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**இலங்கை மத்திய வங்கி**  
**CENTRAL BANK OF SRI LANKA**

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உள்ளநாட்டு தொழிற்பாடுகள்  
திணைக்களம்

**Domestic Operations  
Department**

Circular No: 35/03/021/0013/ 002

05 September 2019

To: CEOs of All Standalone Primary Dealers

**Operating Instructions on Liquidity Support Facility for Standalone Primary Dealers under Open Market Operations**

This has reference to the Circular No. 35/03/016/007/001 dated 26 October 2016 on Consolidated Operating Instructions on Market Operations and the Circular No. 35/03/021/0013/001 dated 23 August 2018 on Open Market Operations (OMOs) of the Central Bank of Sri Lanka.

A Liquidity Support Facility (LSF) by way of reverse repurchase transactions is introduced by the Central Bank of Sri Lanka (CBSL) for Standalone Primary Dealers (SPDs), the companies appointed as Primary Dealers except Licensed Commercial Banks (LCBs). The LSF will be available for SPDs when the CBSL conducts overnight reverse repo auctions under the OMOs for LCBs or as decided by the CBSL.

SPDs are eligible to borrow funds under the LSF on overnight basis to fulfill daily liquidity needs with effect from 06 September 2019 and the Circular No. 35/03/021/0013/001 is repealed by this Circular. Instructions given in Clauses 8,9,13,14,15,16,17,18,20,22,24,25,26,27,28,46,47,57, 58,59, 60,61,62 and 63 of the said Consolidated Operating Instructions (COI) on Market Operations that are applicable for reverse repurchase transactions under OMOs are amended as follows and **the amended instructions are applicable only for SPDs.**

1. SPDs who intend to borrow funds under the LSF shall submit their bid/s electronically through the Online Electronic Bidding System (OEBS) by selecting the relevant auction. Such SPDs shall submit their bids together with security details, i.e. International Securities Identification Number (ISIN).
2. The auction is conducted from 11:00 hours to 11:30 hours. Each SPD is restricted to a maximum of 3 bids and the total value to the amount offered at the respective auction.
3. The floor rate of the auction under LSF shall be decided by the CBSL based on the maximum accepted bidding rate of the reverse repo auction conducted for LCBs on the same day. The applicable floor rate shall be announced via Central Integrated Market Monitor (CIMM) and OEBS before the commencement the auction for LSF. Any bid below the floor rate will not be accepted.

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4. Only in an event that a participant SPD is unable to access the OEBS due to a technical failure, such a SPD is advised to inform the same via telephone to the OMO Division of the Domestic Operations Department (DOD) before the closure of the respective auction. A letter of confirmation of deals/bids duly signed by two authorised officers shall be submitted via fax or email before the closure of the respective auction highlighting the nature of such technical failure. Each such deal/bid shall contain all relevant information to enable the DOD to enter each transaction manually. The CBSL may consider such communication as a request to enter a manual deal/bid on behalf of the SPD on the basis of the information provided by them. An incorrect or incomplete information submitted for manual entry by DOD shall result in such request being rejected by the CBSL. Bids received (by fax or email) after the stipulated cut-off times of the auction shall not be entertained under any circumstance. The original document of the request should be forwarded to Director of DOD before closure of business on the same day.

5. Once the auction is closed, no amendments shall be made to the bids placed by SPDs at the auction under any circumstance.

6. For all transactions, the minimum value of a deal/bid shall be Rupees one million (Rs. 1,000,000.00) and deals should be in multiples of Rupees one million.

7. When entering a bid at the auction, the face value of the security/securities to be allocated to the CBSL for each bid, shall be based on the CBSL official buying price/s of the respective security/securities. Such official prices are recorded in the LankaSecure System and can also be retrieved from the OEBS.

8. SPDs may assign any number of ISINs (multiple ISINs) for a given bid. If a bid involves securities carrying more than one ISIN, each such ISIN shall be treated as a separate bid at the final settlement.

9. The allotment shall be made based on the descending order of the bidding interest rates quoted by the successful bidders.

10. Allotment will be made on a 'pro-rata' basis in the event more than one successful bid at the cut off rate.

11. CBSL reserves the right to accept or reject a deal/bid of a SPD.

12. CBSL may announce the results of the auction by 12:00 hours via the OEBS and the CIMM along with details of total bids received, amount accepted, weighted average rate, maximum and minimum rate of the successful bids. Each bidder (SPD) shall be informed of the outcome (rejection, acceptance or partial acceptance of the bid/s) of the auction through the OEBS.

13. A confirmation of the auction will be issued to each successful SPDs electronically via the OEBS within one hour after the release of the results.

14. Substitution of securities submitted for LSF shall not be permitted.

15. The settlement of the transactions shall be processed on or before 13:15 hours on the same day. Payments and Settlements Department (PSD) of the CBSL shall settle the transaction by crediting the settlement account of the respective SPD for the purchase price of securities (amount accepted) against the receipt of purchased securities into the Domestic Operations Reverse Repurchase (DRP) Account of the CBSL in LankaSecure.

16. On the maturity date (date of re-purchase by the respective SPD), CBSL shall transfer the purchased securities back to the respective SPDs OWN security account at the LankaSecure, not later than 11:00 hours, against the receipt of funds into the settlement account of CBSL for the re-purchase value of the security/securities by the SPD.

17. The re-purchase value shall consist of purchase value of the securities (amount accepted) plus interest component for the respective bid. The interest component of the respective bid shall be calculated based on the amount accepted and the corresponding bidding interest rate of the SPDs for that bid for the duration of the agreement (tenure).

18. In an event that a SPD is unable to view or print the confirmation(s) referred to in the clause 13, only due to a technical failure in accessing the OEBS, PSD may send a copy of the confirmation(s) to the SPD on request via fax/email.

19. All Reverse Repo auction transactions carried out between a SPD and the CBSL in terms of the provisions set-out in this Circular are subject to the provisions of the Master Repurchase and Reverse Repurchase Agreement entered into between such SPDs and the Monetary Board of the CBSL. The terms used in these Operating Instructions shall have the same meanings assigned to them in the Master Repurchase and Reverse Repurchase Agreement.

20. If the Government declares an unscheduled bank holiday and if the maturity date in respect of any transaction falls on such holiday, any obligation of a party to such transaction arising on such day shall be fulfilled by such party on the immediately following business day.

21. All transactions will be on Delivery Versus Payment (DVP) basis.

22. Close of business shall deem to be the time specified for the close of business in the daily operating schedule in the Volume 04 of the LankaSettle System Rules Version 2.1 or its latest Version. If, ad hoc adjustments to the operating schedule are adopted by the PSD, at its sole discretion, from time to time to deal with unforeseen contingencies, the CBSL shall adjust the usual close of business time of 16:30 hours and inform the participants as required.

23. SPDs are not required to submit any settlement instructions.

#### 24. Recovery of damages:

(a) Failure of a SPD to honour a deal/bid on the settlement date

The acceptance by the CBSL of a deal/bid of a SPD is binding on the SPD and if a SPD fails to honor a deal/bid in full due to unavailability of adequate quantities of the assigned security in their OWN accounts, before the close of business of LankaSecure on the settlement date, such SPD shall be liable to pay damages to the CBSL in a sum equivalent to the interest component of the respective transaction. Such damages shall be debited from SPD's settlement account with the CBSL on the following business day.

(b) Default of a SPD on the maturity date

In the event of a SPD failing to maintain sufficient funds in its settlement account to pay the re-purchase value before the close of business of LankaSecure on the maturity date (date of re-purchase), the SPD shall be liable to pay damages to CBSL with the interest component of the respective transaction plus default interest payment calculated at a rate equivalent to one – tenth of one per centum (0.1%) of amount accepted (purchase value of securities) per day. Such damages shall be debited from SPD's settlement account with the CBSL on the next business day.

(c) Failing to honor a deal/bid or default more than once in a calendar year

In the event a SPD fails to honor a deal/bid more than once in a calendar year, such a default interest rate shall be increased by one tenth of one per centum (0.1%) of amount accepted per day on each instance, or CBSL may suspend the SPD from engaging in transactions for a period of time determined by the CBSL. Such damages shall be debited from SPD's settlement account with the CBSL on the following business day.

(d) In the event that a SPD, fails to cover damages as specified in 24 (b), (c), CBSL shall convert such transaction to an outright purchase.

25. In the event of any inconsistency or conflict between the Master Repurchase and/or Reverse Repurchase Agreement, this Circular shall prevail.

26. The CBSL reserves the right to amend, revise or vary any term and/or condition or any part thereof of the Operating Instructions of LSF with prior notice to SPDs.



**Director /Domestic Operations**