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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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பொதுப்பிடுகடன் திணைக்களம்

Public Debt Department

Ref: 08/24/031/0018/001

10 April 2013

To: All CEOs of Licensed Commercial Banks and Primary Dealers

Guidelines/Procedures to Participating Agents on the purchase and sale of Treasury bills and Treasury bonds issued by the Government of Sri Lanka to foreign investors and non-resident Sri Lankans

- (A) The following Guidelines/ Procedures which were applicable for the sale and purchase of Treasury bills and Treasury bonds issued by the Government of Sri Lanka to foreign investors and Sri Lankan Diaspora and Migrant workforce are hereby rescinded with effect from 10 April 2013
- (a) Guidelines/Procedures issued to Participating Agents on 06 May 2008 and 23 May 2008.
 - (b) Guidelines/Procedures issued to Lead Managers in respect of TIERA –D scheme on 06 January 2009
 - (c) Guidelines/Procedures issued to foreign investors on 06 May 2008 and 23 May 2008.
 - (d) Guidelines/Procedures issued to Sri Lankan Diaspora and Migrant workforce on 06 January 2009.
- (B) The guidelines and procedures which are indicated below will be applicable with effect from 10 April 2013 in respect of the purchase and sale of Treasury bills and Treasury bonds issued by the Government of Sri Lanka to foreign investors and non-resident Sri Lankans.

1. General

1.1. Eligible Investors

Only the following categories of investors are eligible to invest in Treasury bills and Treasury bonds issued by the Government of Sri Lanka:

- (a) Foreign Institutional Investors including country funds, regional funds or mutual funds.
- (b) Corporate bodies incorporated outside Sri Lanka.

(Handwritten signature)

- (c) Citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka.
- (d) Non- resident Sri Lankans.

All participating agents are required to adhere to the standard “Know Your Customer” (KYC) verification requirements, when entertaining requests for investments.

1.2. Limit on Treasury bill and Treasury bond Investment

The total investment permitted to eligible investors in Treasury bills and Treasury bonds should not exceed the threshold limit approved by the Monetary Board of the Central Bank of Sri Lanka. (Subject to the Clause 2.3 below)

1.3. Tenure of Treasury bills and Treasury bonds

Foreign investors and non-resident Sri Lankans referred to in 1.1 above (hereinafter referred to as ‘eligible investors’) are permitted to purchase or sell Treasury bills and Treasury bonds with any maturity period.

1.4. Registration

Participating agents shall be responsible for registering details of their investors at the Central Depository System (CDS) maintained by the Public Debt Department (PDD) of the Central Bank of Sri Lanka (CBSL) in terms of the LankaSettle System Rules.

CDS will issue statements containing the following to the aforementioned account holders.

- (a) A monthly statement confirming the transactions that have taken place during the month.
- (b) A semiannual statement confirming the outstanding balance held by each investor.
- (c) A monthly statement indicating the maturity proceeds/ coupon payments whenever such payments fall due.

These statements will be addressed directly to the investor, as registered in the CDS.

2. Sales Procedure

Eligible investors are permitted to purchase or sell Treasury bills and Treasury bonds issued by the Government of Sri Lanka.

- 2.1. In order to effect the transactions in accordance with instructions received from the eligible investors, participating agents shall ensure that such transactions are within the legal requirements and do not breach the System Rules applicable to LankaSettle

and any other guidelines issued by PDD and the Exchange Control Department (ECD) of CBSL.

- 2.2. Foreign exchange brought into the country for the purchase of Treasury bills and Treasury bonds and proceeds realized on a sale/maturity of Treasury bills and Treasury bonds and coupon payments or any income realized by way of capital gain shall be routed through a Rupee "SECURITIES INVESTMENT ACCOUNT (SIA)" opened or already maintained with a Licensed Commercial Bank in the name of the eligible investor.
- 2.3. Before confirmation of the sale, participating agents shall be responsible to inquire from PDD of CBSL the leeway available in the specified Treasury bill and Treasury bond limit permitted for eligible investors to invest in Treasury bills and Treasury bonds. PDD shall be informed by fax/e-mail once the deal is confirmed.
- 2.4. Participating agents shall be responsible for creating investor accounts promptly for their investors in the CDS and the transactions should be recorded according to the LankaSettle System Rules.

3. Fund Transfers

When an eligible investor buys Treasury bills and Treasury bonds from the primary market the relevant PD should remit the proceeds of the Treasury bills and Treasury bonds to CBSL's Real Time Gross Settlement System (RTGS) Account. These proceeds should be remitted from the SIA of the eligible investors. When an eligible investor purchases/sells Treasury bills and Treasury bonds in the secondary market, the investor/ participating agent shall arrange with the Licensed Commercial Bank (LCB) who maintains the SIA to transfer respective Rupee amounts to the relevant party on behalf of the investor.

4. Payment of Coupons and Maturity Proceeds

- 4.1. Maturity proceeds on Treasury bills and Treasury bonds and coupons on Treasury bonds, shall be payable in Rupees by CBSL on behalf of the Government of Sri Lanka through RTGS to the respective participating agents on respective maturity dates and coupon payment dates. Such participating agents are responsible to transfer the respective payments to SIA of the eligible investors with value of proceeds on the same day.
- 4.2. If the maturity date or the coupon payment date falls on a day which is not a business day for the banks in Sri Lanka, the payment of maturity proceeds shall be made on the business day prior to the due date in respect of a Treasury bill and the maturity proceeds and/or coupon payment shall be made on the business day after the due date in respect of a Treasury bond.

5. Repatriation

All proceeds received by sale or maturing of Treasury bills and Treasury bonds and coupon payments on Treasury bonds shall be fully repatriable.

6. Joint Holdings

Treasury bills and Treasury bonds may be held jointly by eligible investors. Payment of maturity proceeds and coupons shall be credited to SIA/SIAs of joint holders, based on the agreement between custodian bank and joint holders.

7. Tax Treatment

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

8. Other

Eligible investors are permitted to enter into derivative transactions to minimize exchange or other risks. PDD and Exchange Control Department (ECD) of CBSL shall monitor and supervise the transactions relating to these Treasury bills and Treasury bonds.

- (C) Further instructions in this regard will be issued by the Controller of Exchange or the Superintendent of Public Debt as the case may be from time to time.
- (D) In the absence of any specific guideline for any aspect of its operation, participating agents i.e., LCBs, Primary Dealers (PDs) shall comply with the currently applicable operating guidelines, procedures, system rules, regulatory provisions and directions issued by CBSL in the conduct of transactions in Treasury bills and Treasury bonds, issued to local investors. If there are no such applicable rules etc., participating agents are requested to seek clarification regarding the same from the undersigned.



N W G R D Nanayakkara
Superintendent of Public Debt
Central Bank of Sri Lanka