are tradable. [Refer to special guidelines on recording of a Customer Reverse Repurchase transaction – Rule 4.3 of this Volume]
Customer Reverse Repurchase (Non-tradable) Account	RRN	Holds Scripless Securities that are transferred by a Customer to a Participant under a Reverse Repurchase Agreement, that are to be returned at a future date under the terms of such agreement. Securities in this account cannot be traded. Securities in this account cannot be substituted. [Refer to special guidelines on recording of a Customer Reverse Repurchase transaction – Rule Customer Reverse Repurchase transaction – Rule 4.3 of this Volume]
Statutory Investment Account	STI	Holds Scripless Securities owned by a Participant in order to meet statutory requirements imposed on the Participant.
Primary Auction Purchase Account	PAP	Holds Securities purchased by Primary Dealers and Designated Non Dealer Bidder(s) at the Primary Auction/ Direct Placement, until the securities are distributed.
Scrip Form Memorandum Account	SCR	Indicates the value of outstanding Treasury Bonds issued in scrip form before February 2004. This is only a memorandum Account. Settlements are done outside the LankaSecure System.
Domestic Operations Overnight Repurchase Account	DOP	Holds Scripless Securities transferred to a Participant by CBSL under a Repurchase Agreement that are to be returned to CBSL at a future date under the terms of such agreement. Securities in this account are not tradable.
Domestic Operations Term Repurchase Account	DOT	Holds Scripless Securities transferred to a Participant by CBSL under a Term Repurchase Agreement, that are to be returned to CBSL at a future date under the terms of such agreement.

Account Type	Code	Purpose
		Securities in this account are tradable if respective terms and conditions of such Agreement permit.
Domestic Operations Reverse Repurchase Account	DRP	Holds Scripless Securities transferred to CBSL by a Participant under a Reverse Repurchase Agreement, that are to be returned to the Participant at a future date under the terms of such agreement.
Domestic Operations Term Reverse Repurchase Account	DRT	Holds Scripless Securities transferred to CBSL by a Participant under a Term Reverse Repurchase Agreement that are to be returned to the Participant at a future date under the terms of such agreement.
Domestic Operations Borrowings Account	DOB	Holds Scripless Securities borrowed by CBSL from the Participants for the purpose of carrying out Open Market Operations.
EPF Retired Workers Account	EPF	Holds Scripless Securities owned by retired members of Employees’ Provident Fund, issued under the Special Scheme for the Issuance of Government Securities for the Members of Employees’ Provident Fund at their Retirement.

4.3 Special Guidelines on Recording Repurchase and Reverse Repurchase Transactions

4.3.1 Repurchase Transaction between two Participants

Account Type	Trade	Interpretation of the Trade	Guidelines on Recording the Transaction
PRT	Inter - Participant Repurchase Transaction (Tradable)	<p style="text-align: center;">Participant A Participant B</p>	<p style="text-align: center;">Participant B</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">(PRT)</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">*BIC of Participant A</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">Holding (ISIN, Face value)</p> <p>The Participant who receives securities (Participant B) shall record such securities (ISIN and Face Value) under the “PRT” account with the BIC code of the seller (Participant A) of securities recorded as the beneficial owner code.</p>
PRN	Inter - Participant Repurchase Transaction (Non-tradable)	<p style="text-align: center;">Participant A Participant B</p>	<p style="text-align: center;">Participant B</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">(PRN)</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">*BIC of Participant A</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">Holding (ISIN, Face value)</p> <p>The Participant who receives securities (Participant B) shall record such securities (ISIN and Face Value) under the “PRN” account with the BIC code of the seller (Participant A) of securities recorded as the beneficial owner code.</p> <p>Securities in this account are non-tradable.</p>

*BIC- SWIFT network bank identifier code

4.3.2 Repurchase Transaction between two Customers of two different Participants

Account Type	Trade	Interpretation of the Trade	Guidelines on Recording the Transaction
RET	Inter - Participant customer Repurchase Transaction (Tradable)	<p>Participant A (Customer X) → Securities → Participant B (Customer Y) ← Funds ←</p>	<p>Participant B</p> <p>↓</p> <p>RET</p> <p>↓</p> <p>Customer Y Code</p> <p>↓</p> <p>Holding (ISIN, Face value)</p> <p>The Participant B shall record securities (ISIN and Face Value) under the “RET” account with the customer code assigned to Customer Y recorded as the beneficial owner code.</p>
REN	Inter - Participant Customer Repurchase Transaction (Non-tradable)	<p>Participant A (Customer X) → Securities → Participant B (Customer Y) ← Funds ←</p>	<p>Participant B</p> <p>↓</p> <p>REN</p> <p>↓</p> <p>Customer Y Code</p> <p>↓</p> <p>Holding (ISIN, Face value)</p> <p>The Participant B shall record securities (ISIN and Face Value) under the “REN” account with the customer code assigned to Customer Y recorded as the beneficial owner Code. Securities in this account are non-tradable.</p>

4.3.3 Repurchase Transaction between a Participant and its Customer

Account Type	Trade	Interpretation of the Trade	Guidelines on Recording the Transaction
RET	Participant - Customer Repurchase Transaction (Tradable)	<p>Participant → Securities → Customer ← Funds ←</p>	<p>Participant</p> <p>↓</p> <p>RET</p> <p>↓</p> <p>Customer Code</p> <p>↓</p> <p>Holding (ISIN, Face value)</p> <p>The Participant shall record securities (ISIN and Face Value) under the “RET” account with the customer code assigned to the particular Customer recorded as the beneficial owner code.</p>
REN	Participant - Customer Repurchase Transaction (Non-tradable)	<p>Participant → Securities → Customer ← Funds ←</p>	<p>Participant</p> <p>↓</p> <p>REN</p> <p>↓</p> <p>Customer Code</p> <p>↓</p> <p>Holding (ISIN, Face value)</p> <p>The Participant shall record securities (ISIN and Face Value) under the “REN” account with the customer code assigned to the particular Customer recorded as the beneficial owner code. Securities in this account are non-tradable.</p>

4.3.4 Reverse Repurchase Transaction between a Participant and its Customer

Account Type	Trade	Interpretation of the Trade	Guidelines on Recording the Transaction
RRT	Participant - Customer Reverse Repurchase Transaction (Tradable)		<p>Participant</p> <p>↓</p> <p>(RRT)</p> <p>↓</p> <p>Customer Code</p> <p>↓</p> <p>Holding (ISIN, Face value)</p> <p>The Participant shall record securities (ISIN and Face Value) under the “RRT” account with the customer code assigned to the particular Customer recorded as the beneficial owner code.</p>
RRN	Participant Customer Reverse Repurchase Transaction (Non-tradable)		<p>Participant</p> <p>↓</p> <p>(RRN)</p> <p>↓</p> <p>Customer Code</p> <p>↓</p> <p>Holding (ISIN, Face value)</p> <p>The Participant shall record securities (ISIN and Face Value) under the “RRN” account with the customer code assigned to the particular Customer recorded as the beneficial owner code.</p> <p>Securities in this account are non-tradable.</p>

4.3.5 Repurchase Transaction between two Customers of a Participant

Account Type	Trade	Interpretation of the Trade	Guidelines on Recording the Transaction
RET	Intra-Participant-Customer Repurchase Transaction (Tradable)		<p>Participant</p> <p>↓</p> <p>(RET)</p> <p>↓</p> <p>Customer Y Code</p> <p>↓</p> <p>Holding (ISIN, Face value)</p> <p>The Participant shall record securities (ISIN and Face Value) under the “RET” account with the customer code assigned to Customer Y recorded as the beneficial Customer owner code.</p>
REN	Intra-Participant-Customer Repurchase Transaction (Non-tradable)		<p>Participant</p> <p>↓</p> <p>(REN)</p> <p>↓</p> <p>Customer Y Code</p> <p>↓</p> <p>Holding (ISIN, Face value)</p> <p>The Participant shall record securities (ISIN and Face Value) under the “REN” account with the customer code assigned to Customer Y recorded as the beneficial owner code.</p> <p>Securities in this account are non-tradable.</p>

5 TRADE PROCESSING AND SETTLEMENT

5.1 Role of the LankaSecure System

The LankaSecure System is a depository for Government Securities and provides Settlement facilities for such securities. Therefore, trading activities are external to the system and it does not support any price discovery or trade negotiation activities. Its role is to accept Instructions in respect of completed deals and effect the transfers of securities specified therein once the relevant fund leg is settled.

5.2 Transaction Types

The LankaSecure System provides for three basic types of transactions, i.e.:

- Deliver/Receive Versus Payment
- Deliver/Receive Free
- Repositioning

A Deliver/Receive Versus Payment transaction requires transfer of both securities and funds to achieve finality. Such transaction involves a movement in the specified securities between two Participants. Each transaction under this type is two-sided, i.e. both parties to the trade shall submit a Settlement Instruction that shall be matched prior to Settlement.

A Deliver Free/Receive Free transaction requires only a movement of securities to achieve finality. There is no associated movement of funds in the System. Such transaction involves a movement in the specified securities between two Participants. Each transaction under this type is two-sided, i.e. both parties to the trade shall submit a Settlement Instruction that shall be matched prior to Settlement.

Repositioning is a Deliver Free transaction that simply moves securities between Accounts of the same Participant. There is no associated movement of funds. Each transaction under this type is one-sided and does not require Matching.

5.3 Securities Account Transfers of Participants

CBSL may debit and/or credit securities to Securities Accounts of Participants as provided for in the Mandate Agreement. These may also include debits and/or credits associated with the correction of an operational problem or error.

5.4 Messaging Procedure

The LankaSecure System uses the standard SWIFT network to exchange Securities Instructions. These messages are sent directly to the Lankasecure System. The following limits are imposed for the convenience of the Participants. Transaction messages pertaining to a Customer Repo Repositioning transaction or a Customer Outright Repositioning transaction, of value which is Rs. 5 million or below, or, any other value as may be decided by CBSL from time to time shall be transmitted to the system through CBSLNet using CSSTrades web based application provided by CBSL subject to the practices with regard to the usage of CBSLNet as reflected in the System Rules and Operating Instructions. Any Customer Repo Repositioning transaction or Customer Outright Repositioning transaction of value which is above Rs. 5 million, or any other value as may be decided by CBSL from time to time shall be transmitted using SWIFT messaging system.

5.5 SWIFT Bank Identifier Codes (BIC) of Participants

SWIFT messages on LankaSecure transactions shall be sent to a separate BIC especially established to accept LankaSecure Instructions. LankaSecure's BIC should also be used at the field "Place of Settlement" in all SWIFT messages sent to the LankaSecure System.

The BIC of the LankaSecure System is **CBCELKLS**

Securities Instructions shall be sent directly to the LankaSecure System whereas Payment Instructions shall be sent to the BIC of the receiving Participant. Each Participant is identified in the system by its SWIFT BIC. This is the same BIC that is used to identify each Participant in RTGS (A list of BIC of Participants is given in **Attachment D**).

5.6 SWIFT Message Data Requirements

LankaSecure Instructions do not utilize all the available fields contained in the SWIFT message formats. Only specific fields are read and utilized in LankaSecure processing.

5.7 Securities Instructions to Follow Agreement of Trade Terms

To ensure adequate time for trade Matching and the correction of any errors, Participants shall input Securities Instructions to the LankaSecure System as soon as practicable following agreement of trade terms with counterparties.

5.8 Forward Dated Transactions

The LankaSecure system accepts Securities Instructions for Settlement on future Value Dates and stores such Instructions until such Value Date. The system accepts Securities Instructions for up to 364 calendar days in advance of current date and Securities Instructions with future Value Dates greater than 364 calendar days in advance are rejected.

If a Securities Instruction is received by the LankaSecure System with a Value Date already passed, it is rejected by the system.

At the start of each Business Day the LankaSecure System checks stored Securities Instructions in the system to ensure that each Instruction has a valid Value Date. If a stored Securities Instruction has a Value Date that has already passed it is rejected.

In an event that a Business Day is "cancelled", e.g. a day on which CBSL is not open for business due to extraordinary circumstances, it is the responsibility of the Participant to cancel stored Securities Instructions for that Value Date or re-send them with valid new Value Dates upon unavailability of any special instructions from CBSL.

5.9 Trade Matching

The LankaSecure System performs Matching of the day of input of all Deliver/Receive against Payment and Deliver/Receive Free Instructions. The exception is "Repositioning Instructions" that require only a single Deliver Free Instruction.

Either side (buyer or seller) may input their Instruction first.

Instructions are matched by using:

1. Buyer and seller details
2. Reference Number
3. Security identifier
4. Settlement date (Value Date)
5. Quantity
6. Total Price

Each unmatched Instruction is held in the LankaSecure System until a Matching Instruction is received or until the Value Date in the Instruction becomes invalid.

5.10 Repo and Reverse Repo Transactions

Repo/Reverse Repo trades are settled in the LankaSecure System using the basic set of Instruction described in the Rule 5.2 of this Volume. Each leg of the transaction shall be entered as two separate Deliver/Receive against Payment (DvP/RvP) Instructions. The LankaSecure System does not process these Instructions differently except that extra information is used in Matching the transactions (repo/ reverse repo date and total payment value of repo/ reverse repo amount). The system recognises Repos/ Reverse Repos as a separate transaction type for enquiry and reporting purposes. A separate Account Type is used to hold securities subject to Repo.

Participants shall comply with Regulations issued under the relevant laws in respect of Repo and Reverse Repo transactions.

5.11 Cancellation of Instructions

Participants can cancel the Securities Instructions of the following status using SWIFT or Browser Interface.

- Unmatched trade Instructions and Repositioning; may be cancelled only by the originator.
- Matched trade Instructions; may only be cancelled with the consent of both parties and each party shall submit a cancellation Instruction to effect the cancellation.

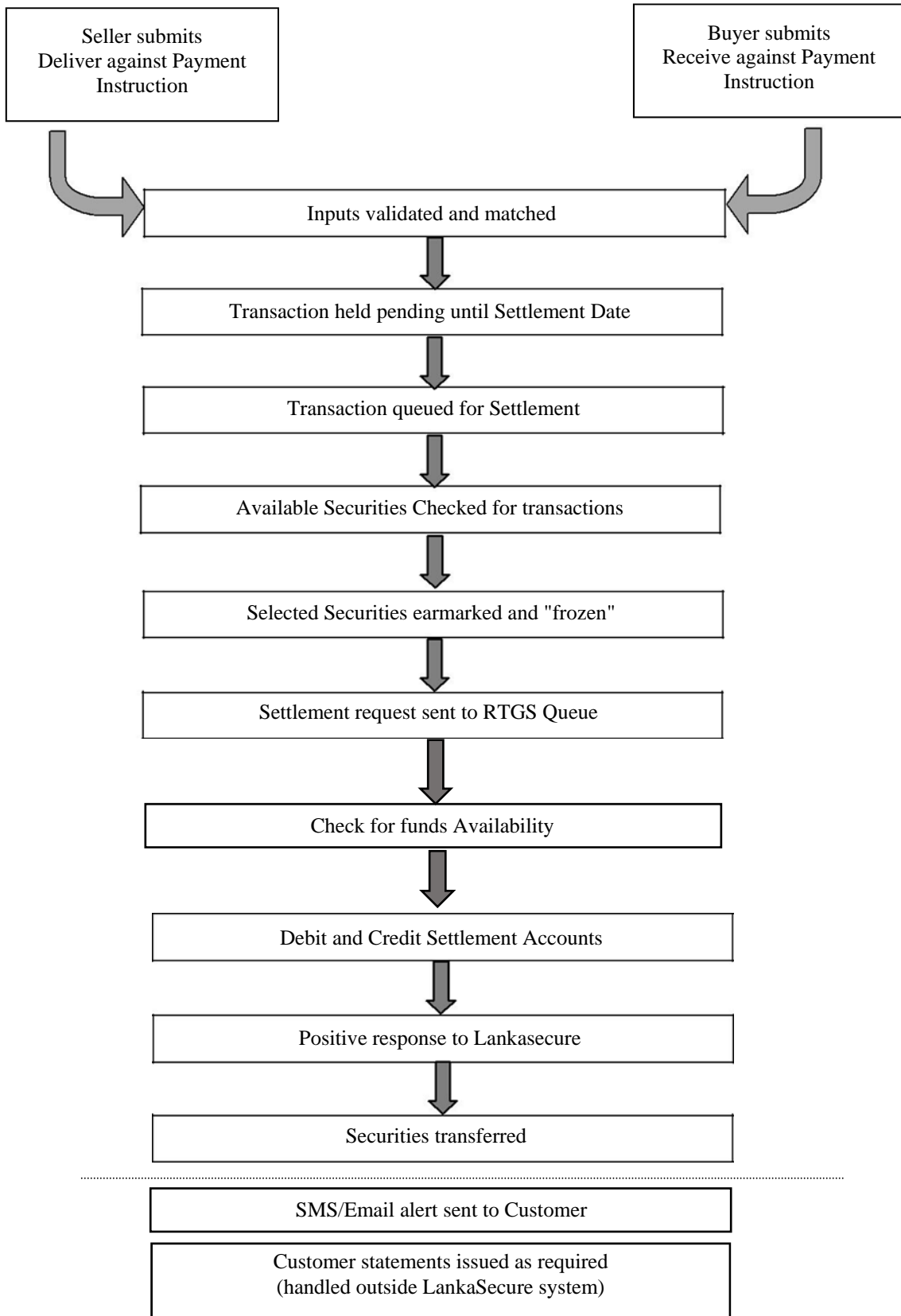
However, trades that are being settled or settled trades cannot be cancelled.

5.12 Delivery-versus-Payment Settlement Processing

Settlement of LankaSecure transactions follows the process described in the diagram shown in the next page. A Delivery/ Receive versus Payment Instruction is settled only if the securities and the funds are available in the respective Accounts in the LankaSecure System and the RTGS System, respectively.

For Deliver/Receive Free transactions, the process is similar to DvP/RvP process, except that there is no transfer of funds involved in the process of DVF/RVF.

Steps in Settlement Processing



5.13 Special Instructions on Recording Transactions

All Participants should follow the Special Instructions given below when recording Inter-Participant repurchase transactions, Customer (Corporate and Individual) repurchase/reverse repurchase and outright transactions.

Repo Description	Carrier- value (to be entered by the Participant) SWIFT (22F::SETR/xxxx)	Return Date (to be entered by the Participant)	Repo type 1st leg (auto generated by the LankaSecure System)	Message type (IMT) 1st leg (auto generated by the LankaSecure System)	Repo type 2nd leg (auto generated by the LankaSecure System)	Message Type (IMT) 2nd leg (auto generated by the LankaSecure System)
Inter- Participant – (1 st Leg) –With Auto Reversal	MT543 – REPU MT541 - RVPO	Future date	REPO	REP, RRE	REPC	RRE, REP
Inter- Participant– (1 st Leg) – With Manual Reversal Expected	MT543 – REPU MT541 - RVPO	Same as 1 st leg Settlement date	REPO	REP, RRE	N/A	N/A
Inter- Participant – (2 nd Leg) Manual Reversal	MT543 – RVPO MT541 - REPU	Same as 1 st leg Settlement date	REPC	REP, RRE	N/A	N/A
Customer- (1 st Leg) Auto Reversal	MT542 – REPU	Future date	REPO	CRE	REPC	CRR
Customer– (1 st Leg) – With Manual Reversal Expected	MT542 – REPU	Same as 1 st leg Settlement date	REPO	CRE	N/A	N/A
Customer– (2 nd Leg) – Manual Reversal	MT542- RVPO	Same as 1 st leg Settlement date	REPC	CRE	N/A	N/A
Customer– (1 st Leg) – With Auto Reversal	CSSTrades (CBSLNet- MTF)- REPO	Future date	REPO	CRE	REPC	CRR
*Customer– (1 st Leg) – With Manual Reversal Expected	CSSTrades (CBSLNet- MTF)- REPO	Same as 1 st leg Settlement date	REPO	CRE	N/A	N/A
Customer– (2 nd Leg) – Manual Reversal	CSS Trades (CBSLNet- MTF)- REPC	Same as 1 st leg Settlement date	REPC	CRR	N/A	N/A

Note: Repositioning transactions using SWIFT MT542 message type with parameter 22F::SETR// OWNI should only be used for Customer outright transactions (Sale or Purchase).

5.14 Queues in The LankaSecure System

Participants should not enter Settlement Instructions carrying volume of securities that exceed the balance of the Securities Accounts in the LankaSecure System at the time of Settlement. Securities Instructions are queued in the LankaSecure System if the securities specified in the Instruction are not available in the specified Account.

The queue is arranged by priority status within Settlement date. Within priority, the queue is arranged on date and time of Matching, or date and time of input for single-sided Instructions.

Participants acknowledge that this ordering may be overridden by the operation of queue clearance facilities such as Gridlock Resolution, direct CBSL re-prioritisation of individual transactions, and default priorities assigned to particular transaction types. All Securities Instructions are subject to queuing according to the priority given by participants who may adjust the priority of Securities Instructions either on or before the Value Date. Adjustments are made using the Browser Interface facilities.

Priorities are assigned by way of numbers in the range between 0 and 99 where zero is the highest priority and 99 the lowest. Priorities in the range 12 to 98 are available for Participants. Priorities 0-11 and 99 are reserved for the System or CBSL as the operator of the System. For instance, ILF transactions are accorded a high priority of 5 to ensure timely delivery and return of ILF funds.

If a Participant submits a Payment Instruction or Securities Instruction without a priority number, it will be accorded a System default priority of 98, i.e. it is sent to the back of the Participant's queue.

5.15 Gridlock Resolution in the LankaSecure System

In addition to the Gridlock resolution facilities available in the RTGS System that work to resolve queues of Payment Instructions awaiting funds Settlement, the LankaSecure System also has Gridlock resolution facilities to resolve queues of Settlement Instructions.

In the LankaSecure System Gridlock resolution activates at regular intervals. The process identifies groups of Instructions that are held up because of the order in which they are sequenced for Settlement. Gridlock resolution overrides the sequencing within an assigned priority and retries the Settlement process. In this process RTGS and DvP disciplines are applied by the system, and therefore, neither Securities Accounts nor Settlement Accounts are overdrawn in the process.

Participants acknowledge that the original ordering of payments may be overridden in this process.

5.16 Treatment of Unsettled LankaSecure Transactions at Day End

Unsettled Settlement Instructions are rejected by the System at the close of business of the relevant value dates. In such transaction rejections, SWIFT messages are issued to the parties advising of the rejection.

6 PRIMARY AUCTIONS

6.1 Interaction of the Lankasecure System with the Primary Auction System

CBSL may issue guidelines to govern the conduct of Primary Auctions.

The LankaSecure System does not support the processes of tender acceptance and securities allocation at the Primary Auctions. Therefore, CBSL maintains separate Auction systems to support these processes. However, all financial obligations arising from Primary Auctions should be settled through the Settlement Accounts in RTGS System.

The LankaSecure System transfers Scripless Securities to successful bidders' OWN account after the payment debited to their Settlement Accounts in RTGS System.

Auction dates and corresponding Settlement dates are announced by CBSL outside the LankaSecure System.

6.2 Primary Auction Settlement

Primary Auctions are settled in accordance with the daily Operating Schedule in Rule 1.2 of Volume 4 on the date announced by CBSL.

If a Participant's account in RTGS System does not have sufficient funds to cover its settlement obligation, at the time of settlement, securities will not be transferred to the Participant's ownership. Rule 6.3 of this Volume describes the procedure that will apply in the event of a deficiency of funds in the Primary Auction Settlement.

6.3 Primary Auction Settlement Failure

In the event a Participant does not have sufficient funds in the Settlement Account in RTGS to settle the Primary Auction Purchases, the transactions will be queued. Participants will be given time up to 1300 hours of the date of settlement to fund their RTGS Settlement Account and settle their transactions.

If the transaction remains unsettled at 1300 hours of the respective day, the Participant will be deemed to have failed in meeting the Primary Auction obligations. The transaction will be cancelled and the Government of Sri Lanka, will be informed of the under dishonouring.

Non-payment by a bidder of an accepted tender of its Settlement obligations will result in such bidder becoming liable to sanctions as may be imposed under applicable written law.

7 MATURITIES

7.1 Maturity Payment Processing

Maturity proceeds are payable on the date of maturity.

Maturity payment is generated automatically on the Business Day immediately preceding the date of maturity after the System closes for the business at the time stipulated in the Daily Operating Schedule specified by CBSL and the payments will be credited to the respective settlement account in RTGS on the date of maturity.

Maturity proceeds are paid to the customer only through a Participant. On the date of maturity, a single payment is made to the Settlement Account of each Participant in the RTGS System. This single payment includes maturity proceeds of the Participant's Own securities as well as its customers' securities in the case of a Dealer Direct Participant.

The Browser Interface facility provides details of each individual maturity payment included in such single payment. (Report on individual maturity payments can be generated through Browser Interface).

7.2 Securities with the Call Option

The Government may reserve the option for early redemption of securities at the time of issue in accordance with applicable law. CBSL will advise holders in advance of any such early redemption.

7.3 Maturity Dates Falling on a Bank Holiday

When a maturity date falls on a Bank holiday different rules apply for Treasury Bills and Treasury Bonds.

For Treasury Bills, if the date of maturity falls on a Bank holiday, the payment will be made on the Business Day immediately preceding the date of maturity without any adjustment to the amount of payment.

However, if the maturity of a Treasury Bill occurs on a Bank holiday falling on or after 01.01.2022, the payments will be made on the Business Day immediately following the date of maturity without any adjustment to the amount of payment.

For Treasury Bonds, if the date of maturity falls on a Bank holiday, the payment will be made on the Business Day immediately following the date of maturity without any adjustment to the amount of payment.

7.4 Duty to Apply Maturity Proceeds to the Customer

Upon receipt of maturity proceeds on behalf of a Customer, the Dealer Direct Participant shall make payment of such maturity proceeds to the Customer or any person entitled thereto in terms of applicable written law within the accepted timeframes and in accordance with directions issued by CBSL in that regard.

7.5 Inability to Apply Maturity Proceeds to the Customer

When a Participant is unable to make payment of maturity proceeds in accordance with Rule 7.4 of this Volume for reasons beyond Participant's control, such undisbursed funds shall be remitted to CBSL (to the credit of Government Securities Unclaimed Account) within the given timeframe and in accordance with the directions issued by CBSL in this regard.

The Payment Instruction pertaining to such remittance should clearly mention the reason for return and the details of the original security maturity proceeds payment.

8 INTEREST

8.1 Interest Payment Processing

Interest payments fall due on the interest payment dates specified for the series.

Interest payments are made to the owner of a scripless security only through a Participant. On the due date, a single payment is made to the Settlement Account of each Participant in RTGS. This single payment includes all interest payable on its own securities as well as its Customers' securities in the case of Dealer Direct Participants.

Browser Interface provides detailed information of each individual interest payments underlying the single payment. Report on individual interest payments can also be generated through Browser Interface.

8.2 Interest Payment Dates Falling on a Holiday

If the date of interest payment on Treasury Bonds falls on a holiday, the payment will be made on the Business Day immediately following the interest payment date without any adjustment to the amount of payment.

8.3 Payment of Interest as per the Recorded Ownership

The LankaSecure System effects interest payments to Participants according to the ownership of the security as recorded in the system at the end of the Business day prior to the interest payment date.

In the event that securities have been traded, but not yet settled and transferred in the LankaSecure System, Participants shall ensure that interest payments are made to the correct beneficiary. When the securities have been traded cum-interest (i.e. trade price) includes the upcoming interest payment) then the interest shall be passed to the new owner of the security. It is anticipated that most trades occurring just prior to an interest date would be priced cum-interest payment.

If a Participant is in any doubt as to the correct beneficiary of an interest payment, the payment shall be returned to CBSL (for credit of Government Securities Unclaimed Account) in accordance with directions, if any, issued by CBSL, with full explanatory details of the underlying transaction.

8.4 Duty to Apply Interest Payment to Customer Owner

Upon receipt of an interest payment on behalf of a Customer or any person(s) entitled thereto under any applicable written law, the Participant shall make payment of such interest to the Customer or such person(s) entitled thereto within the timeframes and in accordance with directions, if any, issued by CBSL in that regard.

8.5 Inability to Apply Interest Payment to Customer

When a Participant is unable to deliver interest payments due to a Customer or the person entitled thereto, such funds shall be remitted to CBSL (to the credit of Government Securities Unclaimed Account) within the timeframes and in accordance with directions, if any, issued by CBSL in that regard.

The Payment Instruction pertaining to such remittance should clearly mention the reason for return and the details of the original interest payment.

9 CUSTOMER STATEMENTS

9.1 Recording Customer Details

The Customer details are recorded under 3 categories as described below.

1. Owner Details		
<i>Field</i>	<i>Field Length</i>	<i>Content</i>
Owner Code	20 Characters	National Identification Number, Company Registration Number or the number of any other identification document approved by CBSL, of the Customer
Alternate Code	10 Characters	Internal Customer Reference number of holding Participant
Alternate Code 2	20 Characters	Any other information Relevant to identify the Customer
Owner Type		Beneficial owner category as per the categorization given in the Attachment C

2. Primary Contact Details		
<i>Field</i>	<i>Field Length</i>	<i>Content</i>
Name	100 Characters	Customer's Name
Address	3 lines of 35 Characters each	Customer's mailing Address
Phone Number	20 Characters	Customer's Telephone Number
Mobile Number	20 Characters	Customer's Mobile Number
Fax Number	20 Characters	Customer's Fax Number
E-Mail Address	50 Characters	Customer's E-Mail Address
Movement Settlement Notification Method	N/A	Select from options "SMS", "Email", "SMS and Email", "None"
Date of Birth	DD/MM/YYYY	Date Format

3. Alternative Contact Details		
<i>Field</i>	<i>Field Length</i>	<i>Content</i>
Name	100 Characters	Customer's Name
Address	3 lines of 35 Characters each	Customer's alternative mailing Address
Email Address	50 Characters	Customer's E-Mail Address

The primary Beneficial Owner Code is the NIC number in case of an individual, CRN in case of a company or the number of any other identification document approved by CBSL. In addition to that, the name of the investor should be recorded as appearing in the NIC/CRN/ the number of any other identification document approved by CBSL. Dealer Direct Participants are required to categorize investors according to the list given in **Attachment C**.

The information recorded by a Participant in the name, mailing address, mobile number and email address fields are used by CBSL to post statements, to send SMS and/or Email alert to the Customers of such Participant. Therefore, the Customer details including the Name, Address, Mobile Number and Email Address needs to be current and complete in order to facilitate timely delivery of statements and SMS/Email alert to customers. A Participant shall ensure that every Customer (CDS account holder) under such Participant informs such Participant immediately of any changes related to the name, address, mobile number and email address details, and it is the responsibility of the Participant to immediately amend such details in the CDS as informed by the Customer.

Participants shall ensure that above details are correct and up-to-date at all times.

9.2 Customer Statement of Holdings and Transactions

Subject to Rule 10.2 of this Volume, a statement of Securities holdings and transactions are sent directly to the Customer recorded for the relevant Securities Account in the LankaSecure System. This provides Customers with a confirmation of their holdings and transactions. The statement of holdings is provided on a semi-annual basis and the statement of transactions is provided on a monthly basis. This statement is considered as a secondary confirmation apart from the primary confirmation provided by the relevant Dealer Direct Participant.

In case of Participants, they may obtain such details directly from the LankaSecure System via SWIFT or the Browser Interface.

The Customers and the Participants may also view the details of their Securities holdings and transactions via LankaSecure Net facility by obtaining a User ID and a Password from CBSL via relevant Dealer Direct Participant.

9.3 Customer Statement of Interest and Maturity Payments

A statement of interest and maturity payments is sent directly to the Customer following interest and maturity payments. This provides Customers with the details of interest and maturity payments due to them from their Dealer Direct Participant. This statement is considered as a secondary confirmation apart from the primary confirmation provided by the relevant Dealer Direct Participant.

In case of Participants, they may obtain such details directly from the LankaSecure System via SWIFT or the Browser Interface.

The Customers and the Participants may also view the details of their interest and maturity payments via LankaSecure Net facility by obtaining a User ID and a Password from CBSL via relevant Dealer Direct Participant.

9.4 SMS (Short Message Service) / E-mail Alerts on Securities Transactions

An SMS or/and an E-mail is sent directly to the Customer following each and every movement of securities in a Customer account maintained with a Dealer Direct Participant, by the LankaSecure System in addition to the monthly transaction statements mentioned in section 9.2 above. This prompts Customers of any transaction in their account in real time basis. This SMS/E-mail alert is considered as a secondary confirmation apart from the primary confirmation provided by the relevant Dealer Direct Participant.

9.5 Incorrect Address Records

If a Customer statement is returned to CBSL undelivered or an Email alert is bounced due to incorrect Email address CBSL will require the Customer's Dealer Direct Participant to correct the details. The Participant shall immediately correct the mailing address/ Email address details held in the LankaSecure System in respect of such Customer. If the Participant is unable to provide new mailing address/ Email address details within two months' time, the address/ Email address should be deleted and replaced with the record "Unable to locate Customer". The records of attempts made by the Dealer Direct Participant to locate the customer should be maintained in respect of the customer in concern.

10 PLEDGING

10.1 Recording Pledges

A separate Account Type is available in the System to record Pledges. This Account Type can only be updated by Repositioning transactions. Participants cannot buy or sell out of this Account Type once the account has been established.

CBSL may, at its discretion, specify that certain types of securities may not be Pledged and the LankaSecure System will enforce such restrictions depending on the requirements.

A Scripless Treasury Bill/Bond may be pledged in accordance with Scripless Treasury Bills (Transactions) Regulations No 2 of 2004 and Scripless Treasury Bonds (Transactions) Regulations No. 2 of 2004.

A pledge of a Scripless Treasury Bill/Bond shall be effected by the delivery of the Scripless Treasury Bill/Bond to the pledgee.

Subject to the paragraph below, the delivery of a Scripless Treasury Bill/Bond, shall be deemed to have been effected upon the transfer of the Scripless Treasury Bill/Bond to a Pledged Account maintained by a Dealer Direct Participant who himself is not the pledgor or pledgee, in which account the pledgor shall be recorded as the owner of the Scripless Treasury Bill/Bond.

Notwithstanding the above paragraph, if the pledgee is an Approved Credit Agency in terms of the Mortgage Act (Chapter 89), a pledge of Scripless Treasury Bill/Bond may be created as in (i) or (ii) below, and the pledgee shall be recorded as the owner of the Scripless Treasury Bill/Bond.

(i) when the Pledgee is a Direct Participant, by transferring the Scripless Treasury Bill/Bond that are subject to the Pledge, to a Pledged Account to be maintained by the Pledgee; or

(ii) when the Pledgee is not a Direct Participant, by transferring the Scripless Treasury Bill/Bond subject to the pledge to a Pledged Account to be maintained by a Dealer Direct Participant.

A separate Owner record shall be established in the system by the Participant maintaining the Pledged Account. The Pledge information is recorded in the fields normally used to record the owner's name and address.

Field	Field length	Content
OWNER	20 characters	National Identification Number, Company Registration Number or the number of any other identification document approved by CBSL, of the Customer
NAME ADDRESS	Line 1	Pledger's name (i.e. the Owner)
NAME ADDRESS	Line 2	Pledgee's name
NAME ADDRESS	Line 3	Intended date of release (DDMMYY)
NAME ADDRESS	Line 4	Status of Pledge, e.g. this line should be used if the Pledge is subject to Dispute or claim, e.g. "in default".
ALTERNATIVE OWNER CODE	20characters	Internal Customer Reference number of holding Participant

1. Owner Details		
<i>Field</i>	<i>Field Length</i>	<i>Content</i>
Owner Code	20 Characters	National Identification Number, Company Registration Number or the number of any other identification document approved by CBSL, of the Customer
Alternate Code	10 Characters	Internal Customer Reference number of holding Participant
Alternate Code 2	20 Characters	Any other information Relevant to identify the Customer
Owner Type		Beneficial owner category as per the categorization given in the Attachment C

2. Primar Contact Details		
<i>Field</i>	<i>Field Length</i>	<i>Content</i>
Name	100 Characters	Customer's Name
Address	3 lines of 35 Characters each	Customer's mailing Address
Phone Number	20 Characters	Customer's Telephone Number
Mobile Number	20 Characters	Customer's Mobile Number
Fax Number	20 Characters	Customer's Fax Number
E-Mail Address	50 Characters	Customer's E-Mail Address
Movement Settlement Notification Method	N/A	Select from options "SMS", "Email", "SMS and Email", "None"
Date of Birth	DD/MM/YYYY	Date Format
3. Alternative Contact Details		
<i>Field</i>	<i>Field Length</i>	<i>Content</i>
Name	100 Characters	Customer's Name
Address	3 lines of 35 Characters each	Customer's alternative mailing Address
Email Address	50 Characters	Customer's E-Mail Address

Interest and maturity payments of Pledged securities would be made to the Participant in whose holding the Pledged Account resides. The Participant shall disburse payments to the owner in accordance with these System Rules.

10.2 Statements and Confirmation of Pledges

Pledge information is recorded in the LankaSecure System using the fields normally reserved for mailing details. Consequently, statements will be issued to the Participant who is holding the Pledged Account. The party who receives the statement is responsible for providing statements to the Pledge parties, or, in the case of interest payments, to the owner of the respective securities.

10.3 Obligation of Participants to Enforce Pledges

Participants are responsible for enforcing and releasing Pledges in accordance with the relevant Regulations.

11 INTRADAY LIQUIDITY FACILITY

11.1 Operations of ILF

The operations of the ILF are described in Rule 7 of Volume 2. The LankaSecure System facilities are used to position securities in the ILF Accounts of Participants, i.e. through the use of Repositioning Instructions. All securities to be Pledged as collateral against ILF should be transferred (repositioned) to the ILF Account from the Participant's OWN Account.

11.2 Eligible Securities

Participants shall not use securities sold to customers or used for Repurchase transactions with Customers, or any other security which is not owned by the Participant for the purpose of ILF transactions with CBSL.

11.3 Penalties of Violation of Rules

Violation of section 11.2 above shall make Participant liable to make payments to the Central Bank in the following manner.

- (a) 2 per cent per day if the amount borrowed is up to Rs. 1,000 million.
- (b) 2.5 per cent per day if the amount so borrowed is above Rs. 1,000 million.

11.4 Participant Managed ILF Repo Creation

A Participant can initiate ILF Repos itself without the operational intervention of CBSL. ILF Repo reversals can also be done by the Participant itself, on a security wise basis for the total quantity of a security Pledged or part of the quantity of a security Pledged or total quantity of all securities Pledged, at once. This Participant managed ILF Repo creation facility is available to eligible Participants from 8.00 am to 3.45 pm. on Business Days. CBSL will initiate the final ILF Repo reversal at 4.15 pm. on each Business Day, reversing ILF Repos for all securities Pledged by all Participants.

11.4.1 Time extensions for ILF Repo creation

Participants shall ensure that all of their ILF Repo creations are completed within the given time period as in the Operating Schedule. Requests by Participants for an extension for ILF Repo creation cutoff time will be considered on a case-by-case basis.

Participants shall follow the steps given below, if there is a need for an extension ILF Repo creation cutoff time of the system;

- a) Log a request call with the help desk; and
- b) Send a written request to the Director Domestic Operations Department of CBSL before 3.30 pm of the respective business day with reasonable details in supporting the request.

CBSL will, as a general principle, only entertain a request for extension in critical circumstances.

VOLUME 4

OPERATIONS AND

ADMINISTRATION

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1 OPERATING CALENDAR AND SCHEDULE

1.1 LankaSettle Operating Day

The LankaSettle system is operated by CBSL on each and every business day of each year. Before the beginning of each year, CBSL introduces the holidays of the year to the system and Participants are able to view the operating days accordingly. Participants are able to exchange Instructions with the LankaSettle System and other LankaSettle-related messages whenever the LankaSettle System is operating.

1.2 Daily Operating Schedule

CBSL operates the LankaSettle System based on a fixed schedule during each operating day. There are discrete sessions within each Business Day of the LankaSettle System and different transactions and processes are applied during these sessions. The LankaSettle Daily Operating schedule is circulated by CBSL from time to time.

Changes to the Daily Operating schedule will be advised to the Participants through circulars and the System Rules will be amended accordingly by CBSL. In normal circumstances, Participants will be given at least 7 days prior-notice of such changes.

1.3 Ad Hoc Changes to LankaSettle Operating Sessions and Hours

Ad hoc adjustments to the operating schedule may be required from time to time to deal with unforeseen contingencies. In such event, CBSL will extend or reduce operating times and sessions at its sole discretion. Participants will be advised by CBSL of ad hoc changes as necessary.

Participants should ensure that all of their transactions of each Business Day are completed within the given time in the Operating Schedule. Requests by Participants for an extension for an operating day or session will be considered on a case-by-case basis. Participants shall follow the steps given below, if there is a need for an extension of the operating time of the system;

- a) Log a request call with the help desk; and
- b) Send a written request to the Director, Payments and Settlements Department of CBSL before 4.00 pm of the respective business day with reasonable details in supporting the request.

Participants shall not rely on obtaining an extension. CBSL will, as a general principle, only entertain a request for extension in critical circumstances.

1.4 Arrangements for Unpremeditated Special Bank Holidays

The LankaSettle System will not be open in an instance where a sudden special bank holiday is declared by the Government. In such an event, on the following Business Day after the declared bank holiday, the system will be operated for both days, i.e. the morning session for the previous business day (for declared holiday transactions) and the afternoon session for the actual day (for the next Business Day after the declared holiday).

2 TECHNICAL, SECURITY AND BACK-UP STANDARDS

2.1 Participant's Responsibility to Ensure Security of LankaSettle Operations

Both the SWIFT and the LankaSettle System provide security facilities to protect data, payment messages in transit, and to control user access. Participants are responsible for ensuring the integrity of transactions, data and user access within their own organizations.

2.2 Actual or Suspected Breaches of Security

Any actual or suspected breach of security shall be reported to CBSL immediately.

2.3 Fraudulent Activities

- (a) The Participant shall ensure that its own systems provide appropriate protection against fraudulent activities in connection with the LankaSettle System.
- (b) All actual or suspected fraudulent activities in connection with the System should be reported immediately to CBSL.

Each Participant shall provide all reasonable assistance, requested by CBSL or any other Participant to investigate and identify the source of any actual or suspected fraud.

2.4 SWIFT FIN Security and Control Arrangements

SWIFT security and control arrangements are described in the SWIFT FIN Copy Service Description and in the FIN Security Guide of the SWIFT User Handbook.

CBSL does not use Relationship Management Application for LKB Close User Group (CUG). RTGS has its own BIC for the receipt and dispatch of SWIFT FIN Y-Copy messages. This BIC is not used for any other purpose. Ordinary payments to and from CBSL are exchanged via CBSL's own BIC (CBCELK LX). The RTGS BIC address should, however, be used by Participants for bilateral key exchange with RTGS.

The RTGS BIC address is **CBCELKLA**.

2.5 BIC Address for the LankaSecure System

A separate BIC address is maintained for the exchange of messages between the LankaSecure System and Participants.

The LankaSecure system's BIC is **CBCELKLS**.

2.6 Relationship Management Application (RMA)

Under the RMA, Participants are required to exchange authorizations with the LankaSecure System BIC only once. New users should send a request for "authorisation to receive" to CBSL. On receipt of the request, CBSL will issue an "authorisation to receive", which will enable the "authorisation to send" facility for the user. The authorisations obtained will remain active until such time either party revokes or deletes such authorisations.

2.7 LankaSettle Browser Interface Security

Participants use workstation Browser Interfaces to access the LankaSettle System through CBSLNet Wide Area Network. Browser Interfaces attached to the network supports the enquiry and queue management of the LankaSettle System.

The LankaSettle System provides access security with user-IDs, passwords and functionality limitations that may be controlled by the appropriate authority in the Participants' organizations. It is the responsibility of each Participant to establish and enforce appropriate user access, password protection and authorities within their organizations.

2.8 Browser Interface User Access Control Maintenance

CBSL assigns User Access Rights to users within Participants' organizations. Separate User Profiles established by CBSL defines the system functions that can be accessed by each user. Applications for creation, deletion or modification of User Access Rights shall be made in writing.

In the event of suspected fraud or misuse of the Browser Interface by a User, the LankaSettle Help Desk shall be immediately informed and immediate arrangements will be made for the cancellation of the user rights in question.

2.9 Integrity and Resilience

Participants are responsible for ensuring the integrity and resilience of their own internal LankaSettle processing systems and procedures. Participants shall maintain, amongst other things:

- back-up facilities and data replication;
- contingency plans;
- physical site security;
- system downtime and problem monitoring and resolution procedures;
- system capacity; and
- fraud prevention procedures;

CBSL shall be entitled at any time to conduct an inspection of the premises of a Participant with a view to determining whether internal systems, controls and procedures are adequate to ensure the integrity and resilience of their operations relating to the LankaSettle System. Participants shall advise CBSL of the current location of their primary and secondary sites.

2.10 Outsourcing or Sharing of LankaSettle Facilities

Participants shall not, without the prior consent of CBSL, enter into arrangements to outsource, share or otherwise allow third parties to access or operate their LankaSettle facilities.

3 CONTINGENCY EVENTS

3.1 Definition of a Contingency Event

A contingency event is any event that disrupts or has the potential to disrupt the normal operations of the LankaSettle System. Six main potential types of Contingency Event are envisaged:

- (i) Individual Participant Event
- (ii) SWIFT Event
- (iii) LankaSettle CBT Event
- (iv) RTGS Application Event
- (v) The LankaSecure System Application Event
- (vi) Other Contingency Events including natural disasters

Each type of event is dealt with in the following sections.

An inability to access the Central System using the LankaSettle Browser Interface facility for the purposes of enquiry, queue management or non-value message exchange, does not constitute a Contingency Event.

3.2 CBSL Disaster Recovery Facilities

CBSL maintains full Back-up facilities for the LankaSettle System and its SWIFT connections. In the event of an unrecoverable failure at the primary site, CBSL will, under advice to Participants, move LankaSettle operations to the Disaster Recovery (DR) site.

In the event that it proves necessary to move LankaSettle operations to CBSL's DR site, Participants will be advised of any action that needs to be taken. It is intended that the transition to the DR site will be largely transparent to Participants. Participants will need to establish a new Log on session from their Browser Interface or server to CBSL's DR site.

3.3 Individual Participant Event

3.3.1 Advising System Outages

If a Participant experiences any technical or operational problems that prevent it from processing payments and other LankaSettle-related messages, it shall advise CBSL within 15 minutes of becoming aware of the problem.

Participants shall immediately advise CBSL of any change in their technical and operational arrangements.

3.3.2 Advice to Other Participants

CBSL will advise other Participants at its discretion where the problem appears likely to be protracted or potentially disruptive to the overall operation of the system, e.g. close to end-of-day Cut-off.

Every other Participant shall make its own judgment as to whether to continue to send payments in favour of the disabled Participant.

3.3.3 Continued Processing of Inward Transactions

In the event of an outage in a Participant's SWIFT Computer Based Terminal (CBT) interface, the LankaSettle System will continue to process any MT096 Instructions already held or subsequently received from SWIFT Settled payments in favour of the Participant and other messages will accumulate in SWIFT pending re-establishment of communications with SWIFT.

3.3.4 Re-establishment of Computer Based Terminal (CBT) Event Connection

Participants shall attempt to re-establish their SWIFT CBT connection.

3.3.5 Manual Fund Transfers

If a Participant wishes to make any urgent payment in the RTGS System, the Participant shall request from the Director, Payments and Settlements Department (DPSD) of CBSL in writing with two authorized signatures, in the format specified by CBSL, to make the payment on behalf of the Participant. Such a written request shall reach the DPS half an hour before the stipulated cut off time for the particular business activity or the time for closure of business of the LankaSettle System.

CBSL will not take any responsibility to effect such transactions or to keep open the LankaSettle System for settling such transactions.

3.3.6 Manual Securities Transfers

If a Participant requires making any critical securities transfer in the LankaSecure System, the Participant should request from the Superintendent of Public Debt Department (SPD) of CBSL in writing as per the **format specified by CBSL**. All such securities related transactions shall be of Deliver Free (DvF) or Receive Free (RvF) type, which involves only the movement of securities. Counterparty Participants who are involved in such transaction/s should also request from SPD to transfer securities as per the **format specified by CBSL**. The Participant with the system outage should advise such counterparty Participant/s to request from SPD to transfer securities as per the **format specified by CBSL**.

SPD shall receive such written requests relating to manual transfers 45 minutes prior to the time for closure of business of the LankaSettle System. Any such request received after the stipulated time will be rejected.

CBSL will not take any responsibility in effecting such transactions or keep the LankaSettle System open for settling such transactions.

3.4 SWIFT Events

In the event of a prolonged SWIFT outage, CBSL will consult and communicate with Participants' Contacts. Participants shall remain logged onto their Browser Interfaces to receive Text Messages regarding the status of the event.

In the event that CBSL forms the view, following consultation with SWIFT and Participants, that SWIFT will not be able to restore communications for the rest of that Business Day, CBSL will announce procedures that are to be applied for the balance of the day.

In the event of a prolonged unrecoverable SWIFT Event, Participants shall use alternate means of payment exchange, e.g. manual fund transfers, manual security transfers, bank cheques, bilateral exchanges, etc. and settle on a net basis. CBSL will advise Participants of the alternate means to be applied.

3.5 LankaSettle CBT Event

In the event of a prolonged outage in the LankaSettle SWIFT Interface at both the Primary and DR sites, CBSL will consult and communicate with Participants' Contacts. Participants shall remain logged onto their Browser Interfaces to receive Text Messages regarding the status of the event.

In the event that CBSL forms the view, following consultation with SWIFT and Participants, that it will not be able to restore communications for the rest of that Business Day, CBSL will announce the procedures to be applied for the balance of the business day.

In the event of a prolonged unrecoverable LankaSettle CBT Event, Participants shall use alternate means of payment exchange, e.g. manual fund transfers, manual security transfers, bank cheques, bilateral exchanges, etc. and settle on a net basis. CBSL will advise Participants of the alternate means to be applied.

3.6 RTGS Application Event

An RTGS Application Event occurs when the LankaSettle System is unable to process transactions to Participant's Accounts. The outage will be in the RTGS Application itself rather than in its SWIFT Interface. A system event that involves both the CBT and the LankaSettle Application will be treated according to these System Rules.

In the event of a prolonged unrecoverable outage in the RTGS Application at both the Primary and DR sites, CBSL will consult and communicate with Participants.

If CBSL forms the view that it will not be able to restore RTGS operations for the rest of that operating day, CBSL will submit an emergency request to SWIFT by Authenticated Telephone Call (as per C.2.3 and P8 of the FIN Copy Service Description) requesting SWIFT to amend the RTGS CUG operating mode to "Closed". This could take up to 45 minutes from authentication of the emergency call. Once transferred to "Closed" mode, SWIFT will abort any further payment Instructions submitted by Participants with an MT019 Abort Notification.

In the event of a prolonged unrecoverable RTGS Application Event, Participants shall use alternate means of payment exchange, e.g. bank cheques, bilateral exchanges, etc. and settle on a net basis.

3.7 Contingency Event Record

Each Participant shall maintain a written record of all Contingency events and system problems. This record should include details of date, time, nature of problem, action taken to rectify and time of rectification. CBSL will review this record quarterly. Copies are to be forwarded to the LankaSettle Help Desk Supervisor.

3.8 Other Contingency Events

Other contingency events which may arise shall be dealt with on case by case basis.

In such circumstances, CBSL may take such measures as it considers necessary including:

- extend or shorten the LankaSettle operating days;
- suspend operations of the System; and
- suspend the operating procedures of the System under these System Rules.

CBSL will attempt to remain in contact with Participants and provide Instructions to restore operations.

CBSL will execute such emergency measures as are necessary to resume operations with minimum delay. Participants shall cooperate with CBSL in the execution of these measures.

3.9 Testing of Contingency Arrangements

CBSL will test its own contingency arrangements periodically. All Participants are required to cooperate and participate in this process.

Participants with their own back-up sites and systems may arrange, as necessary, with CBSL for conduct of their own contingency arrangement tests. As a minimum, CBSL should be advised of any testing that could affect a Participant's ability to operate in the system.

CBSL may require individual Participants to conduct tests of their Back-up facilities and contingency arrangements.

3.10 Contact Points

Each Participant shall nominate a first contact point for responding to enquiries or exchanging information in the event of processing problems. Each Participant shall nominate a second contact point to act in case of the unavailability of the first contact point. These shall be advised in writing to CBSL. Participants shall inform CBSL immediately in writing of any changes to Contact Point details.

3.11 Administrative Messages

Participants shall attend promptly to administrative messages sent by CBSL. CBSL will not be liable for any losses of any kind arising from a Participant's failure to receive and take appropriate action in response to such messages.

3.12 Suspension of Participant or Account

CBSL may at its discretion assign a suspended system status to a Participant or a Participant's Account. This could be used in a variety of circumstances but would typically be used in a contingency situation which requires immediate action. Temporary suspension allows CBSL to resolve any liquidity problems that may arise due to the contingency event. The suspensions may be removed as soon as the contingency situation is resolved.

3.13 Default Participant Status

CBSL may assign a Default status to a Participant. This stops all payment to and from the Participant. Unsettled transactions already in the system to or from the Participant are immediately rejected when the Participant is assigned Default status. Withdrawal of RTGS/LankaSecure facilities would occur in the circumstances described in the Mandate Agreement.

4 SYSTEM ADMINISTRATION AND USER ASSISTANCE

4.1 SWIFT User Assistance

Participants experiencing SWIFT-related problems should make use of their ordinary SWIFT Customer Support Centre facilities, in accordance with the SWIFT User Handbook

4.2 LankaSettle Help Desk

CBSL has established and maintains a LankaSettle Help Desk to assist Participants with their use of the LankaSettle System and to address any service difficulties encountered. The Help Desk is available throughout the LankaSettle Operating Day. Help Desk contact details will be updated and sent to Participants by CBSL from time to time.

5 DISPUTES BETWEEN PARTICIPANTS

CBSL shall not have any duty to determine the legality, validity or enforceability of any transaction on the System, or whether any such transaction is contractually void or voidable. To avoid Dispute, Participants shall ensure that all transactions are legally valid and enforceable. CBSL shall be entitled to regard all transactions as legal, valid and enforceable.

CBSL shall not have any duty to any Participant to reject or modify any transaction by reason of any error, omission, failure/defect, forgery, theft or any wrongful use of the System or SWIFT.

CBSL shall not have any duty to determine any claim in any Dispute between Participants or between Participants and their Customers or to make any adjustment to the operation of the System to uphold any claim.

In the event of any Dispute or difference arising between the Participants of the System, the parties to such Dispute or difference shall make every endeavour to resolve such Dispute or difference amicably through mutual discussions, negotiations or mediation. If the matter cannot be resolved amicably, it shall be resolved by way of arbitration or litigation before a Court of Law. The decision in such arbitration shall be binding on the parties.

For avoidance of doubt, this provision shall not be applied to a Dispute arising from any action taken or purported to be taken under any law by CBSL in its capacity as regulator or supervisor of a Participant.

6 SYSTEM CHANGES AND CHANGE CONTROL

6.1 Fixes, Changes and Enhancements to the System

CBSL will implement fixes, changes or enhancements to the System, if CBSL considers to be necessary to, for the following purposes:

- (a) ensure the System continues to perform as designed; or
- (b) meet any additional reasonable requirements of the Participants; or
- (c) change the functionality of the System from the level of functionality in the System on the date of commencement of live operations;

on the condition that CBSL can recoup the cost of such changes or enhancements through adjustments in the fees chargeable to the Participant or Participants as the case may be.

CBSL will use reasonable endeavors to consult with, and take due account of the views of, the Participants if a fix is required in order to ensure the System continues to perform in accordance with its design. However, CBSL will not be obliged to consult with the Participant if a fix is required urgently and any delay in effecting that fix is likely to cause major inconvenience to any Participant.

6.2 LankaSettle System Changes and Change Control

CBSL will control planned LankaSettle changes according to the following guidelines:

- CBSL will issue advices and Instructions to Participants prior to implementation of planned system changes;
- accompanying amendments to System Rules and other system documentation will be issued where appropriate; and
- any modifications will be tested prior to implementation in a production environment. Participants may be required to assist CBSL in the conduct of such testing.

6.3 SWIFT Standards Changes

CBSL will review SWIFT advance information on upcoming SWIFT applications and standards. CBSL will determine whether an upcoming change is likely to impact on LankaSettle operations. CBSL will advise Participants of these changes and advise what action will need to be taken by Participants. Participants shall implement any SWIFT changes that impact on the operations of the LankaSettle System.

7 FEES AND CHARGES

CBSL calculates fees and charges and charge these to Participants' Settlement Accounts in accordance with the Mandate Agreement. CBSL has the right to change fees and charges applicable to the LankaSettle System at its sole discretion. The revised fees and charges will be announced to the Participants at least 30 days prior to the effective date of the revision.

Charges are calculated at the end of each calendar month and debited to Participants' Settlement Accounts on the third working day of the following month.

Participants are provided with invoices providing details of the LankaSettle System charges, before debiting the respective Settlement account.

ATTACHMENTS

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ATTACHMENT A

APPOINTING PARTICIPANTS

Appointing Licensed Specialized Banks (LSBs) as Direct Participants (DPs) and Dealer Direct Participants (DDPs) in the LankaSettle System in Terms of Section 8(1) of the Local Treasury Bills Ordinance and 21C (2) of the Registered Stocks and Securities Ordinance

1. Criteria for Selection

(a) Criteria for selection of LSBs as DPs and DDPs is based on;

(i) Financial soundness of the LSB

This is measured by using two year averages of following ratios relating to applicant LSB and LSB sector average is considered as the benchmark for comparison.

- ▶ Regulatory Capital/Risk Weighted Assets(CAR)
- ▶ Gross NPL Ratio
- ▶ Net NPL Ratio
- ▶ Statutory Liquid Assets Ratio
- ▶ Return on Equity
- ▶ Return on Assets
- ▶ Staff Cost Ratio (Personal expenses/Operating expenses)
- ▶ Operating Cost to Net Income Ratio (Efficiency Ratio)

(ii) Local Rating Status

Applicant LSB should obtain a rating from an acceptable rating agency (Fitch Ratings Ltd., Lanka Rating Agency or any International Rating Agency).

(iii) Availability of Internal IT Infrastructure at a satisfactory level to the CBSL.

(iv) Availability of Business Continuity Plan for Real Time Gross Settlement (RTGS)/Scriptless Securities Settlement System (SSSS) participation and business strategy for next 5 years which are acceptable to CBSL.

(v) The ability of LSB to establish IT communication infrastructure in compliance with CBSL requirement to connect the national payment system. Following are the minimum requirements.

- ▶ SWIFT connectivity
- ▶ CBSL WIDE AREA NETWORK connectivity
- ▶ Possession of required knowledge and experience to carry out the IT related activities

(b) The Score Card method developed by CBSL on the above criteria is used to assess the eligibility of LSBs to appoint as DPs and DDPs.

(c) In addition to the criteria mentioned above, CBSL will consider the management quality of the LSB and its track record in selecting LSBs as DPs or DDPs, specifically, the operational risks and risk mitigating measures adopted by the LSBs. Specifically, the operational risks and risk mitigating measures adopted by the LSBs.

(d) However, CBSL has the discretion to consider any other necessary/relevant factors whenever it may think necessary for appointing an LSB as a DP or DDP.

(e) A Selection Committee, appointed by CBSL will assess the eligibility of LSBs as DPs and DDPs.

2. Terms and Conditions

Selected LSBs will be treated as DPs/DDPs in the RTGS and SSSS subject to the conditions set out herein.

(a) Selected LSB is provided with a Securities Settlement Account and a RTGS Settlement Account subject to rules and Regulations applicable to DPs/DDPs under Registered Stocks and Securities Ordinance (RSSO), Local Treasury Bills Ordinance (LTBO), Monetary Law Act (MLA) and LankaSettle System Rules.

(b) Selected LSB is provided with Intra-Day Liquidity Facility of CBSL subject to the terms and conditions as may be decided by CBSL from time to time.

(c) CBSL has the sole authority to supervise activities relating to RTGS and SSSS of selected LSBs in terms of LTBO, RSSO, MLA and Payment and Settlement Systems Act.

ATTACHMENT B

ABORT NOTIFICATIONS

Abort Notification Codes for Aborted Payment Messages (MT 097) in the RTGS System

Status Codes	Description
LA070	Aborted due to authentication failure
LA071	Aborted as submitting or receiving Member is unknown
LA072	Aborted on entry or when queued and the settlement status for the payment type has been set to "closed", "rejecting" or "finished" (i.e. CAS has stop accepting or processing payments of this type).
LA073	Aborted due to invalid value date
LA074	Aborted as payment entry not permitted for payments of this type.
LA075	Not used
LA076	Aborted due to participant organisation being placed in default
LA077	Duplicate payment
LA078	Invalid payment
LA079	Cancelled
LA080	Error in CAS
LA081	Invalid Format
LA082	Insufficient funds (for submitter types configured not to allow payments to queue where there are insufficient funds)
LA083	Amount is less than the minimum allowed amount for the payment message type
LA084	Non-eligible debit account
LA085	Non-eligible credit account
LA086	Rejected by AML Filter

ATTACHMENT C

INVESTOR CATEGORIZATION – BENEFICIAL OWNER TYPES

Beneficial Owner Type	Beneficial Owner Type Description
S	Single
C	Corporate
2	Joint (2)
3	Joint (3)
4	Foreign Missions
0	Central Bank
1	Employees' Provident Fund
5	Employees' Trust Fund
6	Finance Company
7	Forces
8	Govt Authority
9	Govt Board
A	Govt Corporation
B	Govt Department
D	Govt Fund
E	Govt Pension Fund
F	Gratuity Fund
G	Individual
H	Insurance Company
I	Leasing Company
J	Licensed Commercial Bank
K	Licensed Specialised Bank
L	Market Intermediary
M	Ministry
N	Money Broking Company
O	Mutual Fund
P	Other
Q	Primary Dealer
R	Private Fund
T	Private Provident Fund
U	Public Service Provident Fund
V	Savings Institution
W	Stock Broking Company
X	Unit Trust
Y	Private Institutions
Z	Society/Club/Associations

ATTACHMENT D**PARTICIPANT BIC CODES**

	Participant	BIC
1	Acuity Securities Ltd.	HNBSLKLX
2	Amana Bank Ltd.	AMNALKLX
3	Bank of Ceylon	BCEYLKLX
4	Bank of China	BKCHLKLX
5	Capital Alliance Ltd.	CALDLKLX
6	Cargills Bank Limited	CGRBLKLX
7	Central Bank of Sri Lanka	CBCELKLX
8	Central Depository Systems Ltd.	CDSPLKLC
9	Citibank N.A	CITILKLX
10	Commercial Bank of Ceylon PLC	CCEYLKLX
11	Deutsche Bank AG	DEUTLKLX
12	DFCC Vardhana Bank PLC	DFCCLKLX
13	Employees' Provident Fund	CBCELKLXEPF
14	Entrust Securities Ltd.	CSSLKLX
15	First Capital Treasuries Ltd.	FCTLLKLX
16	Habib Bank Ltd.	HABBLKLC
17	Hatton National Bank PLC	HBLILKLX
18	Hongkong and Shanghai Banking Corp.	HSBCLKLX
19	Indian Bank	IDIBLKLC
20	Indian Overseas Bank	IOBALKLC
21	MCB Bank Ltd.	MUCBLKLC
22	National Development Bank PLC	NDBSLKLX
23	Nations Trust Bank PLC	NTBCLKLX
24	NatWealth Securities Ltd.	NWSLLKLX
25	NSB Fund Management Co. Ltd.	NSBFLKLX
26	Pan Asia Banking Corporation PLC	PABSLKLX
27	People's Bank	PSBKLKLX
28	Perpetual Treasuries Limited	PPTLLKLX
29	Public Bank Berhard	PBBELKLX
30	Sampath Bank PLC	BSAMLKLX
31	Seylan Bank PLC	SEYBLKLX
32	Standard Chartered Bank PLC	SCBLLKLX
33	State Bank of India	SBINLKLX
34	Union Bank of Colombo PLC	UBCLLKLC
35	WealthTrust Securities Ltd.	WTEYLKLX