LANKASETTELLE
SYSTEM RULES

Issued in 01 August 2013
(incorporating amendments upto 31 March 2013)

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LANKASETTLE
SYSTEM RULES

Issued in 01 August 2013
(incorporating amendments upto 31 March 2013)

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Payments and Settlements Department
Central Bank of Sri Lanka
LankaSettle System Rules

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</tr>
</tbody>
</table>
# Table of Contents

1 SYSTEM OVERVIEW ................................................................................................................. 1

   1.1 REAL TIME GROSS SETTLEMENT SYSTEM ....................................................................... 1

   1.1.1 Settlement of Payments on Real Time Gross Settlement Basis ....................................... 1

   1.1.2 Settlement of Payments on Net Basis .............................................................................. 1

   1.2 LANKASECURE SYSTEM – SSSS AND CDS .................................................................. 1

   1.3 SYSTEM COMPONENTS ................................................................................................. 2

2 GENERAL PROVISIONS .............................................................................................................. 4

   2.1 INTERPRETATION ............................................................................................................ 4

   2.2 GOVERNING LEGISLATION ............................................................................................ 9

   2.3 PURPOSE OF THE SYSTEM RULES .............................................................................. 9

   2.4 AMENDMENTS TO THE SYSTEM RULES ..................................................................... 9

   2.5 LANGUAGE VERSIONS ..................................................................................................... 9

   2.6 ELIGIBILITY TO BE A PARTICIPANT IN THE SYSTEM .................................................. 9

   2.7 PARTICIPATION IN THE LANKASETTE SYSTEM ............................................................ 9

   2.8 PRE-REQUISITES TO BE A PARTICIPANT ..................................................................... 10

   2.9 EVALUATIONS OF REQUESTS ....................................................................................... 10

   2.10 DUTIES OF INFORMATION/NOTIFICATION ................................................................ 11

       2.10.1 Changes in Operations of Participants .................................................................... 11

       2.10.2 Disruptions in the Payments Flow .......................................................................... 11

   2.11 AUTHORIZED SIGNATORIES ....................................................................................... 11

   2.12 FEES AND CHARGES .................................................................................................... 11

       2.12.1 Notification of Determination of Fees and Charges ................................................ 11

       2.12.2 Notification of Fee Changes ................................................................................... 12

   2.13 SUSPENSION, CESSATION, WITHDRAWAL, MERGER OR ACQUISITION OF A
       PARTICIPANT BY ANOTHER PARTICIPANT .................................................................... 12

       2.13.1 Notice period for Suspension, Cessation, Withdrawal or Merger or
           Acquisition of a Participant by another Participant ...................................................... 12

       2.13.2 Obligations on Suspension, Cessation, Withdrawal, Merger or Acquisition
           of a Participant by another Participant ........................................................................ 13

       2.13.3 Explanation and Rectification .................................................................................. 13
2.14 ACCESS TO SYSTEM FUNCTIONS ................................................................. 13
2.15 INCONSISTENCY WITH MANDATE AGREEMENT OR SWIFT .......................... 14
2.16 SWIFT DOCUMENTATION FOR PARTICIPANTS ...................................... 14
2.17 SUSPENSION OF SYSTEM RULES .......................................................... 14
2.18 ASSIGNMENT TO THIRD PARTIES ........................................................... 14
2.19 CONFIDENTIALITY ...................................................................................... 14

3  DISCLAIMERS AND LIMITATION OF LIABILITY ......................................... 15
3.1 FORCE MAJEURE ......................................................................................... 15
3.2 LIMIT OF LIABILITY .................................................................................... 16
3.3 CONSEQUENTIAL LOSSES ......................................................................... 16
3.4 INDEMNITY ................................................................................................. 16
3.5 NETTING ON INSOLVENCY ......................................................................... 16
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 in the form at Schedule I to these Rules should be executed between a Participant and CBSL.

"Accounts" mean the Settlement Account 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.


“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) that 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 in the form at Schedule II 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.


"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 in the form at Schedule III (Schedule III A for Licensed Commercial Banks and Schedule III B for Primary Dealers) 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.


“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.

“PC Based PSS” means Personal Computer Based Payments and Settlements System

“PC Based SSS” means Personal Computer Based Securities Settlement System

“PC Based System” means Personal Computer Based Payments and Securities Settlement System
“Person Resident in Sri Lanka” shall have the meaning as assigned to it in the Exchange Control Act No.24 of 1953 or any other Act which replaces it.

“Person Resident Outside Sri Lanka” shall have the meaning as assigned to it in the Exchange Control Act No.24 of 1953 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 English language.

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.
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 set out in Attachment B are determined 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 authorize 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.
# Table of Contents

1 OPERATIONS OF THE RTGS SYSTEM ................................................................. 1
   1.1 PARTICIPANT ACCOUNTS ............................................................................. 1
   1.2 PAYMENT MESSAGE COMMUNICATION .................................................. 1
   1.3 SETTLEMENT OF PAYMENTS .................................................................. 1
   1.4 IRREVOCABILITY AND FINALITY ............................................................. 1
   1.5 SERVICE HOURS OF THE SYSTEM ......................................................... 1
   1.6 PARTICIPANTS’ CONNECTIVITY TO THE LANKASETTE SYSTEM .......... 2

2 MESSAGING IN THE RTGS SYSTEM ................................................................. 2
   2.1 SWIFT FIN Y-COPY SERVICE ................................................................. 2
   2.2 SWIFT FIN ............................................................................................... 3
   2.3 CUG ADMINISTRATION .......................................................................... 3
   2.4 AMENDMENTS IN THE SWIFT IDENTITY ............................................. 3
   2.5 IDENTIFIER CODES (BIC) OF PARTICIPANT .......................................... 3
   2.6 SWIFT FIN Y-COPY SERVICE IDENTIFIER FOR RTGS ..................... 3
   2.7 MESSAGE TYPES ACCEPTED IN CUG .................................................. 4
   2.8 SETTLEMENT MESSAGES IN THE LANKASETTE SYSTEM .................. 4
   2.9 ABORT NOTIFICATION (MT019) AND ABORT REASON CODES .......... 4
   2.10 SENDER NOTIFICATIONS (MT012) ..................................................... 5
   2.11 SWIFT CHARGES AND REVERSE BILLING ........................................ 5

3 SPECIFIC MESSAGE CONTENT REQUIREMENTS ........................................... 5
   3.1 CUSTOMER BENEFICIARY IDENTIFICATION ......................................... 5
   3.2 TRANSACTION REFERENCES .................................................................. 5
   3.3 VALUE DATES AND PAYMENTS WAREHOUSING ................................. 5
   3.4 CURRENCY .............................................................................................. 6
   3.5 BRANCH IDENTIFICATION ..................................................................... 6

4 INCORRECTLY PROCESSED PAYMENTS ......................................................... 6
   4.1 RETURN OF A SETTLED PAYMENT WHICH WAS SENT IN ERROR .......... 6
   4.2 PAYMENTS UNABLE TO BE APPLIED ................................................... 6

5 SETTLEMENT ACCOUNT TRANSFERS ............................................................ 6

6 QUEUE MANAGEMENT ................................................................................... 7
6.1 Verification of Funds Availability ................................................................. 7
6.2 Queues ........................................................................................................ 7
6.3 First-in-First-Out Queue Order ................................................................. 7
6.4 Priorities Assigned To Transactions .......................................................... 7
6.5 Changing the Order of Payments Already in the Queue ......................... 8
6.6 Cancelling Payments from the Queue ....................................................... 8
6.7 Gridlock Resolution .................................................................................. 8
6.8 Treatment of Unsettled Transactions at the End-of-Day ......................... 8

7 Intraday Liquidity Facility (ILF) ................................................................. 8
  7.1 Overview .................................................................................................. 8
  7.2 Eligible Securities ................................................................................... 9
  7.3 ILF Agreement ....................................................................................... 9

8 Minimum Balance Requirements ............................................................... 9

9 Multi-Lateral Net Settlement Batches .......................................................... 9
  9.1 Mandate to Act on Third Party Settlement Obligation Advices ............ 9
  9.2 Conduct of Net Settlements over LankaSettle Settlement Accounts .... 9
  9.3 Settlement Batch Suspension or Failure Due to Insufficient Funds ...... 10
  9.4 Default Charges for Insufficient Funds in Settlement Account .......... 10
  9.5 Calculating the Time Duration of a Default .......................................... 11
  9.6 Debiting the Default Charge to Settlement Accounts ......................... 11

10 Inter-Participant Forward Value/Same Day Value Transactions ............... 11
  10.1 Forward Value Transactions ................................................................. 11
  10.2 Same Day Value Transactions ............................................................... 11

11 Business Continuity and Security ............................................................ 12
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 SWIFTNet and CBSLNet. 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 LankaSettle 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 SWIFTNet. 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 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 available in the Rule 1.2 of Volume 4. The daily opening hours may be temporarily changed by CBSL if there
is a valued 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 direct 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 SWIFTNet. 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 shown in Attachment C.

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 LankaSettle System is **LKB**.

### 2.7 Message Types Accepted in CUG

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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>MT102</td>
<td>Multiple Customer Credit Transfer</td>
</tr>
<tr>
<td>MT103</td>
<td>Single Customer Credit Transfer</td>
</tr>
<tr>
<td>MT202</td>
<td>General Financial Institution Transfer</td>
</tr>
<tr>
<td>MT205</td>
<td>Financial Institution Transfer Execution</td>
</tr>
</tbody>
</table>

### 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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>MT096</td>
<td>FIN Copy Message to the RTGS System</td>
</tr>
<tr>
<td>MT097</td>
<td>FIN Copy Message of Authorization/Refusal Notification from the RTGS System</td>
</tr>
</tbody>
</table>

The incoming Payment Instruction is intercepted, copied and stored pending receipt of a positive or negative response from the LankaSettle System. SWIFT FIN Y-Copy service operates in “partial” copy mode, i.e. only some information is included in the MT096 sent to the LankaSettle 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 LankaSettle 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 LankaSettle 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 D**). 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 LankaSecure 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 LankaSecure 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 LankaSettle 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 LankaSettle 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 LankaSettle 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 account 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 LankaSettle 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 in the form at Schedule II 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 at Schedule II 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 LankaSettle 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 LankaClear Pvt. Ltd. are currently submitted to CBSL for Settlements:

- Main Cheque Clearing
- SLIPS Clearing
- Rupee Draft 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 in Rule 1.2 of Volume 4.

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 in Rule 1.2 of Volume 4 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 LankaSettle System has a Disaster Recovery (DR) site located at geographically separated place from the primary site at CBSL head office. The Business Continuity Plan (BCP) of the LankaSettle 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 LankaSettle System within four hours after the breakdown is announced to the Participants.

In addition, if the main system and the system at the DR Site are both not available, a PC Based System to operate the LankaSettle System is available. The operational mechanism with the procedure to be followed is documented under the Rule 3 of Volume 4.

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)
Table of Contents

1 OVERVIEW ....................................................................................................................... 1

1.1 FUNCTIONS AND ARCHITECTURE OF THE LANKA_SECURE SYSTEM .................. 1

1.2 ROLE OF THE CENTRAL BANK OF SRI LANKA ................................................. 2

2 PARTICIPANTS AND CUSTODIAL OBLIGATIONS ................................................. 2

2.1 PARTICIPANTS ............................................................................................................ 2

2.2 CUSTODIAL RESPONSIBILITIES ........................................................................ 3

3 SCRIPLESS SECURITIES ............................................................................................. 4

3.1 LEGISLATIVE AUTHORITY TO ISSUE SECURITIES IN SCRIPLESS FORM ........... 4

3.2 SECURITIES HELD IN THE LANKA_SECURE SYSTEM ....................................... 4

3.2.1 Treasury Bills ....................................................................................................... 5

3.2.2 Treasury Bonds ................................................................................................. 5

3.2.3 Central Bank Securities ...................................................................................... 5

3.3 CO-EXISTENCE OF SECURITIES IN SCRIP FORM .............................................. 5

3.4 INTERNATIONAL SECURITIES IDENTIFICATION NUMBER ............................... 5

3.5 UNIT SIZE AND MINIMUM MARKETABLE PARCELS ......................................... 6

4 SECURITIES ACCOUNTS ............................................................................................ 7

4.1 ACCOUNT DEFINITION AND STRUCTURE ......................................................... 7

4.2 ACCOUNT TYPES AVAILABLE IN THE LANKA_SECURE SYSTEM ................. 7

4.3 SPECIAL GUIDELINES ON RECORDING REPURCHASE AND REVERSE REPURCHASE TRANSACTIONS ......................................................................................... 10

4.3.1 Repurchase Transaction Between two Participants ........................................... 10

4.3.2 Repurchase Transaction by one Participant’s Customer with another

Participant’s Customer .................................................................................................... 11

4.3.3 Repurchase Transaction Between a Participant and its Customer .................... 11

4.3.4 Reverse Repurchase Transaction Between a Participant and its Customer .......... 12

4.3.5 Repurchase Transaction between two Customers of a Participant ................. 12

5 TRADE PROCESSING AND SETTLEMENT ............................................................. 13

5.1 ROLE OF THE LANKA_SECURE SYSTEM ......................................................... 13

5.2 TRANSACTION TYPES ......................................................................................... 13

5.3 SECURITIES ACCOUNT TRANSFERS .................................................................. 13
9.4 INCORRECT ADDRESS RECORDS ........................................................................................................................................ 24

10 PLEDGING........................................................................................................................................................................ 24
  10.1 RECORDING PLEDGES .................................................................................................................................................. 24
  10.2 STATEMENTS AND CONFIRMATION OF PLEDGES ...................................................................................................... 26
  10.3 OBLIGATION OF PARTICIPANTS TO ENFORCE PLEDGES .......................................................................................... 26

11 INTRADAY LIQUIDITY FACILITY ........................................................................................................................................ 26
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 OBLIGATIONS

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 to promptly and accurately record the name, address and National Identification Number, 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;

2.2.2 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 on the Dealer Direct Participant.

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

<table>
<thead>
<tr>
<th>Frequency of Non-compliance</th>
<th>CBSL Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st instance</td>
<td>Severe warning</td>
</tr>
<tr>
<td>2nd instance</td>
<td>Rs. 5,000/- per transaction or 0.5% of the value of the transaction (face value) whichever is higher.</td>
</tr>
<tr>
<td>3rd instance</td>
<td>Rs. 10,000/- per transaction or 1% of the value of the transaction (face value) whichever is higher.</td>
</tr>
<tr>
<td>Over 3 instances</td>
<td>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.</td>
</tr>
</tbody>
</table>
2.2.2.2 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;

2.2.2.3 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;

2.2.2.4 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;

2.2.3 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

2.2.4 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 the 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.

<table>
<thead>
<tr>
<th>Country Code</th>
<th>Type of the Security</th>
<th>Tenor</th>
<th>Maturity Date</th>
<th>Check Digit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th>A</th>
<th>Treasury Bills</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>Treasury Bonds - with coupon</td>
</tr>
<tr>
<td>C</td>
<td>Treasury Bonds - without coupon</td>
</tr>
<tr>
<td>D</td>
<td>Central Bank Securities</td>
</tr>
<tr>
<td>E</td>
<td>Inflation Linked Bonds</td>
</tr>
</tbody>
</table>

**Tenor (e.g.)**

<table>
<thead>
<tr>
<th>091</th>
<th>91 days</th>
</tr>
</thead>
<tbody>
<tr>
<td>182</td>
<td>182 days</td>
</tr>
<tr>
<td>364</td>
<td>364 days</td>
</tr>
<tr>
<td>002</td>
<td>2 years</td>
</tr>
<tr>
<td>003</td>
<td>3 years</td>
</tr>
<tr>
<td>010</td>
<td>10 years</td>
</tr>
<tr>
<td>030</td>
<td>30 years</td>
</tr>
</tbody>
</table>

### 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.

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Code</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participant’s/ CBSL’s Own Account</td>
<td>OWN</td>
<td>Holds Scripless Securities owned by the Participant/CBSL – [&quot;Trading&quot; and &quot;Investment&quot; portfolios of the Participant shall be held under this account with ownership labeled as &quot;Trading&quot; and &quot;Investment&quot;, respectively].</td>
</tr>
<tr>
<td>ILF Account</td>
<td>ILF</td>
<td>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.</td>
</tr>
<tr>
<td>Pledged Account</td>
<td>PLG</td>
<td>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.</td>
</tr>
<tr>
<td><strong>Customer Account (Resident)</strong></td>
<td>CSL</td>
<td>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.</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-----</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Customer Account (Non-Resident)</strong></td>
<td>CSF</td>
<td>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.</td>
</tr>
<tr>
<td><strong>Sri Lankan Diaspora and Migrant Workforce Account</strong></td>
<td>CFD</td>
<td>Holds Scripless Securities issued under the Special Scheme for Sri Lankan Diaspora and Migrant Workforce, including Customers who hold dual citizenship.</td>
</tr>
<tr>
<td><strong>Participant Repurchase (Tradable) Account</strong></td>
<td>PRT</td>
<td>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.</td>
</tr>
<tr>
<td><strong>Participant Repurchase (Non-tradable) Account</strong></td>
<td>PRN</td>
<td>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.</td>
</tr>
<tr>
<td><strong>Customer Repurchase (Tradable) Account</strong></td>
<td>RET</td>
<td>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.</td>
</tr>
<tr>
<td><strong>Customer Repurchase (Non-tradable) Account</strong></td>
<td>REN</td>
<td>Holds Scripless Securities that are transferred by a Participant to a Customer or by a Customer to another Customer under a Repurchase Agreement,</td>
</tr>
</tbody>
</table>

---

[Refer to special guidelines on recording of a repurchase transaction between two Participants – Rule 4.3 of this volume]
<table>
<thead>
<tr>
<th>Account Type</th>
<th>Symbol</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Reverse Repurchase ( Tradable) Account</td>
<td>RRT</td>
<td>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</td>
</tr>
<tr>
<td>Customer Reverse Repurchase (Non-tradable) Account</td>
<td>RRN</td>
<td>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. Refer to special guidelines on recording of a Customer Reverse Repurchase transaction – Rule 4.3 of this Volume</td>
</tr>
<tr>
<td>Statutory Investment Account</td>
<td>STI</td>
<td>Holds Scripless Securities owned by a Participant in order to meet statutory requirements imposed on the Participant.</td>
</tr>
<tr>
<td>Primary Auction Purchase Account</td>
<td>PAP</td>
<td>Holds Securities purchased by Primary Dealers and Designated Non Dealer Bidder(s) at the Primary Auction/Private Placement, until the securities are distributed.</td>
</tr>
<tr>
<td>Scrip Form Memorandum Account</td>
<td>SCR</td>
<td>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.</td>
</tr>
<tr>
<td>Domestic Operations Overnight Repurchase Account</td>
<td>DOP</td>
<td>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.</td>
</tr>
<tr>
<td>Domestic Operations Term Repurchase Account</td>
<td>DOT</td>
<td>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.</td>
</tr>
</tbody>
</table>
Securities in this account are tradable if respective terms and conditions of such Agreement permit.

**Domestic Operations Reverse Repurchase Account**

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Trade</th>
<th>Interpretation of the Trade</th>
<th>Guidelines on Recording the Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRT</td>
<td>Inter - Participant Repurchase Transaction ( Tradable)</td>
<td>Participant A Securities Funds Participant B Securities Funds</td>
<td>Participant B Holding (ISIN, Face value) *BIC of Participant A</td>
</tr>
<tr>
<td>PRN</td>
<td>Inter - Participant Repurchase Transaction (Non-tradable)</td>
<td>Participant A Securities Funds Participant B Securities Funds</td>
<td>Participant B Holding (ISIN, Face value) *BIC of Participant A</td>
</tr>
</tbody>
</table>

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) as the beneficial owner code.

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) as the beneficial owner code. Securities in this account are non-tradable.

*BIC- SWIFT network bank identifier code*
### 4.3.2 Repurchase Transaction by one Participant’s Customer with another Participant’s Customer

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Trade</th>
<th>Interpretation of the Trade</th>
<th>Guidelines on Recording the Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>RET</td>
<td>Inter - Participant Customer Repurchase Transaction ( Tradable)</td>
<td>Participant A (Customer X) → Participant B (Customer Y)</td>
<td>Participant B&lt;br&gt;RET&lt;br&gt;Customer Y Code&lt;br&gt;Holding (ISIN, Face value)&lt;br&gt;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.</td>
</tr>
<tr>
<td>REN</td>
<td>Inter - Participant Customer Repurchase Transaction ( Non-tradable)</td>
<td>Participant A (Customer X) → Participant B (Customer Y)</td>
<td>Participant B&lt;br&gt;REN&lt;br&gt;Customer Y Code&lt;br&gt;Holding (ISIN, Face value)&lt;br&gt;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.</td>
</tr>
</tbody>
</table>

### 4.3.3 Repurchase Transaction Between a Participant and its Customer

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Trade</th>
<th>Interpretation of the Trade</th>
<th>Guidelines on Recording the Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>RET</td>
<td>Participant - Customer Repurchase Transaction ( Tradable)</td>
<td>Participant → Customer</td>
<td>Participant B&lt;br&gt;RET&lt;br&gt;Customer Code&lt;br&gt;Holding (ISIN, Face value)&lt;br&gt;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.</td>
</tr>
<tr>
<td>REN</td>
<td>Participant - Customer Repurchase Transaction ( Non-tradable)</td>
<td>Participant → Customer</td>
<td>Participant B&lt;br&gt;REN&lt;br&gt;Customer Code&lt;br&gt;Holding (ISIN, Face value)&lt;br&gt;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.</td>
</tr>
</tbody>
</table>
### 4.3.4 Reverse Repurchase Transaction Between a Participant and its Customer

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Trade</th>
<th>Interpretation of the Trade</th>
<th>Guidelines on Recording the Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>RRT</td>
<td>Participant - Customer Reverse Repurchase Transaction ( Tradable)</td>
<td>Customer &lt;—&gt; Participant</td>
<td>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</td>
</tr>
<tr>
<td>RRN</td>
<td>Participant - Customer Reverse Repurchase Transaction ( Non-tradable)</td>
<td>Customer &lt;—&gt; Participant</td>
<td>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</td>
</tr>
</tbody>
</table>

### 4.3.5 Repurchase Transaction between two Customers of a Participant

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Trade</th>
<th>Interpretation of the Trade</th>
<th>Guidelines on Recording the Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>RET</td>
<td>Intra-Participant- Customer Repurchase Transaction ( Tradable)</td>
<td>Customer X &lt;—&gt; Customer Y</td>
<td>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 owner code</td>
</tr>
<tr>
<td>REN</td>
<td>Intra-Participant- Customer Repurchase Transaction ( Non-tradable)</td>
<td>Customer X &lt;—&gt; Customer Y</td>
<td>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</td>
</tr>
</tbody>
</table>

Securities in this account are non-tradable.
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

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 such other amount as may be decided by CBSL from time to time shall be transmitted to the system through CBSLNet using CSS Trades 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 such other amount 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 code. This is the same BIC code that is used to identify each Participant in RTGS (A list of BIC Codes of Participants is given in Attachment C).

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:

- Buyer and seller details
- Reference
- Security identifier
- Settlement date (Value Date)
- Quantity
- 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 Instructions; may only be cancelled with the consent of both parties and each shall submit a cancellation Instruction.

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.
Steps in Settlement Processing

Seller submits Deliver against Payment Instruction

Buyer submits Receive against Payment Instruction

Inputs validated and matched

Transaction held pending until Settlement Date

Transaction queued for Settlement

Available Securities Checked for transactions

Selected Securities earmarked and “frozen”

Settlement request sent to RTGS Queue

Check for funds Availability

Debit and Credit Settlement Accounts

Positive response to LankaSecure

Securities transferred

Customer statements issued as required
(handled outside LankaSecure system)
### 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.

<table>
<thead>
<tr>
<th>Repo Description</th>
<th>Carrier Value (to be entered by the Participant)</th>
<th>Return Date (to be entered by the Participant)</th>
<th>Repo type 1st leg (auto generated by the LankaSecure System)</th>
<th>Message type (IMT) 1st leg generated by the LankaSecure System</th>
<th>Repo type 2nd leg (auto generated by the LankaSecure System)</th>
<th>Message Type (IMT) 2nd leg (auto generated by the LankaSecure System)</th>
</tr>
</thead>
</table>
| Inter-Participant – (1st Leg) – With Auto Reversal | MT543 – REPU  
 MT541 - RVPO | Future date | REPO  
 REP, RRE | REPC  
 RRE, REP | N/A  
 N/A | N/A  
 N/A |
| Inter-Participant – (1st Leg) – With Manual Reversal Expected | MT543 – REPU  
 MT541 - RVPO | Same as 1st leg Settlement date | REPO  
 REP, RRE | N/A  
 N/A | N/A  
 N/A |
| Inter-Participant – (2nd Leg) Manual Reversal | MT543 – RVPO  
 MT541 - REPU | Same as 1st leg Settlement date | REPC  
 REP, RRE | N/A  
 N/A | N/A  
 N/A |
| Customer- (1st Leg) – With Auto Reversal | MT542 – REPU | Future date | REPO  
 CRE | REPC  
 CRR | N/A  
 N/A | N/A  
 N/A |
| Customer - (1st Leg) – With Manual Reversal Expected | MT542 – REPU | Same as 1st leg Settlement date | REPO  
 CRE | N/A  
 N/A | N/A  
 N/A |
| Customer- (2nd Leg) Manual Reversal | MT542- RVPO | Same as 1st leg Settlement date | REPC  
 CRR | N/A  
 N/A | N/A  
 N/A |
| Customer- (1st Leg) – With Auto Reversal | CSSTrades (CBSLNet-MTF)- REPO | Future date | REPO  
 CRE | REPC  
 CRR | N/A  
 N/A | N/A  
 N/A |
| Customer- (1st Leg) – With Manual Reversal Expected | CSSTrades (CBSLNet-MTF)- REPO | Same as 1st leg Settlement date | REPO  
 CRE | N/A  
 N/A | N/A  
 N/A |
| Customer- (2nd Leg) Manual Reversal | CSSTrades (CBSLNet-MTF)- REPO | Same as 1st leg Settlement date | REPC  
 CRR | N/A  
 N/A | 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 a separate system to support these processes. However, all financial obligations arising from Primary Auctions should be settled through the Settlement Accounts in the RTGS System.

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

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

6.2 Primary Auction Transactions Batch 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.

The funds Settlement obligations arising from the Primary Auction is netted against interest and maturity payments due on the same date on Scripless Securities and on Government Securities issued in scrip form that have been surrendered to CBSL by Participants in accordance with Treasury Bill and Treasury Bond guidelines issued by CBSL.

This means that a single net amount will be applied to each Participant’s RTGS Settlement Account. The LankaSecure System reports and enquiries facilitate reconciliation of the net amount with the associated securities transfers and interest and maturity payments.

If a Participant’s account has no sufficient funds to cover its net 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 Batch Failure

In the event a Participant does not have sufficient funds in the Settlement Account to settle the Primary Auction batch, 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 subscription.
Non-payment by a bidder of an accepted tender of its net 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.

The Participants acknowledge that where a maturity date coincides with a Primary Auction Settlement date, the maturity proceeds and interest payments due to such Participant, if any, would be netted with their payment obligations, if any, in respect of their purchases at the Primary Auction.

Maturity proceeds are paid to the owner 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 Holiday

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

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

For Treasury Bonds, if the date of maturity falls on a 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 Owner

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 Owner

When a Participant is unable to make payment of maturity proceeds in accordance with Rule 7.4 of this Volume, 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.

The Participants acknowledge that where an interest payment date coincides with a Primary Auction Settlement date, the maturity proceeds and interest payments due to such Participant, if any, would be netted with its payment obligations, if any, in respect of their purchases at the Primary Auction.

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 Owner

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.

<table>
<thead>
<tr>
<th>Field</th>
<th>Field Length</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner Code</td>
<td>11 Characters</td>
<td>Internal Customer reference number of holding Participant BIC</td>
</tr>
<tr>
<td>Alternate Code 1</td>
<td>10 Characters</td>
<td>National Identification Number or Company Registration Number of the Customer or the number of any other identification document approved by CBSL</td>
</tr>
<tr>
<td>Alternate Code 2</td>
<td>20 Characters</td>
<td>Any other information relevant to identify the Customer</td>
</tr>
</tbody>
</table>
2. Primary Contact Details

<table>
<thead>
<tr>
<th>Field</th>
<th>Field Length</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>100 Characters</td>
<td>Customer’s Name</td>
</tr>
<tr>
<td>Address</td>
<td>3 lines of 35 Characters each</td>
<td>Customer’s mailing Address</td>
</tr>
<tr>
<td>Phone Number</td>
<td>20 Characters</td>
<td>Customer’s Telephone Number</td>
</tr>
<tr>
<td>Fax Number</td>
<td>20 Characters</td>
<td>Customer’s Fax Number</td>
</tr>
<tr>
<td>E-Mail Address</td>
<td>50 Characters</td>
<td>Customer’s E-Mail Address</td>
</tr>
<tr>
<td>Date of Birth</td>
<td>DD/MM/YYYY</td>
<td>Date Format</td>
</tr>
</tbody>
</table>

3. Alternative Contact Details

<table>
<thead>
<tr>
<th>Field</th>
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<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>100 Characters</td>
<td>Customer’s Name</td>
</tr>
<tr>
<td>Address</td>
<td>3 lines of 35 Characters each</td>
<td>Customer’s alternative mailing Address</td>
</tr>
</tbody>
</table>

Dealer Direct Participants, who act as custodians for their Customers in the LankaSecure System, are required to promptly and accurately record the Name, Address and National Identification Card (NIC) number/ Company Registration Number (CRN) /or the number of any other identification document approved by CBSL, of their Customer in the Central Depository System of the LankaSecure System when the Customer obtains the ownership of government securities. Accordingly, 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 E.

The information recorded by a Participant in the name and address fields are used by CBSL to post statements to the Customers of such Participant. Therefore, the Customer details including the name and the address needs to be current and complete in order to facilitate timely delivery of statements 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 and 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 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 conformation apart from the primary conformation provided by the relevant DDP.

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 the Internet by obtaining a User ID and a Password from CBSL via relevant DDP.

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 conformation apart from the primary conformation provided by the relevant DDP.

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 the Internet by obtaining a User ID and a Password from CBSL via relevant DDP.

9.4 Incorrect Address Records

If a Customer statement is returned to CBSL undelivered, CBSL will require the Customer's Dealer Direct Participant to correct the details. The Participant shall immediately correct the address details held in the LankaSecure System in respect of such Customer. If the Participant is unable to provide new address details within two months’ time, the address should be deleted and replaced with the record "Unable to locate Customer". The records of attempts made by the DDP 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.

<table>
<thead>
<tr>
<th>Field</th>
<th>Field length</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>OWNER</td>
<td>11 characters</td>
<td>Internal reference number of holding Participant</td>
</tr>
<tr>
<td>NAME ADDRESS</td>
<td>Line 1</td>
<td>Pledger’s name (i.e. the Owner)</td>
</tr>
<tr>
<td>NAME ADDRESS</td>
<td>Line 2</td>
<td>Pledgee's name</td>
</tr>
<tr>
<td>NAME ADDRESS</td>
<td>Line 3</td>
<td>Intended date of release (DDMMYY)</td>
</tr>
<tr>
<td>NAME ADDRESS</td>
<td>Line 4</td>
<td>Status of Pledge, e.g. this line should be used if the Pledge is subject to Dispute or claim, e.g. &quot;in default&quot;.</td>
</tr>
<tr>
<td>ALTERNATIVE OWNER CODE</td>
<td>10 characters</td>
<td>NIC number or Company Registration Number of the Owner</td>
</tr>
</tbody>
</table>

1. Owner Details

<table>
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<tbody>
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<td>11 Characters</td>
<td>Internal Customer reference number of holding Participant</td>
</tr>
<tr>
<td>Alternate Code 1</td>
<td>10 Characters</td>
<td>NIC number or Company Registration Number of the Customer</td>
</tr>
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</tr>
</tbody>
</table>

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

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. Participants should not use securities sold to Customers or used for Repurchase transactions with Customers, as collateral securities for the purpose of ILF Repo transactions with CBSL.

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.
VOLUME 4

OPERATIONS AND ADMINISTRATION
Table of Contents

1 OPERATING CALENDAR AND SCHEDULE ......................................................... 1
  1.1 LANKASETTE OPERATING DAY ............................................................. 1
  1.2 DAILY OPERATING SCHEDULE .......................................................... 1
  1.3 AD HOC CHANGES TO LANKASETTE OPERATING SESSIONS AND HOURS ...... 2
  1.4 ARRANGEMENTS FOR UNPREMEDITATED SPECIAL BANK HOLIDAYS .......... 3

2 TECHNICAL, SECURITY AND BACK-UP STANDARDS ........................................ 3
  2.1 PARTICIPANT’S RESPONSIBILITY TO ENSURE SECURITY OF LANKASETTE OPERATIONS ................................................................................................. 3
  2.2 ACTUAL OR SUSPECTED BREACHES OF SECURITY ..................................... 3
  2.3 FRAUDULENT ACTIVITIES ...................................................................... 3
  2.4 SWIFT FIN SECURITY AND CONTROL ARRANGEMENTS ......................... 3
  2.5 BIC ADDRESS FOR THE LANKASECURE SYSTEM .................................. 4
  2.6 RELATIONSHIP MANAGEMENT APPLICATION (RMA) ............................. 4
  2.7 LANKASETTE BROWSER INTERFACE SECURITY ..................................... 4
  2.8 BROWSER INTERFACE USER ACCESS CONTROL MAINTENANCE ........... 4
  2.9 INTEGRITY AND RESILIENCE ................................................................ 4
  2.10 OUTSOURCING OR SHARING OF LANKASETTE FACILITIES .................. 5

3 CONTINGENCY EVENTS ............................................................................... 5
  3.1 DEFINITION OF A CONTINGENCY EVENT ............................................... 5
  3.2 CBSL DISASTER RECOVERY FACILITIES .............................................. 5
  3.3 INDIVIDUAL PARTICIPANT EVENT ....................................................... 5
    3.3.1 Advising System Outages .............................................................. 6
    3.3.2 Advice to Other Participants ......................................................... 6
    3.3.3 Continued Processing of Inward Transactions ................................. 6
    3.3.4 Re-establishment of Computer Based Terminal (CBT) Event Connection .. 6
    3.3.5 Manual Fund Transfers ............................................................... 6
    3.3.6 Manual Securities Transfers .......................................................... 6
  3.4 SWIFT EVENTS ..................................................................................... 7
  3.5 LANKASETTE CBT EVENT ................................................................. 7
  3.6 RTGS APPLICATION EVENT ................................................................. 7

VOLUME 4
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.7</td>
<td>CONTINGENCY EVENT RECORD</td>
</tr>
<tr>
<td>3.8</td>
<td>OTHER CONTINGENCY EVENTS</td>
</tr>
<tr>
<td>3.8.1</td>
<td>LankaSettle Application Event</td>
</tr>
<tr>
<td>3.8.2</td>
<td>Other System Disabling Events</td>
</tr>
<tr>
<td>3.9</td>
<td>TESTING OF CONTINGENCY ARRANGEMENTS</td>
</tr>
<tr>
<td>3.10</td>
<td>CONTACT POINTS</td>
</tr>
<tr>
<td>3.11</td>
<td>ADMINISTRATIVE MESSAGES</td>
</tr>
<tr>
<td>3.12</td>
<td>SUSPENSION OF PARTICIPANT OR ACCOUNT</td>
</tr>
<tr>
<td>3.13</td>
<td>DEFAULT PARTICIPANT STATUS</td>
</tr>
<tr>
<td>4</td>
<td>SYSTEM ADMINISTRATION AND USER ASSISTANCE</td>
</tr>
<tr>
<td>4.1</td>
<td>SWIFT User Assistance</td>
</tr>
<tr>
<td>4.2</td>
<td>LANKASETTLE HELP DESK</td>
</tr>
<tr>
<td>5</td>
<td>DISPUTES BETWEEN PARTICIPANTS</td>
</tr>
<tr>
<td>6</td>
<td>SYSTEM CHANGES AND CHANGE CONTROL</td>
</tr>
<tr>
<td>6.1</td>
<td>FIXES, CHANGES AND ENHANCEMENTS TO THE SYSTEM</td>
</tr>
<tr>
<td>6.2</td>
<td>LANKASETTLE SYSTEM CHANGES AND CHANGE CONTROL</td>
</tr>
<tr>
<td>6.3</td>
<td>SWIFT STANDARDS CHANGES</td>
</tr>
<tr>
<td>7</td>
<td>FEES AND CHARGES</td>
</tr>
</tbody>
</table>
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 described in the table below.

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.

<table>
<thead>
<tr>
<th>TIME</th>
<th>EVENT</th>
<th>ACTIVITIES /TRANSACTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.30 am</td>
<td>System start-up</td>
<td>Start-up of RTGS/SSS applications.</td>
</tr>
<tr>
<td>7.30 a.m. to 8.00 a.m.</td>
<td>Start of day processing</td>
<td>Update Official Prices of securities, earmarking securities for ILF.</td>
</tr>
<tr>
<td>8.00 a.m.</td>
<td>LankaSettle System opens for business</td>
<td>System opens for effecting transactions.</td>
</tr>
<tr>
<td>8.00 a.m.</td>
<td>ILF/auto reversal of Repos</td>
<td>Grant ILF and settle second leg of Repos of OMO.</td>
</tr>
<tr>
<td>8.15 a.m.</td>
<td>Maturities/interest payments, start of the day (SOD) file</td>
<td>Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties.</td>
</tr>
<tr>
<td>8.30 a.m.</td>
<td>Multilateral Net Settlement Batch from LankaClear</td>
<td>SLIPS Cycle 1/Main Clearing.</td>
</tr>
<tr>
<td>8.30 a.m.</td>
<td>Outright sales/purchases</td>
<td>Settle OMO outright sales and purchases.</td>
</tr>
<tr>
<td>8.45 a.m.</td>
<td>Multilateral Net Settlement Batch from LankaClear</td>
<td>CAS Cycle 1</td>
</tr>
<tr>
<td>11.00 a.m.</td>
<td>Reversal of Reverse Repos</td>
<td>Settlement of second leg of Reverse Repos under OMO.</td>
</tr>
<tr>
<td>11.45 a.m.</td>
<td>Reverse Repos (Auction)</td>
<td>Settlement of first leg of Reverse Repos under OMO.</td>
</tr>
<tr>
<td>12.45 p.m.</td>
<td>Repos (Auction)</td>
<td>Settlement of first leg of Repos under OMO.</td>
</tr>
<tr>
<td>1.00 p.m.</td>
<td>Closure of Primary Auction Settlement</td>
<td>Settlement of securities under Primary Auction.</td>
</tr>
<tr>
<td>2.15 p.m.</td>
<td>Multilateral Net Settlement Batch from LankaClear</td>
<td>Rupee Draft Clearing.</td>
</tr>
<tr>
<td>TIME</td>
<td>EVENT</td>
<td>ACTIVITIES/TRANSACTIONS</td>
</tr>
<tr>
<td>----------</td>
<td>-----------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>2.45 p.m.</td>
<td>Multilateral Net Settlement Batch from LankaClear</td>
<td>Settlement Clearing and Adjustment Clearing.</td>
</tr>
<tr>
<td>3.00 p.m.</td>
<td>Multilateral Net Settlement Batch from LankaClear</td>
<td>SLIPS Cycle 2 main clearing</td>
</tr>
<tr>
<td></td>
<td>Primary cut-off time for third party transactions</td>
<td>CAS Cycle 2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series).</td>
</tr>
<tr>
<td>3.45 p.m.</td>
<td>Cut-off time for Participant managed ILF Repo creation</td>
<td>Participants should not initiate ILF Repos after 3.45 p.m.</td>
</tr>
<tr>
<td>4.00 p.m.</td>
<td>Repos (standing)</td>
<td>Settlement of first leg of Repos under OMO</td>
</tr>
<tr>
<td>4.15 p.m.</td>
<td>Reverse Repos (Standing)</td>
<td>Settlement of first leg of Reverse Repos under OMO.</td>
</tr>
<tr>
<td>4.15 p.m.</td>
<td>ILF Repayment</td>
<td>Repayment of ILF.</td>
</tr>
<tr>
<td>4.30 p.m.</td>
<td>Final Cut-off Time Close for business</td>
<td>No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected.</td>
</tr>
<tr>
<td>4.30 p.m. to 5.00 p.m.</td>
<td>EOD processing</td>
<td>End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.</td>
</tr>
<tr>
<td>5.00 p.m.</td>
<td>System shut down</td>
<td>Commence shutting down of RTGS/SSS application software, obtain off line backups.</td>
</tr>
</tbody>
</table>

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 Settlement 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). The operational schedule which will be applied on the following business day after such a bank holiday is given in the Attachment F.

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 (see Attachment C). 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 CBSL.Net 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 assign 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 (DPS) of CBSL in writing with two authorized signatures, as in the format given in Attachment G.1, 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 Attachment G.2. 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 Attachment G.3. The
Participant with the system outage should advise such counterparty Participant/s to request from SPD to transfer securities as per the **Attachment G.3.**

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. PC Based System, 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

3.8.1 LankaSettle Application Event

In an event of a prolonged, unrecoverable RTGS and LankaSecure applications failure, CBSL will declare a LankaSettle Application Event. Such declaration will be communicated to all Participants, LankaClear (Pvt) Ltd., the Sri Lanka Banks’ Association (Guarantee) Ltd. and Primary Dealers’ Association by an available communication means (telephone, fax, SWIFT, Reuters etc.). All Participants shall take steps stipulated in Attachment H promptly, expeditiously and in such an event, within the cut off time stipulated in such a declaration.

In an event of a LankaSettle Application Event, the existing LankaSettle System (i.e. the RTGS System, Scripless Securities Settlement System and the Scripless Securities Depository System) would not be available for the Participants. As an alternative to the LankaSettle System a PC Based System which is operated by CBSL, is available for Participants to settle their transactions. CBSL has the right to settle transactions on gross or net basis and will not make any partial Settlements. If sufficient funds and/or securities are not available in Participants’ Settlement Accounts and/or Securities Accounts, the respective transaction will be queued in the System until required funds and/or securities are received to complete the transaction. Any transaction remained pending due to non-availability of funds or securities will be cancelled from the System at the end of the particular Business Day.
The system will not be an on-line system, but off-line where Participants submit the payment/securities Instructions in CD form or in diskettes. The PC Based System will not accept any forward dated transaction to be settled in respect of any type of payment.

The PC Based System consists of two independent systems:
   (i)    Personal Computer Based Payment Settlement System (PC Based PSS); and
   (ii)   Personal Computer Based Securities Settlement System (PC Based SSS)

CBSL shall have the power to issue such other Instructions/ directions/circulars it may deem necessary in addition to the procedures stipulate in Attachment H.

3.8.2 Other System Disabling Events

Other system disabling 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 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 in accordance with Attachment B and charge these to Participants’ Settlement Accounts in accordance with the Mandate Agreement. CBSL has the right to change fees and charges as set out in the Attachment B 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.

********************************************************************************
AGREEMENTS
Table of Contents

SCHEDULE I
ACCESSION AGREEMENT ................................................................. 01

SCHEDULE II
INTRA DAY LIQUIDITY FACILITY (ILF) AGREEMENT ...................... 03

SCHEDULE III
MANDATE AGREEMENTS ................................................................. 08

  SCHEDULE III A
  MANDATE AGREEMENT (FOR LICENSED COMMERCIAL BANKS) … 08

  SCHEDULE III B
  MANDATE AGREEMENTS (FOR NON-BANK PRIMARY DEALERS) .... 25

SCHEDULE IV
MASTER REPURCHASE AND REVERSE REPURCHASE AGREEMENT 42
Accession Agreement

Real Time Gross Settlement and LankaSecure System
(The LankaSettle)

THIS AGREEMENT is executed by and between the Monetary Board of the Central Bank of Sri Lanka a body corporate established under the provisions of the Monetary Law Act No.58 of 1949 having its principal place of business at No.30, Janadhipathi Mawatha, Colombo 01 (hereinafter referred to as the “Central Bank”) and [NAME of LCB/PD], [a licensed commercial bank / a Primary Dealer appointed under the Local Treasury Bills Ordinance no.08 of 1923 and the Registered Stock and Securities Ordinance No.07 of 1937 and] [in case of a foreign bank " a company incorporated in [country] and " ] having its registered place of business in Sri Lanka at [ADDRESS of LCB/PD] (hereinafter referred to as the "Participant").

Whereas the said Participant has been appointed as a Direct Participant and a Dealer Direct Participant with effect from [EFFECTIVE/APPOINMENT DATE], in terms of the provisions of sections 21D(1) and 21E(1) respectively of the Registered Stock and Securities Ordinance No.07 of 1937 as amended and sections 9(1) and 10(1) of the Local Treasury Bills Ordinance No.08 of 1923 as amended and by the letter dated [DATE of letter issued by the PDD] issued by the Central Bank of Sri Lanka.

And whereas the said Participant maintains with the said Central Bank a Settlement Account and Securities Account as provided for in the said Monetary Law Act and has entered into a Mandate Agreement with the said Central Bank in respect of the operation of such accounts and matters related thereto (hereinafter referred to as the “Mandate Agreement”).

Now therefore it is hereby agreed between the parties as follows–

The Participant warrants that:

1. it has satisfied all technical, administrative and other requirements for participation by the said participant on the Real Time Gross Settlement (RTGS) System and LankaSecure System (Scripless Securities Settlement System (SSSS) and Central Depository System (CDS) established by the Central Bank in terms of section 62A of the said Monetary Law Act (hereinafter referred to as “LankaSettle”) as required by the rules of the said LankaSettle (hereinafter referred to as ‘System Rules’).

2. the execution of this Agreement and participation in the LankaSettle will not violate any law, regulation, by law or rule applicable to the said Participant.

3. it has taken all necessary action to authorize the execution of this Agreement;

The participant further agrees that it shall

(1) participate on the System from and after the date hereinafter mentioned subject to and in accordance with the said System Rules, as may be amended from time to time, and make such payment of fees and other dues to the Central Bank as provided there in; and
(2) prior to such date enter into an Agreement on Intra-day Liquidity Facility with the Central Bank to enable it to obtain intra-day liquidity from the Central Bank for the purposes of the said LankaSettle in accordance with the System Rules and applicable Operating Instructions issued by the Central Bank from time to time.

The Central Bank, relying on the warranties so given and in consideration of the agreements so reached, hereby agrees that the said Participant shall be entitled to participate on LankaSettle with effect from [EFFECTIVE/APPOINMENT DATE], in accordance with the System Rules.

This Agreement has been executed by the authorized signatories of the respective parties at Colombo in two originals, one for each party, on the dates as hereunder set out.

For and on behalf of the Monetary Board of the Central Bank of Sri Lanka

(Mr/Mrs.) [ AG’S NAME ]
Assistant Governor
Authorized Signatory

Date:
Witnesses: 1.
2.

For and on behalf of the [ NAME of LCB/PD ] Ltd.

[ NAME of CEO/MD/GM ]
[DESIGNATION of CEO/MD/GM ]
Authorized Signatory

Date:
Witnesses: 1.
2.
SCHEDULE II

Agreement on
Intra-day Liquidity Facility

This agreement is made and entered into between the Monetary Board of the Central Bank of Sri Lanka a body corporate established under the provisions of the Monetary Law Act No. 58 of 1949 having its principal place of business at No.30, Janadhipathi Mawatha, Colombo 01 (hereinafter referred to as the “Central Bank”) and [NAME of LCB/PD], {in case of a foreign bank "a company incorporated in [country] and" } having its registered place of business at [ADDRESS of LCB/PD] (hereinafter referred to as the "Participant").

Whereas the said [NAME of LCB/PD] is a participant in LankaSettle established and operated by the Central Bank in terms of the Monetary Law Act.

And whereas in terms of the rules applicable to the LankaSettle (System Rules) the Central Bank may, at its discretion, provide intra-day funds to a participant by way of an Intra-day Liquidity Facility (ILF) to assist them to meet their intra-day liquidity requirements on LankaSettle, subject to such facilities being fully secured by eligible securities.

And whereas the said Participant desires to be provided with such facility and the Central Bank has agreed to provide such facility to the said Participant subject to the terms and conditions hereinafter set out.

Now the parties hereto agree as follows:

1. General

Words and expressions in this Agreement shall, unless otherwise stated or evident from the context, have the same meaning as in the System Rules.

2. Security for ILF

Funds provided under the ILF by the Central Bank shall be fully secured, in the manner hereinafter set out, by eligible securities as determined for the purpose by the Central Bank from time to time in terms of the Operating Instructions on ILF (Eligible Securities). The Participant shall not use securities that are owned by any person other than the said Participant or securities that are in any way encumbered as security for funds obtained under the ILF.

3. Charges for ILF

The Central Bank shall not charge, except as provided for in Clause hereof, interest from the Participant in respect of funds provided under ILF. The Central Bank may, however, at its discretion recover the costs associated with the administration of ILF in accordance with the System Rules.
4. Mode of Providing ILF

Subject to the other terms and conditions contained in this agreement, funds under the ILF shall be provided to the Participant by the Central Bank upon the participant transferring eligible securities to the Central Bank in accordance with the Operating Instructions on the condition that the set securities shall be repurchased by the Participant by repaying the outstanding ILF on or before the time specified for repayment of ILF in the Operating Instructions on ILF issued by the Central Bank.

The procedure applicable to the provision of ILF is set out in the Operating Instructions on ILF (Operating Instructions) issued by the Central Bank.

5. Valuation of securities for the purposes of ILF

The amount of funds that will be provided to the Participant under the ILF shall be determined by valuing the securities that are transferred for the purpose from Participant’s ILF Account to Central Bank ILF at the applicable Official Price recorded in LankaSecure.

6. Replenishment

The Central Bank reserves the right to revise the Official Prices from time to time and to revalue the securities provided by the Participant as collateral based on the revised Official Prices. In the event of such a revaluation, where necessary, the Central Bank has the right to call for replenishment of securities from the Participant in accordance with the Operating Instructions. In the event the Participant is unable to provide replenishment of securities as requested by the Central Bank, the Central Bank reserves the right to reduce the amount of ILF provided to such Participant by debiting the Settlement Account of the Participant to the value of such required replenishment.

7. Title to Securities

The Participant acknowledges and accepts that the title to securities in the Central Banks’ ILF Account vests with the Central Bank and that the Participant has only a right of repurchase on the same day of such securities upon repayment of ILF funds obtained against such securities.

8. Additional Drawdowns of ILF during the Business Day

The Central Bank shall ordinarily provide funds under the ILF at the start of Business Day. If the Participant uses ILF, eligible securities available in the participant’s ILF Account will automatically be transferred to the Central Bank’s ILF Account in the LankaSecure System. If, the participant require additional ILF funds during the business day the participant may carry out multiple ILF drawings at its discretion through the Participant Managed ILF Granting Facility, within a business day to meet any urgent intra–day liquidity requirements upon the terms and conditions contained in this agreement.

The Central Bank reserves the right to recover costs of providing such additional ILF from the participant.
9. Reversal of ILF during the Business Day

If the participant wishes to repurchase before the end of the business day securities transferred to the Central Bank’s ILF Account as security for funds obtained under the ILF, the participant may, carry out ILF reversals at its discretion through the Participant Managed ILF Granting Facility by repaying to the Central Bank the funds outstanding on account of ILF obtained against such securities and have such securities transferred to the participant’s ILF Accounts. The procedure for repayment of ILF during the business day is set out in the operating instruction. The Central bank reserves the right to recover costs arising from such early reversal.

10. Repayment of ILF at the End of the Business Day

Funds obtained under the ILF shall be settled by the Participant at the end of the Business Day at the time stipulated in the Operating Instructions. For this purpose, the Participant must ensure that sufficient funds are available in the Settlement Account in LankaSettle on each Business Day at the time specified for repayment of ILF in the Operating Instructions to enable the Central Bank to recover any outstanding ILF. Upon recovery of ILF, the securities in the Central Bank’s ILF Account against which such funds were provided shall be credited to the Participant’s ILF Account in LankaSecure at the time specified in the Operating Instructions.

11. Failure to settle ILF at the end of the Business Day

If the Participant fails, for any reason whatsoever, to settle in full to the Central Bank the amount outstanding under the ILF at the end of the Business Day at the time stipulated in the Operating Instructions, the Participant would be deemed to be in default for the full sum so outstanding and the Central Bank shall have the right to take action as stipulated in the Operating Instructions and the Participant shall in addition be liable to default interest as stipulated in the Operating Instructions.

12. Restriction of ILF

Notwithstanding the provisions of this Agreement, the provision of ILF to the Participant may be restricted in accordance with the System Rules and the Mandate Agreement.

13. Account Transfers

The Central Bank reserves the right to effect Account Transfers for the purpose of recovering any amount due from the Participant as default interest in terms of clause 11 and to deal with any contingency situation which may arise due to a breakdown or malfunctioning of LankaSettle or any sub-system thereof.

14. Operating Instructions

The Participant shall comply with the Operating Instructions in the performance of its functions and obligations under this Agreement, and the Operating Instructions shall be deemed for form part and parcel of this Agreement.
15. Term of the Agreement

This agreement shall come into effect on [EFFECTIVE/APPOINMENT DATE] and shall continue to be in force unless the Participant ceases to be a Participant of LankaSettle in terms of the Mandate Agreement between the parties and the System Rules.

16. Amendments

The Participant acknowledges that ILF is provided to participants of LankaSettle on terms and conditions as determined by the Central Bank at its discretion and that such terms and conditions and procedure for providing ILF may be amended from time to time by the Central Bank subject to notice of at least one week being given to participants. Accordingly, if any notice of a change in the terms and conditions applicable to ILF is given by the Central Bank to participants, this agreement shall stand amended in that respect upon such amendment coming into effect.

17. Governing Law

This Agreement shall be governed by and construed according to the laws of Sri Lanka.

18. Notices

All notices and correspondence relating to any matters dealt with in this Agreement must be sent by facsimile or personal delivery for the attention of the following persons:

For the Central Bank:

Attention : (Mr/Mrs.) [DDO'S NAME], Director, Domestic Operations
Address : Central Bank of Sri Lanka, No.30, Janadhipathi Mawatha, Colombo 01.
Tel : 2477036, 2241194
Fax : 2346287

For the Participant

Attention : [NAME AND DESIGNATION]
Address : [NAME AND ADDRESS of LCB/PD]
Tel :
Fax :

This Agreement has been drawn up and executed by the authorized signatories of the respective parties at Colombo in two originals, one for each party on the dates as hereunder set out.
For and on behalf of the Monetary Board of the Central Bank of Sri Lanka

(Mr/Mrs.) [AG’S NAME]
Assistant Governor
Authorized Signatory

Date : 

Witnesses : 1. 

2. 

For and on behalf of [NAME of LCB/PD] Ltd.

[NAME of CEO/MD/GM]
[DESIGNATION of CEO/MD/GM]
Authorized Signatory

Date : 

Witnesses : 1. 

2. 


MANDATE AGREEMENT

(For Licensed Commercial Banks)

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MANDATE AGREEMENT BETWEEN
MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA
AND
[ NAME of LCB]. (‘the Bank’)

THIS AGREEMENT is made and entered into by and between the Monetary Board of the Central Bank of Sri Lanka having its principal place of business at No.30, Janadhipathi Mawatha, Colombo 01, Sri Lanka (hereinafter referred to as the “Central Bank”) and [ NAME of LCB ], { in case of a foreign bank " a company incorporated in [ country ] and " } having its registered place of business in Sri Lanka [ ADDRESS of LCB ] (hereinafter referred to as “the Bank” which term shall where the context so requires or admits include the said [ NAME of LCB ] its successors in business, permitted assigns, administrators, receivers and liquidators).

Whereas the Bank is a Licensed Commercial Bank and maintains a Settlement Account with the Central Bank.

And whereas the Bank has also been appointed as a Dealer Direct Participant in terms of the Registered Stock and Securities Ordinance and the Local Treasury Bills Ordinance and desires to open and maintain Securities Accounts of specified Account Types as stipulated in Regulations and System Rules, and to be admitted as a Participant in LankaSettle.

And whereas, for this purpose, the Bank is required to enter into a Mandate Agreement with the Central Bank which shall govern the maintenance and operation of the said Settlement Account and the opening, maintenance and operation of the said Securities Accounts.

It is therefore agreed between the parties as follows:

1. PRELIMINARY

1.1 Definitions

In this Agreement, unless the context otherwise requires:

"Accession Agreement" means the agreement in a prescribed form executed by the Bank with the Central Bank by which the Bank is admitted as a Participant to LankaSettle.

"Accounts" means the Settlement Account and Securities Accounts of the Account Types required to be maintained by the Bank in terms of the Regulations and System Rules.

"Account Types" means the types of Securities Accounts required by Regulations and System Rules to be maintained by the various categories of Participant in LankaSecure.

"Business Day" means a day on which the Central Bank is open for the settlement of transactions on LankaSettle and LankaSettle is operating to process Instructions and Account Transfers.
“Companies’ Act” means the Companies’ Act No.07 of 2007 and includes any enactment that replaces it or amends it.

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

"Customer Account" means a Securities Account maintained by the Bank for a customer.

"Customer Transaction" means a transaction that is carried out by the Bank which would result in a debit or a credit to a Customer Account.

"Court" means a Sri Lankan court of appropriate jurisdiction.

"Deposit Reserves" means the reserves required to be maintained by the Bank in terms of Part V of Chapter V of the Monetary Law Act.

"Dealer Direct Participant" means a person appointed as a Dealer Direct Participant in terms of the Registered Stock and Securities Ordinance and the Local Treasury Bills Ordinance which is permitted to hold Scripless Securities Accounts for itself and for others and to carry out transactions in such securities for itself and others, and includes the Bank.

"Dispute" means a dispute or difference between the Central Bank and the Bank arising out of, or in any way connected with this Mandate Agreement, but shall not include any dispute or matter arising from or connected with any act or thing done or carried out or purported to be done or carried out by the Central Bank under or by virtue of its powers, authority or functions under any written law in its capacity as regulator or supervisor of the Bank.

"Event of Default" means, in respect of the Bank, an event that is deemed to have occurred if;

(a) the balance in the Settlement Account falls short of the Minimum Balance Requirement, if any, imposed by the System Rules;

(b) there is a breach by the Bank of any warranty or representation made under this Mandate Agreement, the Accession Agreement or the System Rules;

(c) the Bank defaults in the due and punctual performance of any of the other provisions of the Mandate Agreement and (if, in the Central Bank's determination, capable of remedy) fails to remedy such a default within such period as may be specified in a written notice from the Central Bank requiring the default to be remedied;

(d) the Bank defaults in the due and punctual performance of any of the provisions of the System Rules and (if, in the Central Bank's determination, capable of remedy) fails to remedy such a default within such period as may be specified in a written notice from the Central Bank requiring the default to be remedied;

(e) the Bank admits to the Central Bank its inability to, or its intention not to, perform any of its obligations under this Mandate Agreement or the System Rules;
(f) the Bank has its license under the Banking Act suspended, revoked or cancelled or has its appointment as a Dealer Direct Participant under the Local Treasury Bills Ordinance and the Registered Stock and Securities Ordinance suspended, revoked or cancelled or receives notice of such suspension, revocation and cancellation;

(g) the bank has insufficient funds to meet its obligations as they fall due;

(h) a compromise or arrangement is proposed between the Bank and its creditors or any class of them or between the Bank and its shareholders or any of them, or any application is made to court in terms of Part VIII of the Companies' Act or an application is made under any equivalent or analogous provisions of a statute applicable to the Bank;

(i) a petition is filed for the winding up of the Bank or of any of its subsidiaries or action is initiated under an applicable law for the winding up of the Bank;

(j) a petition is filed for the making of an administration order in respect of the Bank or any of its subsidiaries;

(k) an order is made or a resolution is passed for the winding up or dissolution of the Bank or an administration order is made, a resolution is passed or action is taken under an applicable law to appoint an administrator in respect of the Bank;

(l) an order is made or a resolution is passed for the winding up (not being a members voluntary winding up) of any subsidiary of the Bank or an administration order is made in respect of any such subsidiary;

(m) there is appointed a receiver, a trustee or an analogous officer of the Bank or any of its subsidiaries over all or any material part of the property of the Bank or of any subsidiary unless the Central Bank has given its prior written confirmation that the Central Bank shall not serve notice of the occurrence of an Event of Default on the basis of such appointment;

(n) any event analogous to any of the foregoing occurs in any jurisdiction in relation to the Bank, or where the foregoing includes a reference to an occurrence relating to any of the Bank's subsidiaries, any of its subsidiaries;

(o) if the Bank is operating in Sri Lanka through a branch established in Sri Lanka, a decision is taken by the Bank to wind up the business of the branch in Sri Lanka, or any action is taken under an applicable law in Sri Lanka to wind up or close down the business of such branch

"Instruction" means a Payment Instruction or a Securities Instruction.

"Intra-day Liquidity Facility" or "ILF" means the facility to provide funds to a Participant by the Central Bank for the duration of a Business Day against securities provided as collateral by the Bank as described in the System Rules.
"ILF Agreement" means the agreement in the prescribed form between the Bank and the Central Bank in terms of which the Central Bank provides ILF to the Bank.

"LankaSettle" means the Real Time Gross Settlement (RTGS) System and the LankaSecure System established in terms of the Monetary Law Act No.58 of 1949.

"LankaSecure" means the Scripless Securities Settlement System (SSSS) and Central Depository System (CDS).

"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.

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

"Mandate Agreement" means these terms and all schedules attached or incorporated by reference and any amendments thereto that may be effected in writing from time to time.

"Minimum Balance Requirement" means the minimum amount, if any, required to be maintained in the Settlement Account by the System Rules.

"Monetary Board" means the Monetary Board of the Central Bank of Sri Lanka established under the Monetary Law Act.

"Monetary Law Act" means the Monetary Law Act No.58 of 1949 as amended from time to time and includes any Act that replaces it.

"Multilateral Net Settlement Batch" means an Account Transfer involving multiple debits and credits, initiated by the Central Bank to settle net obligations arising from the conduct of a payment or securities clearing system as described in the System Rules.

"OMO" means open market operations conducted by the Central Bank in terms of Part V of Chapter V of the Monetary Law Act.

"OMO Agreement" means the agreement in the prescribed form between the Bank and the Central Bank in terms of which OMO transactions are engaged in by the parties.

"Participant" means a person admitted by the Central Bank in accordance with the System Rules to participate in LankaSettle or in the RTGS, and include the Bank.

"Participant's ILF Account" means the Securities Account maintained by the Bank in LankaSecure in accordance with Regulations and the System Rules to hold Scripless Securities available as security for Intra-day Liquidity.

"Payment Instruction" means an instruction initiated by a Bank to debit its Settlement Account and credit the Settlement Account of another Participant on LankaSettle in a form and manner provided for in the System Rules.
“Primary Auction” means the allocation and issue of Scripless Securities against payment to Primary Dealers and Designated Non Dealer Bidders on the basis of bids.

“Primary Dealer” means a person appointed as a primary dealer by the Central Bank under the Local Treasury Bills Ordinance and the Registered Stock and Securities Ordinance which may participate in Primary Auctions and hold and transact Scripless Securities transactions for itself and for Customers.

“Real-Time Gross Settlement” or “RTGS” means the processing and settlement of payment obligations in real time on a gross basis.

“Receive versus Payment Instruction” means a Securities Instruction by a Participant to credit a Securities Account maintained by it with Scripless Securities debited from a Securities Account maintained by another Participant against the debit of funds from its own Settlement account and the credit of such funds to the Settlement Account of such other Participant.

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

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

“Scripless Securities” means Scripless Treasury Bills and Scripless Treasury Bonds as defined in the Local Treasury Bills Ordinance and Registered Stock and Securities Ordinance respectively, and securities issued by the Central Bank in Scripless form in terms of the Monetary Law Act.

“Securities Account” means an account maintained in LankaSecure by the Bank for the recording of title to and interests in Scripless securities of the Bank or of its Customers in accordance with the Regulations and the System Rules.

“Securities Account Transfer” means a debit or credit to the Securities Accounts of the Bank initiated by the Central Bank.

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

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

“Settlement Account” means the account maintained by the Bank with the Central Bank in terms of the Monetary Law Act for the maintenance of deposit reserves, clearance of
payments and the settlements of balances among Participants, and for the settlement of payment in Scripless Securities transactions among Participants.

“Settlement Account Transfer” means the credit or debit of a Settlement Account initiated by the Central Bank.

“System Rules” means the procedures and standards adopted by the Central Bank and issued to Participants from time to time which govern the operations of LankaSettle and the conduct of settlement between Participants and the Central Bank.

1.2 Interpretation

In this Agreement:

(a) words importing one gender include the other genders;

(b) the plural number includes the singular and vice versa;

(e) headings are inserted for convenience of reference and do not alter the interpretation of this Mandate Agreement;

(f) 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.

1.3 Governing Law

This Mandate Agreement shall be governed by and construed in accordance with the laws of Sri Lanka.

The Central Bank and the Bank warrant that:

(i) the execution of this Mandate Agreement will not violate any law, regulation, by law, or rule applicable to itself;

(ii) it has taken all necessary action to authorize the execution of this Agreement.

2. SCOPE AND EFFECT

Subject to any applicable written law, this Agreement shall govern the opening, maintenance, and operation of the Settlement Account and Securities Accounts maintained by the Bank. In the event of any inconsistency between this Agreement and the System Rules, the System Rules shall prevail.

2.1 Operation of the Settlement Account

(a) The Central Bank shall maintain a Settlement Account for the Bank for the maintenance of Deposit Reserves, clearance of cheques and the settlement of
balances among participants and for the settlement of payments in Scripless Securities transactions.

(b) The Central Bank shall open and maintain Securities Accounts of the Account Types required to be maintained by the Bank in terms of the Regulations and the System Rules.

(c) The Bank shall at all times while the Settlement Account remains operational ensure there are sufficient funds in such account to meet the minimum reserve requirement under Section 93 of the Monetary Law Act and other Minimum Balance Requirement, if any imposed under the System Rules.

(d) The rights and obligations of the Bank in respect of the Settlement Account are rights to receive, and obligations to make, payment in Sri Lankan Rupees.

### 2.2 Authority to Execute Instructions

The Bank authorizes the Central Bank to execute Payment Instructions and Securities Instructions issued by it and to execute instructions given by third parties to debit and credit its Accounts as provided for in this agreement and in the System Rules.

The Bank also acknowledges that in order to meet a Contingency Event as specified in the System Rules or in any other emergency situation, the Central Bank may authorize the Bank to issue instructions in any other manner that provides the Central Bank with a clear instruction to transact and the Bank authorizes the Central Bank to execute instructions issued in that manner.

The Bank also acknowledges that a Receive versus Payment Instruction issued by it will serve as a payment Instruction to debit its Settlement Account.

### 2.3 Authority to Execute Account Transfers

The Bank authorizes the Central Bank to effect Settlement Account Transfers:

(a) for transactions arising from the settlement of a Multilateral Net Settlement Batch;

(b) to credit funds provided to the Bank under the ILF Agreement and to debit repayments thereof;

(c) to debit and credit funds on account of OMO transactions between the Bank and the Central Bank carried out under the OMO Agreement;

(d) for the settlement of fees and other dues chargeable to the Bank by the Central Bank;

(e) to credit the Settlement Account with funds in accordance with instructions received from persons, other than Participants, holding Accounts at the Central Bank;
(f) to transfer funds to and from the Settlement Account to settle transactions for the sale and purchase of physical currency notes between the Bank and the Central Bank;

(g) for the settlement of any interest amounts chargeable to the Bank in respect of required reserves under Section 97 of the Monetary Law Act or any other statutory payments due to the Central Bank; and

(h) for any other transactions that have been agreed in writing by the Bank.

2.4 Securities Account Transfers

The Participant authorizes the Central Bank to effect Securities Account Transfers as provided for in the ILF Agreement and the OMO Agreement.

2.5 Rectification of Errors

The Bank authorizes the Central Bank to execute Account Transfers under advice to the Bank for the rectification of operational errors.

2.6 Conditions for Settlement

(a) The Central Bank shall not settle an Instruction if settlement of that Instruction would, upon settlement, reduce the balance in the Bank's Settlement Account below the Minimum Balance Requirement, if any.

(b) If an Instruction is unable to be settled due to the operation of clause 2.6(a), it will be held, during the Business Day, within the System until there are sufficient available funds in the Bank's Settlement Account to ensure that the balance will not reduce below the Minimum Balance Requirement upon settlement of the Instruction.

(c) An Instruction will be settled at the point in time at which the System successfully posts all debits and credits to the relevant Accounts in the amounts notified in that Instruction.

(d) All Instructions submitted for settlement on a specified Business Day which have not been settled by the System before the end of that Business Day will be deleted from the System under advice to the Bank.

(e) The Central Bank shall not settle a Securities Instruction if the securities specified in the Instruction are not available for transfer within the Securities Account of the Bank.

(f) Instructions shall be settled on LankaSettle according to the Daily Operating Schedule specified in the System Rules. This operating schedule defines the periods at which settlements of different types of Instructions will be settled during each Business Day. The Bank shall ensure that sufficient available funds are
in place to meet its settlement obligations at the times specified in the operating schedule.

2.7 Irrevocability of Settled Payment and Securities Transactions

The Central Bank and the Bank acknowledge that a fund or Scripless securities transfer effected on LankaSettle shall be final and irrevocable as provided in Subsection (5) of Section 62(A) of the Monetary Law Act, i.e.

(a) in the case of a transaction involving a funds transfer only, upon the Settlement Account of the Participant issuing the Payment Instruction being debited;

(b) in the case of a transaction involving a securities transfer only, upon the Securities Account of the Participant requesting the securities transfer being debited;

(c) in the case of a transaction involving both a funds transfer and a securities transfer, upon debiting the Settlement Account or the Securities Account of a Participant requesting the funds transfer or the securities transfer as the case may be, whichever occurs earlier.

2.8 Authorization for Customer Transactions

The Bank warrants and undertakes that every Instruction initiated by the Bank in respect of a Customer Transaction is authorized by the Customer.

2.9 Events of Default

The Bank, immediately upon the occurrence or threatened occurrence of an Event of Default shall:

(a) if the Bank has reason to doubt its authority or ability to continue to make payments, ensure that no further Instructions are submitted to LankaSettle; and

(b) notify the Central Bank of the occurrence, or threatened occurrence of that Event of Default and the steps (if any) the Bank is taking to ensure that it continues to have authority and ability to issue Instructions.

2.10 Restrictions, etc.

(a) Upon receiving notice of the occurrence or threatened occurrence of an Event of Default or being satisfied on the basis of information available to it that an Event of Default has occurred or is threatened to occur, and if in the opinion of the Central Bank such Event of Default threatens or is likely to threaten the stability, security and integrity of LankaSettle the Central Bank may, subject to clause 2.11 and 2.12 take any one or more of the following measures:

(i) for such period that the Central Bank may determine decline to act on any or all Instructions given by or on behalf of the Bank;
(ii) for such period as the Central Bank may determine decline to accept any Instructions payable to the Bank;

(iii) for such period as the Central Bank may determine impose such other restrictions on participation by the Bank in LankaSettle as it may consider necessary to protect the stability, security and integrity of LankaSettle.

(iv) for such period as the Central Bank may determine suspend the operation in full or in part of this Mandate Agreement

(b) An Event of Default is to be treated as occurring at the time when a relevant resolution or order is made or when the Central Bank serves notice on the Bank stating that the relevant event is to be treated as an Event of Default for the purpose of this Mandate Agreement

2.11 Suspension

a) If the Event of Default arises from the suspension of the license issued to the Bank to carry on banking business and the suspension of its appointment as a Dealer Direct Participant, the Central Bank shall suspend forthwith the operation of this Mandate Agreement in full or in part and shall suspend the Bank from Participating on LankaSettle subject to the Central Bank’s right to issue such instructions to the Bank as may be reasonably necessary to minimize disruption to the operations of LankaSettle and to protect the interests of the customers for whom the Bank maintains Securities Accounts. The Bank shall not be entitled to operate the Accounts or to participate on LankaSettle except to the extent permitted by such instructions.

b) If the Event of Default arises from any one of the occurrences referred to in clause (a), the Central Bank shall take into consideration the implications of such suspension on the ability of the Bank to continue to operate the Accounts or any Types of Accounts and to participate on LankaSettle and shall take action to suspend the operation of this Mandate Agreement in part or in full and to restrict or suspend participation by the Bank on LankaSettle as may be necessary in the circumstances. The Central Bank shall have the right in such circumstances to issue such instructions to the Bank as may be reasonably necessary to minimize disruption to the operations of LankaSettle and to protect the interests of the Customers for whom the Bank maintains Securities Accounts. The Bank shall not be entitled to operate the Accounts or to participate on LankaSettle except to the extent required by such instructions.

2.12 Termination

(a) If the Event of Default arises from the cancellation or revocation of the license issued to the Bank to carry on banking business and its appointment as a Dealer Direct Participant, the Bank shall cease to have any rights under this Mandate Agreement save as specifically stated in this clause 2.12.

(b) Notwithstanding the provisions of Clause (a), the Central Bank shall have the right to issue such instructions to the Bank as may be reasonably necessary to minimize
disruption to the operations of LankaSettle and to protect the interests of the Customers for whom the Bank maintains Securities Accounts. The Bank shall not be entitled to operate the Accounts or to participate on LankaSettle except to the extent required by such instructions.

(c) As soon as practicable after the cancellation of the license of the Bank to carry on banking business the Central Bank shall terminate this Agreement by notice served on the Bank.

(d) Subject to any applicable written law, the System Rules and to any applicable provision of any other agreement between the Central Bank and the Bank in force at the time, and to the provision of sub clause (e), upon the termination of this Mandate Agreement the Central Bank shall have the obligation to pay to the Bank an amount equal to the closing balance of the Settlement Account as at the end of business on the date of termination after deducting any fees, charges or other dues to the Central Bank provided that where such balance is negative the participant shall have an obligation to pay a sum equivalent to such balance to the Central Bank together with any such fees, charges and dues.

(e) Termination of this Mandate Agreement shall not affect any accrued rights, any commitment already incurred by the Central Bank on behalf of the Bank, or the authority to make entries to the account to reflect any such rights or commitments.

3. AMENDMENT OF MANDATE AGREEMENT

(a) This Mandate Agreement may not be amended except with the written agreement of each of the parties.

(b) The Central Bank is hereby authorized by the Bank to advise all other Participants of the terms of this Mandate Agreement and of any amendments to this Mandate Agreement.

4. FEES

4.1 Fees Chargeable to Participant

(a) The Bank acknowledges the Central Bank’s right to set Fees so as to recover its costs in providing, managing and administering the Settlement Account and Securities Account, and that the Fees chargeable to the Bank may be adjusted by the Central Bank from time to time.

(b) The Bank undertakes to reimburse the Central Bank on demand for all fees, costs, charges and other expenses incurred by the Central Bank in connection therewith or otherwise in connection with the Central Bank's functions under this Mandate Agreement.
5. DISCLAIMERS AND LIMITATION OF LIABILITY

5.1 Force Majeure

(a) Neither party will be liable for any act, omission or failure to fulfill its obligations under this Mandate Agreement if and to the extent that such act, omission or failure arises from any cause reasonably beyond its control which prevents compliance with that party’s obligations under these Agreement, (called a “Force Majeure Event”).

(b) An event is not a Force Majeure Event if:

(i) the effect of the event could have been avoided had a party performed its obligations under the Mandate Agreement; or

(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 the party concerned or any officer, employee or agent of that party is directly responsible.

(c) The party unable to fulfill its obligations due to a Force Majeure Event will immediately:

(i) notify the other party 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 compliance with the party’s 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.

5.2 Limit of Liability

The Central Bank will not be liable for any act or failure to act in the performance of its obligations under this Mandate Agreement, nor for the consequences of such acts or omissions and will therefore not be liable to the Bank 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 Bank, arising out of this Mandate Agreement, unless such liability arises from gross negligence, willful default, fraud or theft of the Central Bank or any of its officers or employees (in which case the Central Bank will be liable only for the amount of any funds lost from the Bank’s Accounts as a direct result of such gross negligence, willful default, fraud or theft provided that the immediate cause of any such loss from the Bank’s account is not due to any act or omission on the part of the Bank).
5.3 Consequential Losses

For the avoidance of doubt, it is expressly agreed that in no event will the Central Bank be liable to the Bank for any indirect, special, incidental or consequential loss or damages of any kind and however arising (including loss of revenues 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.

5.4 Indemnity

The Bank shall indemnify the Monetary Board of the Central Bank, its members, employees and servants and agents against all expenses, claims damages and liabilities whatsoever arising directly or indirectly from the actions or omissions of the Bank or its servants, or agents (whether or not authorized by the Bank) and/or failure of the Bank to comply with this Mandate Agreement or in the Central Bank’s operation of the mandate conferred by this Mandate Agreement, and the Bank agrees that such indemnity shall survive any termination of this Mandate Agreement and the Bank's Settlement or Securities Accounts.

6. MISCELLANEOUS

6.1 Dispute Resolution

Without prejudice to any action that the Central Bank is authorized to take by law or under the System Rules or this Mandate Agreement for the preservation of the stability and efficiency of LankaSettle, the parties shall endeavour to settle any Dispute by negotiation, failing which such Dispute shall be resolved through arbitration under the Arbitration Act No.11 of 1995.

6.2 Confidentiality

(a) The Central Bank and the Bank will be subject to the applicable written law on confidentiality in respect of all Instructions, Account Transfers, Accounts and Participants

(b) The Bank requests and authorizes the Central Bank to release information concerning the Settlement and Securities Accounts for audit purposes to such persons as the Bank may notify to the Central Bank.

(c) The Bank authorizes the Central Bank to release information concerning the Settlement and Securities Accounts to auditors acting for the Central Bank.

(d) The provisions of this clause 6.2 will survive the termination of the Mandate Agreement.

6.3 Assignment and Other Dealings

(a) The provisions of this Mandate Agreement shall be binding upon and inure to the benefit of the parties and their respective successors in title and permitted assigns.
(b) Subject to the provisions of section 112B of the Monetary Law Act the Bank and the Central Bank shall not assign or transfer its rights or obligations under this Agreement without the prior written consent of the other party.

(c) The Bank undertakes not, without prior written consent of the Central Bank, to assign, charge or otherwise encumber the Settlement Account, or any balance in such account, or to permit any such encumbrance to exist.

(d) The Bank undertakes not to assign, charge or otherwise encumber the Securities Account or any securities in such account nor to permit any such encumbrances to exist except as provided by applicable written law.

6.4 Entire Mandate

This Mandate Agreement supersedes all prior mandates, agreements, proposals and undertakings between the parties in relation to its subject matter (whether written or oral) and constitutes the entire agreement between the parties in relation to the matters to which it applies.

6.5 Severability

If any provision of this Agreement is held to be invalid, illegal or unenforceable, such provision will be severed and the remainder of this Agreement will remain in full force and effect.

6.6 Waiver and Variation

No waiver or variation of any right under this Mandate Agreement in any one instance shall operate as a waiver of variation in any other instance or of any other rights. Any failure by either party to exercise any right under this Mandate Agreement, or any delay in exercising any such right, shall not operate as a waiver or variation of that or any other such right. The rights and remedies of each party provided in this Mandate are cumulative with and not exclusive of any rights of lien, sale, set-off or retention or other rights or remedies which such party may have at common law, statute or otherwise.

6.7 Notices

(a) Unless otherwise agreed in writing by the parties, notices are to be sent by facsimile, personal delivery, or courier to the addressee at the facsimile number or address, and marked for the attention of the person or office holder (if any), from time to time designated in writing for this purpose by the addressee to the other party.

(b) No Notice is to be effective until received. However, any Notices will be deemed to be received:

(i) if delivered personally or by courier, when delivered at the recipient’s address;
(ii) if sent by facsimile transmission, on the date that transmission is received by the recipient in legible form, it being agreed that the onus of proving receipt is on the sender; and will not be met only by a transmission report generated by the sender’s facsimile machine which indicates the transmission was sent.

(c) Any Notice received at a time that is after 5.00 pm on a Business Day will be deemed to have been received at 9.00 am on the next following business day.

6.8 Initial Facsimile Numbers and Addresses

The initial facsimile number and address of each party is set out below:

(a) The Central Bank of Sri Lanka

Address : No.30, Janadhipathi Mawatha, Colombo 01
Attention : (Mr./Mrs.) [DPS’S NAME], Director, Payments and Settlements
Facsimile : 2387009
Telephone : 2477042; and

(b) [NAME of LCB]

Address : [ADDRESS of LCB]
Attention : [NAME AND DESIGNATION]
Facsimile :
Telephone :

Any change in facsimile number or address of one party shall be notified by such party in writing to the other.

6.9 Operative Date

This agreement shall come into operation on the [EFFECTIVE/APPOINMENT DATE].

This Mandate Agreement has been drawn up and executed by the authorized signatories of the respective parties at Colombo in two originals, one for each party on the dates as hereunder set out.
For and on behalf of the Monetary Board of the Central Bank of Sri Lanka

(Mr/Mrs.) [AG'S NAME]
Assistant Governor
Authorized Signatory

Date: .........................

Witnesses: 1. .........................

2 .........................

Signed for and on behalf of [NAME of LCB].

[NAME of CEO/MD/GM]
[DESIGNATION of CEO/MD/GM]
Authorized Signatory

Date: .........................

Witnesses: 1 .........................

2 .........................
SCHEDULE III B

MANDATE AGREEMENT

(For Non-Bank Primary Dealers)

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MANDATE AGREEMENT BETWEEN

MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA

AND

[NAME of Primary Dealer]. (‘the Primary Dealer’)

This Agreement is made and entered into by and between the Monetary Board of the Central Bank of Sri Lanka having its principal place of business at No.30, Janadhipathi Mawatha, Colombo 01, Sri Lanka (hereinafter referred to as the “Central Bank”) and [NAME of PD], having its registered place of business in Sri Lanka [ADDRESS of PD] (hereinafter referred to as “the Primary Dealer” which term shall where the context so requires or admits include the said [NAME of PD] its successors in business, permitted assigns, administrators, receivers and liquidators).

Whereas the Primary Dealer is a primary dealer appointed in terms of the Registered Stock and Securities Ordinance (RSSO) and the Local Treasury Bills Ordinance (LTBO) and maintains a Settlement Account with the Central Bank.

And whereas the Primary Dealer has also been appointed as a Dealer Direct Participant in terms of the said Ordinance and desires to open and maintain Securities Accounts of specified Account Types as stipulated in Regulations and System Rules, and to be admitted as a Participant in LankaSettle.

And whereas, for this purpose, the Primary Dealer is required to enter into a Mandate Agreement with the Central Bank which shall govern the maintenance and operation of the said Settlement Account and the opening, maintenance and operation of the said Securities Accounts.

It is therefore agreed between the parties as follows:

1. PRELIMINARY

1.1 Definitions

In this Agreement, unless the context otherwise requires:

"Accession Agreement" means the agreement in a prescribed form executed by the Primary Dealer with the Central Bank by which the Primary Dealer is admitted as a Participant to LankaSettle.

"Accounts" means the Settlement Account and Securities Accounts of the Account Types required to be maintained by the Primary Dealer in terms of the Regulations and System Rules.

"Account Types" means the types of Securities Accounts required by Regulations and System Rules to be maintained by the various categories of Participants in LankaSecure.

"Business Day" means a day on which the Central Bank is open for the settlement of transactions on LankaSettle and LankaSettle is operating to process Instructions and Account Transfers.
“Companies’ Act” means the Companies’ Act No.07 of 2007 and includes any enactment that replaces it or amends it.

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

"Customer Account" means a Securities Account maintained by the Primary Dealer for a customer.

"Customer Transaction" means a transaction that is carried out by the Primary Dealer which would result in a debit or a credit to a Customer Account.

"Court" means a Sri Lankan court of appropriate jurisdiction.

"Dealer Direct Participant" means a person appointed as a Dealer Direct Participant in terms of the Registered Stock and Securities Ordinance and the Local Treasury Bills Ordinance which is permitted to hold Scripless Securities Accounts for itself and for others and to carry out transactions in such securities for itself and others, and includes the Primary Dealer.

"Dispute" means a dispute or difference between the Central Bank and the Primary Dealer arising out of, or in any way connected with this Mandate Agreement, but shall not include any dispute or matter arising from or connected with any act or thing done or carried out or purported to be done or carried out by the Central Bank under or by virtue of its powers, authority or functions under any written law in its capacity as regulator or supervisor of the Primary Dealer.

"Event of Default" means, in respect of the Primary Dealer, an event that is deemed to have occurred if

(a) the balance in the Settlement Account falls short of the Minimum Balance Requirement, if any, imposed by the System Rules;

(b) there is a breach by the Primary Dealer of any warranty or representation made under this Mandate Agreement, the Accession Agreement or the System Rules;

(c) the Primary Dealer defaults in the due and punctual performance of any of the other provisions of the Mandate Agreement and (if, in the Central Bank’s determination, capable of remedy) fails to remedy such a default within such period as may be specified in a written notice from the Central Bank requiring the default to be remedied;

(d) the Primary Dealer defaults in the due and punctual performance of any of the provisions of the System Rules and (if, in the Central Bank’s determination, capable of remedy) fails to remedy such a default within such period as may be specified in a written notice from the Central Bank requiring the default to be remedied;

(e) the Primary Dealer admits to the Central Bank its inability to, or its intention not to, perform any of its obligations under this Mandate Agreement or the System Rules;
(f) the Primary Dealer has its appointment as a Primary Dealer or Dealer Direct Participant under the Local Treasury Bills Ordinance and the Registered Stock and Securities Ordinance suspended, revoked or cancelled or receives notice of such suspension, revocation and cancellation;

(g) the Primary Dealer has insufficient funds to meet its obligations as they fall due;

(h) a compromise or arrangement is proposed between the Primary Dealer and its creditors or any class of them or between the Primary Dealer and its shareholders or any of them, or any application is made to court in terms of Part VIII of the Companies’ Act or an application is made under any equivalent or analogous provisions of a statute applicable to the Primary Dealer;

(i) a petition is filed for the winding up of the Primary Dealer or of any of its subsidiaries or action is initiated under an applicable law for the winding up of the Primary Dealer;

(j) a petition is filed for the making of an administration order in respect of the Primary Dealer or any of its subsidiaries;

(k) an order is made or a resolution is passed for the winding up or dissolution of the Primary Dealer or an administration order is made, a resolution is passed or action is taken under an applicable law to appoint an administrator in respect of the Primary Dealer;

(l) an order is made or a resolution is passed for the winding up (not being a member’s voluntary winding up) of any subsidiary of the Primary Dealer or an administration order is made in respect of any such subsidiary;

(m) there is appointed a receiver, a trustee or an analogous officer of the Primary Dealer or any of its subsidiaries over all or any material part of the property of the Primary Dealer or of any subsidiary unless the Central Bank has given its prior written confirmation that the Central Bank shall not serve notice of the occurrence of an Event of Default on the basis of such appointment;

(n) any event analogous to any of the foregoing occurs in any jurisdiction in relation to the Primary Dealer, or where the foregoing includes a reference to an occurrence relating to any of the Primary Dealer’s subsidiaries, any of its subsidiaries;

(o) if the Primary Dealer is operating in Sri Lanka through a branch established in Sri Lanka, a decision is taken by the Primary Dealer to wind up the business of the branch in Sri Lanka, or any action is taken under an applicable law in Sri Lanka to wind up or close down the business of such branch

“Instruction” means a Payment Instruction or a Securities Instruction.
"Intra-day Liquidity Facility" or "ILF" means the facility to provide funds to a Participant by the Central Bank for the duration of a Business Day against securities provided as collateral by the Primary Dealer as described in the System Rules.

"ILF Agreement" means the agreement in the prescribed form between the Primary Dealer and the Central Bank in terms of which the Central Bank provides ILF to the Primary Dealer.

"LankaSettle" means the Real Time Gross Settlement (RTGS) System and the LankaSecure System established in terms of the Monetary Law Act No.58 of 1949.

"LankaSecure" means the Scripless Securities Settlement System (SSSS) and Central Depository System (CDS).

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

"Mandate Agreement" means these terms and all schedules attached or incorporated by reference and any amendments thereto that may be effected in writing from time to time.

"Minimum Balance Requirement" means the minimum amount, if any, required to be maintained in the Settlement Account by the System Rules.

"Monetary Board" means the Monetary Board of the Central Bank of Sri Lanka established under the Monetary Law Act.

"Monetary Law Act" means the Monetary Law Act No.58 of 1949 as amended from time to time and includes any Act that replaces it.

"Multilateral Net Settlement Batch" means an Account Transfer involving multiple debits and credits, initiated by the Central Bank to settle net obligations arising from the conduct of a payment or securities clearing system as described in the System Rules.

"OMO" means open market operations conducted by the Central Bank in terms of Part V of Chapter V of the Monetary Law Act.

"OMO Agreement" means the agreement in the prescribed form between the Primary Dealer and the Central Bank in terms of which OMO transactions are engaged in by the parties.

"Participant" means a person admitted by the Central Bank in accordance with the System Rules to participate in LankaSettle or in the RTGS, and includes the Primary Dealer.

"Participant's ILF Account" means the Securities Account maintained by the Primary Dealer in LankaSecure in accordance with Regulations and the System Rules to hold Scripless Securities available as security for Intra-day Liquidity.

"Payment Instruction" means an instruction initiated by a Primary Dealer to debit its Settlement Account and credit the Settlement Account of another Participant on LankaSettle in a form and manner provided for in the System Rules.
"Primary Auction" means the allocation and issue of Scripless Securities against payment to Primary Dealers and Designated Non Dealer Bidders on the basis of bids.

"Primary Dealer" means a person appointed as a primary dealer by the Central Bank under the Local Treasury Bills Ordinance and the Registered Stock and Securities Ordinance which may participate in Primary Auctions and hold and transact Scripless Securities transactions for itself and for Customers.

"Real-Time Gross Settlement" or "RTGS" means the processing and settlement of payment obligations in real time on a gross basis.

"Receive versus Payment Instruction" means a Securities Instruction by a Participant to credit a Securities Account maintained by it with Scripless Securities debited from a Securities Account maintained by another Participant against the debit of funds from its own Settlement Account and the credit of such funds to the Settlement Account of such other Participant.

"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 applicable to LankaSettle made under the Monetary Law Act, the Registered Stock and Securities Ordinance and the Local Treasury Bills Ordinance.

"Scripless Securities" means Scripless Treasury Bills and Scripless Treasury Bonds as defined in the Local Treasury Bills Ordinance and Registered Stock and Securities Ordinance respectively, and securities issued by the Central Bank in Scripless form in terms of the Monetary Law Act.

"Securities Account" means an account maintained in LankaSecure by the Primary Dealer for the recording of title to and interests in Scripless securities of the Primary Dealer or of its Customers in accordance with the Regulations and the System Rules.

"Securities Account Transfer" means a debit or credit to the Securities Accounts of the Primary Dealer initiated by the Central Bank.

"Securities Instruction" means an instruction in a form and manner provided for in the System Rules, initiated by the Primary Dealer to transfer specified Scripless Securities from a Securities Account maintained by the Primary Dealer to the Securities Account maintained by another Participant or the Central Bank or to reposition specified Scripless Securities between Securities Accounts of the Primary Dealer.

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

"Settlement Account" means the account maintained by the Primary Dealer with the Central Bank in terms of the Monetary Law Act for clearance of payments and the settlement of balances among Participants, and in carrying out of its legally permitted functions, and for the settlement of payment in Scripless Securities transactions among Participants.
“Settlement Account Transfer” means the credit or debit of a Settlement Account initiated by the Central Bank.

“System Rules” means the procedures and standards adopted by the Central Bank and issued to Participants from time to time which govern the operations of LankaSettle and the conduct of settlement between Participants and the Central Bank.

1.2 Interpretation

In this Agreement:

(a) words importing one gender include the other genders;
(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 this Mandate Agreement;
(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.

1.3 Governing Law

This Mandate Agreement shall be governed by and construed in accordance with the laws of Sri Lanka.

The Central Bank and the Primary Dealer warrant that:

(i) the execution of this Mandate Agreement will not violate any law, regulation, by law, or rule applicable to itself;

(ii) it has taken all necessary action to authorize the execution of this Agreement.

2. SCOPE AND EFFECT

Subject to any applicable written law, this Agreement shall govern the opening, maintenance, and operation of the Settlement Account and Securities Accounts maintained by the Primary Dealer. In the event of any inconsistency between this Agreement and the System Rules, the System Rules shall prevail.

2.1 Operation of the Settlement Account

(a) The Central Bank shall maintain a Settlement Account for the Primary Dealer for the settlement of balances among participants in connection with functions that the Primary Dealer is permitted to engage in under applicable law, that for the settlement of Scripless Securities transactions.
(b) The Central Bank shall open and maintain Securities Accounts of the Account Types required to be maintained by the Primary Dealer in terms of the Regulations and the System Rules.

(c) The Primary Dealer shall at all times while the Settlement Account remains operational ensure there are sufficient funds in such account to meet the Minimum Balance Requirement, if any imposed under the System Rules.

(d) The rights and obligations of the Primary Dealer in respect of the Settlement Account are rights to receive, and obligations to make, payment in Sri Lankan Rupees.

2.2 Authority to Execute Instructions

The Primary Dealer authorizes the Central Bank to execute Payment Instructions and Securities Instructions issued by it and to execute instructions given by third parties to debit and credit its Accounts as provided for in this agreement and in the System Rules.

The Primary Dealer also acknowledges that in order to meet a Contingency Event as specified in the System Rules or in any other emergency situation, the Central Bank may authorize the Primary Dealer to issue instructions in any other manner that provides the Central Bank with a clear instruction to transact and the Primary Dealer authorizes the Central Bank to execute instructions issued in that manner.

The Primary Dealer also acknowledges that a Receive versus Payment Instruction issued by it will serve as a payment Instruction to debit its Settlement Account.

2.3 Authority to Execute Account Transfers

The Primary Dealer authorizes the Central Bank to effect Settlement Account Transfers:

(a) for settlement of payment by the Primary Dealer for Scripless Securities and other Government Securities purchased by the Primary Dealer in the Primary Auction and for settlement of payment of maturity proceeds and interest to the Primary Dealer on Scripless Securities and other Government Securities owned by it and its Customers, and for such settlement to be made on a net basis if such obligations fall due on the same day;

(b) to credit funds provided to the Primary Dealer under the ILF Agreement and to debit repayments thereof;

(c) to debit and credit funds on account of OMO transactions between the Primary Dealer and the Central Bank carried out under the OMO Agreement;

(d) for the settlement of fees and other dues chargeable to the Primary Dealer by the Central Bank;
to credit the Settlement Account with funds in accordance with instructions received from persons, other than Participants, holding accounts at the Central Bank;

(f) to transfer funds to and from the Settlement Account to settle transactions for the sale and purchase of physical currency notes between the Primary Dealer and the Central Bank;

(g) for the settlement of any interest amounts chargeable to the Primary Dealer in respect of any other statutory payments due to the Central Bank; and

(h) for any other transactions that have been agreed in writing by the Primary Dealer.

2.4 Securities Account Transfers

The Primary Dealer authorizes the Central Bank to effect Securities Account Transfers as provided for in the ILF Agreement and the OMO Agreement.

2.5 Rectification of Errors

The Primary Dealer authorizes the Central Bank to execute Account Transfers under advice to the Primary Dealer for the rectification of operational errors.

2.6 Conditions for Settlement

(a) The Central Bank shall not settle an Instruction if settlement of that Instruction would, upon settlement, reduce the balance in the Primary Dealer’s Settlement Account below the Minimum Balance Requirement, if any.

(b) If an Instruction is unable to be settled due to the operation of clause 2.6(a), it will be held, during the Business Day, within the System until there are sufficient available funds in the Primary Dealers’s Settlement Account to ensure that the balance will not reduce below the Minimum Balance Requirement upon settlement of the Instruction.

(c) An Instruction will be settled at the point in time at which the System successfully posts all debits and credits to the relevant Accounts in the amounts notified in that Instruction.

(d) All Instructions submitted for settlement on a specified Business Day which have not been settled by the System before the end of that Business Day will be deleted from the System under advice to the Primary Dealer.

(e) The Central Bank shall not settle a Securities Instruction if the securities specified in the Instruction are not available for transfer within the Securities Account of the Primary Dealer.

(f) Instructions shall be settled on LankaSettle according to the Daily Operating Schedule specified in the System Rules. This operating schedule defines the
periods at which settlements of different types of Instructions will be settled during each Business Day. The Primary Dealer shall ensure that sufficient available funds are in place to meet its settlement obligations at the times specified in the operating schedule.

2.7 Irrevocability of Settled Payment and Securities Transactions

The Central Bank and the Primary Dealer acknowledge that a fund or Scripless securities transfer effected on LankaSettle shall be final and irrevocable as provided in Subsection (5) of Section 62(A) of the Monetary Law Act, i.e.

(a) in the case of a transaction involving a funds transfer only, upon the Settlement Account of the Participant issuing the Payment Instruction being debited;

(b) in the case of a transaction involving a securities transfer only, upon the Securities Account of the Participant requesting the securities transfer being debited;

(c) in the case of a transaction involving both a funds transfer and a securities transfer, upon debiting the Settlement Account or the Securities Account of a Participant requesting the funds transfer or the securities transfer as the case may be, whichever occurs earlier.

2.8 Authorization for Customer Transactions

The Primary Dealer warrants and undertakes that every Instruction initiated by the Primary Dealer in respect of a Customer Transaction is authorized by the Customer.

2.9 Events of Default

The Primary Dealer, immediately upon the occurrence or threatened occurrence of an Event of Default shall:

(a) if the Primary Dealer has reason to doubt its authority or ability to continue to make payments, ensure that no further Instructions are submitted to LankaSettle; and

(b) notify the Central Bank of the occurrence, or threatened occurrence of that Event of Default and the steps (if any) the Primary Dealer is taking to ensure that it continues to have authority and ability to issue Instructions.

2.10 Restrictions, etc.

(a) Upon receiving notice of the occurrence or threatened occurrence of an Event of Default or being satisfied on the basis of information available to it that an Event of Default has occurred or is threatened to occur, and if in the opinion of the Central Bank such Event of Default threatens or is likely to threaten the stability, security and integrity of LankaSettle the Central Bank may, subject to clause 2.11 and 2.12 take any one or more of the following measures:
(i) for such period that the Central Bank may determine decline to act on any or all Instructions given by or on behalf of the Primary Dealer;

(ii) for such period as the Central Bank may determine decline to accept any Instructions payable to the Primary Dealer;

(iii) for such period as the Central Bank may determine impose such other restrictions on participation by the Primary Dealer in LankaSettle as it may consider necessary to protect the stability, security and integrity of LankaSettle.

(iv) for such period as the Central Bank may determine suspend the operation in full or in part of this Mandate Agreement

(b) An Event of Default is to be treated as occurring at the time when a relevant resolution or order is made or when the Central Bank serves notice on the Primary Dealer stating that the relevant event is to be treated as an Event of Default for the purpose of this Mandate Agreement

2.11 Suspension

a) If the Event of Default arises from the suspension of the appointment of the Primary Dealer as Primary Dealer and Dealer Direct Participant the Central Bank shall suspend forthwith the operation of this Mandate Agreement in full or in part and shall suspend the Primary Dealer from Participating on LankaSettle subject to the Central Bank’s right to issue such instructions to the Primary Dealer as may be reasonably necessary to minimize disruption to the operations of LankaSettle and to protect the interests of the customers for whom the Primary Dealer maintains Securities Accounts. The Primary Dealer shall not be entitled to operate the Accounts or to participate on LankaSettle except to the extent permitted by such instructions.

b) If the Event of Default arises from any one of the occurrences referred to in clause (a), the Central Bank shall take into consideration the implications of such suspension on the ability of the Primary Dealer to continue to operate the Accounts or any Types of Accounts and to participate on LankaSettle and shall take action to suspend the operation of this Mandate Agreement in part or in full and to restrict or suspend participation by the Primary Dealer on LankaSettle as may be necessary in the circumstances. The Central Bank shall have the right in such circumstances to issue such instructions to the Primary Dealer as may be reasonably necessary to minimize disruption to the operations of LankaSettle and to protect the interests of the Customers for whom the Primary Dealer maintains Securities Accounts. The Primary Dealer shall not be entitled to operate the Accounts or to participate on LankaSettle except to the extent required by such instructions.

2.12 Termination

(a) If the Event of Default arises from the cancellation or revocation of the Primary Dealer’s appointment as a Primary Dealer and Dealer Direct Participant, the Primary
Dealer shall cease to have any rights under this Mandate Agreement save as specifically stated in this clause 2.12.

(b) Notwithstanding the provisions of Clause (a), the Central Bank shall have the right to issue such instructions to the Primary Dealer as may be reasonably necessary to minimize disruption to the operations of LankaSettle and to protect the interests of the Customers for whom the Primary Dealer maintains Securities Accounts. The Primary Dealer shall not be entitled to operate the Accounts or to participate on LankaSettle except to the extent required by such instructions.

(c) As soon as practicable after the cancellation of the appointment of the Primary Dealer as a Dealer Direct Participant and Primary Dealer the Central Bank shall terminate this Agreement by notice served on the Primary Dealer.

(d) Subject to any applicable written law, the System Rules and to any applicable provision of any other agreement between the Central Bank and the Primary Dealer in force at the time, and to the provision of sub clause (e), upon the termination of this Mandate Agreement the Central Bank shall have the obligation to pay to the Primary Dealer an amount equal to the closing balance of the Settlement Account as at the end of business on the date of termination after deducting any fees, charges or other dues to the Central Bank provided that where such balance is negative the Primary Dealer shall have an obligation to pay a sum equivalent to such balance to the Central Bank together with any such fees, charges and dues.

(e) Termination of this Mandate Agreement shall not affect any accrued rights, any commitment already incurred by the Central Bank on behalf of the Primary Dealer, or the authority to make entries to the account to reflect any such rights or commitments.

3. AMENDMENT OF MANDATE AGREEMENT

(a) This Mandate Agreement may not be amended except with the written agreement of each of the parties.

(b) The Central Bank is hereby authorized by the Primary Dealer to advise all other Participants of the terms of this Mandate Agreement and of any amendments to this Mandate Agreement.

4. FEES

4.1 Fees Chargeable to Participant

(a) The Primary Dealer acknowledges the Central Bank’s right to set Fees so as to recover its costs in providing, managing and administering the Settlement Account and Securities Account, and that the Fees chargeable to the Primary Dealer may be adjusted by the Central Bank from time to time.

(b) The Primary Dealer undertakes to reimburse the Central Bank on demand for all fees, costs, charges and other expenses incurred by the Central Bank in connection
therewith or otherwise in connection with the Central Bank's functions under this Mandate Agreement.

5. DISCLAIMERS AND LIMITATION OF LIABILITY

5.1 Force Majeure

(a) Neither party will be liable for any act, omission or failure to fulfill its obligations under this Mandate Agreement if and to the extent that such act, omission or failure arises from any cause reasonably beyond its control which prevents compliance with that party's obligations under this Agreement, (called a "Force Majeure Event").

(b) An event is not a Force Majeure Event if:

(i) the effect of the event could have been avoided had a party performed its obligations under the Mandate Agreement;

(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 the party concerned or any officer, employee or agent of that party is directly responsible.

(c) The party unable to fulfill its obligations due to a Force Majeure Event will immediately:

(i) notify the other party 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 compliance with the party's obligations, the reasons why, and the expected duration of the Force Majeure Event; and

(ii) use all reasonable endeavours 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.

5.2 Limit of Liability

The Central Bank will not be liable for any act or failure to act in the performance of its obligations under this Mandate Agreement, nor for the consequences of such acts or omissions and will therefore not be liable to the Primary Dealer 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 Primary Dealer, arising out of this Mandate Agreement, unless such liability arises from gross negligence, willful default, fraud or theft of the Central Bank or any of its officers or employees (in which case the Central Bank will be liable only for the amount of any funds lost from the Primary Dealer’s Accounts as a direct result of such gross negligence, willful default, fraud or theft provided that the immediate cause of any such loss from the Primary Dealer’s account is not due to any act or omission on the part of the Primary Dealer).
5.3 Consequential Losses

For the avoidance of doubt, it is expressly agreed that in no event will the Central Bank be liable to the Primary Dealer for any indirect, special, incidental or consequential loss or damages of any kind and however arising (including loss of revenues or profits, lost data, business interruptions, or loss arising from errors, or breaches of security, in the Primary Dealer’s own systems) even if advised of the possibility of such.

5.4 Indemnity

The Primary Dealer shall indemnify the Monetary Board of the Central Bank, its members, employees and servants and agents against all expenses, claims damages and liabilities whatsoever arising directly or indirectly from the actions or omissions of the Primary Dealer or its servants, or agents (whether or not authorized by the Primary Dealer) and/or failure of the Primary Dealer to comply with this Mandate Agreement or in the Central Bank's operation of the mandate conferred by this Mandate Agreement, and the Primary Dealer agrees that such indemnity shall survive any termination of this Mandate Agreement and the Primary Dealer's Settlement or Securities Accounts.

6. MISCELLANEOUS

6.1 Dispute Resolution

Without prejudice to any action that the Central Bank is authorized to take by law or under the System Rules or this Mandate Agreement for the preservation of the stability and efficiency of LankaSettle, the parties shall endeavour to settle any Dispute by negotiation, failing which such Dispute shall be resolved through arbitration under the Arbitration Act No.11 of 1995.

6.2 Confidentiality

(a) The Central Bank and the Primary Dealer will be subject to the applicable written law on confidentiality in respect of all Instructions, Account Transfers, Accounts and Participants.

(b) The Primary Dealer requests and authorizes the Central Bank to release information concerning the Settlement and Securities Accounts for audit purposes to such persons as the Primary Dealer may notify to the Central Bank.

(c) The Primary Dealer authorizes the Central Bank to release information concerning the Settlement and Securities Accounts to auditors acting for the Central Bank.

(d) The provisions of this clause 6.2 will survive the termination of the Mandate Agreement.
6.3 Assignment and Other Dealings

(a) The provisions of this Mandate Agreement shall be binding upon and inure to the benefit of the parties and their respective successors in title and permitted assigns.

(b) Subject to the provisions of section 112B of the Monetary Law Act the Primary Dealer and the Central Bank shall not assign or transfer its rights or obligations under this Agreement without the prior written consent of the other party.

(c) The Primary Dealer undertakes not, without prior written consent of the Central Bank, to assign, charge or otherwise encumber the Settlement Account, or any balance in such account, or to permit any such encumbrance to exist.

(d) The Primary Dealer undertakes not to assign, charge or otherwise encumber the Securities Account or any securities in such account nor to permit any such encumbrances to exist except as provided by applicable written law.

6.4 Entire Mandate

This Mandate Agreement supersedes all prior mandates, agreements, proposals and undertakings between the parties in relation to its subject matter (whether written or oral) and constitutes the entire agreement between the parties in relation to the matters to which it applies.

6.5 Severability

If any provision of this Agreement is held to be invalid, illegal or unenforceable, such provision will be severed and the remainder of this Agreement will remain in full force and effect.

6.6 Waiver and Variation

No waiver or variation of any right under this Mandate Agreement in any one instance shall operate as a waiver of variation in any other instance or of any other rights. Any failure by either party to exercise any right under this Mandate Agreement, or any delay in exercising any such right, shall not operate as a waiver or variation of that or any other such right. The rights and remedies of each party provided in this Mandate are cumulative with and not exclusive of any rights of lien, sale, set-off or retention or other rights or remedies which such party may have at common law, statute or otherwise.

6.7 Notices

(a) Unless otherwise agreed in writing by the parties, notices are to be sent by facsimile, personal delivery, or courier to the addressee at the facsimile number or address, and marked for the attention of the person or office holder (if any), from time to time designated in writing for this purpose by the addressee to the other party.
(b) No Notice is to be effective until received. However, any Notices will be deemed to be received:

(i) if delivered personally or by courier, when delivered at the recipient’s address;
(ii) if sent by facsimile transmission, on the date that transmission is received by the recipient in legible form, it being agreed that the onus of proving receipt is on the sender; and will not be met only by a transmission report generated by the sender’s facsimile machine which indicates the transmission was sent.

(c) Any Notice received at a time that is after 5.00 pm on a Business Day will be deemed to have been received at 9.00 am on the next following business day.

6.8 Initial Facsimile Numbers and Addresses

The initial facsimile number and address of each party is set out below:

(a) **The Central Bank of Sri Lanka**
Address : No.30, Janadhipathi Mawatha, Colombo 01
Attention : (Mr/Mrs.) [ DPS’S NAME ], Director, Payments and Settlements
Facsimile : 2387009
Telephone : 2477042 ; and

(b) [ NAME of PD ]
Address : [ ADDRESS of PD ]
Attention : [ NAME AND DESIGNATION]
Facsimile :
Telephone :

Any change in facsimile number or address of one party shall be notified by such party in writing to the other.

6.9 Operative Date

This agreement shall come into operation on the [EFFECTIVE/APPOINMENT DATE].

This Mandate Agreement has been drawn up and executed by the authorized signatories of the respective parties at Colombo in two originals, one for each party on the dates as hereunder set out.
For and on behalf of the Monetary Board of the Central Bank of Sri Lanka

(Mr/Mrs.) [AG’S NAME]
Assistant Governor
Authorized Signatory

Date: .........................

Witnesses: 1. .......................

2 .........................

Signed for and on behalf of [NAME of PD].

[NAME of CEO/MD/GM]
[DESIGNATION of CEO/MD/GM]
Authorized Signatory

Date: .........................

 Witnesses: 1 .........................

2 .........................
Master Repurchase and Reverse Repurchase Agreement

THIS AGREEMENT is made and entered into between the Monetary Board of the Central Bank of Sri Lanka established under the Monetary Law Act No.58 of 1949, having its principal place of business at No.30, Janadhipathi Mawatha, Colombo 1 (the “Central Bank”) and [NAME of LCB/PD], {in case of a foreign bank “ a company incorporated in [country] and “ } having its registered place of business at [ADDRESS of LCB/PD] (the “Counterparty”).

WHEREAS

(a) The Counterparty desires to engage in Repurchase Transactions and Reverse Repurchase Transactions as a counterparty of the Central Bank in the open market operations conducted by the Central Bank, under Chapter V of Part V of the Monetary Law Act No.58 of 1949.

(b) The Central Bank has agreed to participate in such transactions with the Counterparty in accordance with the Operating Instructions and the terms and conditions hereinafter set out.

NOW THEREFORE, the parties hereto have agreed as follows:

1. Definitions

"Account Transfer" shall have the same meaning assigned to it in the Mandate Agreement.

"Confirmation" means a confirmation issued in terms of clause 3 hereof.

"LankaSettle" means the Real Time Gross Settlement (RTGS) System and the LankaSecure System established in terms of the Monetary Law Act No.58 of 1949.

"LankaSecure" means the Scripless Securities Settlement System (SSSS) and Central Depository System (CDS).

"Operating Instructions" means the Operating Instructions on Open Market Operations in Scripless Securities issued by the Central Bank with effect from 8th September 2003, as may be amended from time to time.

"Official Prices" means the prices which are determined by the Central Bank on a daily basis for the purpose of valuing securities for the purpose of Open Market Operations Transactions and are recorded in LankaSecure.

"Repurchase Transactions" means a transaction under which the Central Bank agrees to settle Scripless Treasury Bills (“Purchased Securities”) to the Counterparty at an agreed price (the "Purchase Price") on a certain date (the "Purchase Date") against the Counterparty’s agreement to re–sell the Purchased Securities to the Central Bank on an agreed date (the "Repurchase
Date") at an agreed price (the “Repurchase Price”), all as specified in the relevant Confirmation of such transaction.

“Reverse Repurchase Transaction” means a transaction under which the Central Bank agrees to purchase Scripless Securities (the “Purchased Securities”) from the Counterparty at an agreed price (the Purchase Price) on a certain date (the “Purchase Date”) against the Counterparty’s agreement to repurchase the Purchased Securities from the Central Bank on an agreed date (the “Repurchased Date") at an agreed price (the Repurchase Price), all as specified in the relevant Confirmation of such transaction.

“Real–Time Gross Settlement System” or “RTGS System” means the Real–Time Gross Settlement System established and operated by the Central Bank in terms of the Monetary Law Act No.58 of 1949.

“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 include Treasury Bills and Treasury Bonds issued in the form of written certificates and converted into Scripless Treasury Bills and Scripless Treasury Bonds in terms of the provisions of the Local Treasury Bills Ordinance and the Registered Stock and Securities Ordinance.

“Settlement Account” means the account maintained by the Counterparty with the Central Bank in terms of the Monetary Law Act No.58 of 1949.

“Transactions” means Repurchase Transactions and Reverse Repurchase Transactions.

2. General

2.1 Any matter relating to transactions that is not specifically provided for in this agreement shall be governed by the Operating Instructions and in the event of any inconsistency between this Agreement and the Operating Instructions, the provisions of the Operating Instructions shall prevail.

2.2 Unless otherwise agreed in writing between the Central Bank and the Counterparty, the terms and conditions set out in this Agreement shall apply to each Repurchase and Reverse Repurchase Transaction which may be entered into between the Central Bank and the Counterparty in terms of the Operating Instructions.

3. Confirmations

The terms of a confirmation as stipulated in the Operating Instructions in respect of a transaction shall be binding on the parties in the absence of manifest error.

4. Reverse Repurchase Transactions

It is hereby agreed that each Reverse Repurchase Transaction shall involve a purchase by the Central Bank and a sale by the Counterparty of the Purchased Securities on the Purchase Date, and a sale by the Central Bank and a re–purchase by the Counterparty of the Purchased
Securities on the Repurchase Date, and that such purchase, sale and repurchase shall be
effected in accordance with the Operating Instructions.

5. Repurchase Transactions

It is hereby agreed that each Repurchase Transaction shall involve a sale by the Central Bank
and a purchase by the Counterparty of the Purchased Securities on the Purchase Date and a
repurchase by the Central Bank and a sale by the Counterparty of the Purchased Securities on
the Repurchase Date, and that such sale, purchase and repurchase shall be effected in
accordance with the Operating Instructions.

6. Replenishment

In the case of Reverse Repurchase Transactions, the Central Bank reserves the right to
revalue the Purchased Securities based on the revised Official Prices from time to time. In
the event of such revaluation, where necessary, the Central Bank has the right to call for
replenishment of Scripless Securities from the counterparty in accordance with the Operating
Instructions. In the event of counterparty being unable to provide replenishment of
securities as requested by the Central Bank, the Central Bank reserves the right to debit the
Settlement Account of the Counterparty to the value of such required replenishment.

7. Substitution

The Counterparty or the Central Bank shall not be entitled to substitute Purchased Securities
with other equivalent Scripless Securities.

8. Failure of Counterparty to honour/settle transactions

The Counterparty shall ensure the availability of sufficient Scripless Securities and of funds in
the respective accounts specified in the Operating Instructions for the timely execution of
every Transaction. In the event the execution of a Transaction fails due to the non-
availability of Scripless Securities or of funds, the Central Bank shall have the right to take
action as stipulated in the Operating Instructions for the recovery of the Scripless Securities
or the funds, as the case may be, and the Counterparty shall in addition be liable to such
damages, if any, as are stipulated in the Operating Instructions.

9. Event of Default or Act of Insolvency

9.1 Notwithstanding any other provisions of this Agreement or of a Confirmation, in the event
of an Act of Insolvency or an Event of Default by or in respect of the Counterparty, the
Repurchase Date in respect of all outstanding Transactions under the Agreement shall be
deemed to occur immediately; and

(a) In the case of outstanding Repurchase Transactions under the Agreement, the Central
Bank shall be entitled to immediately transfer the Purchased Securities to itself and
credit, subject to clause 9.4, the Repurchase Price to the Settlement Account of the
Counterparty and the Central Bank may, if necessary, effect Account Transfers for such
purpose;
(b) In the case of outstanding Reverse Repurchase Transactions under the Agreement, the Central Bank shall be entitled, at its option, to immediately debit the Settlement Account of the Counterparty with the Repurchase Price against the transfer of the Purchased Securities to the Counterparty, or to transfer the Purchased Securities to itself and to deal with the Purchased Securities as it deems fit on its own behalf for the recovery of the Repurchase Price, and the Central Bank may, if necessary, effect Account Transfers for such purpose;

9.2 Where the Counterparty fails to settle a transaction on Repurchase Date due to non-availability of sufficient funds or non-availability of purchased Securities in the relevant accounts, the Central Bank may, at its discretion, taking into account the circumstances of such failure, deem that the Repurchase Date in respect of all outstanding Transactions under this Agreement to have occurred immediately. Where the Central Bank serves a notice on the Counterparty that it has deemed the Repurchase Date in respect of all outstanding Transactions with the Counterparty under this Agreement to have occurred immediately, notwithstanding any other provisions of this Agreement or of a Confirmation:

(i) in the case of outstanding Repurchase Transactions under the Agreement, the Central Bank shall be entitled to immediately transfer the Purchased Securities to itself and subject to clause 9.4, to credit the Repurchase Price to Settlement Account of the Counterparty and the Central Bank may, if necessary, effect Account Transfers for such purpose;

(ii) in the case of outstanding Reverse Repurchase Transactions under the Agreement, the Central Bank shall be entitled to retain the Purchased Securities and to deal with the Purchased Securities as it deems fit on its own behalf, for the Recovery of the Repurchase Price.

9.3 The rights available to the Central Bank under clauses 9.1 and 9.2 above shall be without prejudice to and in addition to any other rights available to the Central Bank by law or under any other agreement or arrangement with the Counterparty.

9.4 The Central Bank may, on the occurrence of an Act of Insolvency or an Event of Default by or in respect of the Counterparty, set off against its obligation to make any payment under this Agreement any amount or amounts whatsoever owed to the Central Bank by the Counterparty.

9.5 For the purpose of this Agreement an "Act of Insolvency" shall occur with respect to the Counterparty upon:

(a) its making a general assignment for the benefit of or entering into a reorganization, arrangement or composition with creditors; or

(b) its admitting in writing that it is unable to pay its debts as they become due; or

(c) its seeking, consenting to or acquiescing in the appointment of any trustee, administrator, receiver, liquidator or analogous officer in respect of it or any material part of its property; or
(d) the presentation or filing of a petition in respect of it (other than by the Central Bank in respect of any obligation under this Agreement) or any of its subsidiaries, in any court or before any agency alleging or for the bankruptcy, winding-up or insolvency of such party (or other analogous proceeding) or seeking any reorganisation, arrangement, composition, re-adjustment, administration, liquidation, dissolution or similar relief under any present or future statute, law or any regulation, such petition (except in the case of a petition for winding up or analogous proceeding, in respect of which no such 30 day period shall apply) not having been stayed or dismissed within 30 days of its filing; or

(e) an order is made or a resolution is passed for the winding up (not being a members voluntary winding up) of any subsidiary of the Counterparty or an administration order is made in respect of any such subsidiary; or

(f) the appointment of a receiver, administrator, liquidator, trustee or analogous officer of the Counterparty or any of its subsidiaries or over all or any material part of the property of the Counterparty or of any subsidiary unless the Central Bank has given its prior written confirmation that the Central Bank shall not serve notice of the occurrence of an Event of Default on the basis of such appointment; or

(g) the convening of any meeting of its creditors for the purposes of considering a voluntary winding up arrangement in terms of Section 320 of the Companies’ Act No. 07 of 2007 or Insolvency legislation in Sri Lanka (or any analogous proceeding); or

(h) action is initiated for the amalgamation of the Counterparty under Part VIII of the Companies’ Act; or

(i) any event analogous to any of the foregoing occurs in any jurisdiction in relation to the Counterparty or, where the foregoing includes a reference to an occurrence relating to any of the Counterparty’s subsidiaries, any of its subsidiaries.

9.6 For the purposes of this Agreement, an Event of Default means any of the following:

(a) Any of the representations and warranties made by the Counterparty in Clause 10 are incorrect or untrue or would be incorrect or untrue in any material respect when made or repeated or deemed to have been made or repeated; or

(b) If the Counterparty’s membership on the LankaSettle System, (RTGS System and LankaSecure System), or any sub system of it is suspended or terminated; or

(c) The licence of the Counterparty as a licensed commercial bank or its appointment as a primary dealer is suspended, revoked or cancelled; or

(d) The Counterparty admits to the Central Bank its inability to, or its intention not to perform any of its obligations under this Agreement.

9.7 The Counterparty undertakes forthwith to notify the Central Bank upon becoming aware of the occurrence of any Event of Default.
10. **Representations and Warranties**

The Counterparty hereby represents and warrants that:

(a) The entry into this Agreement and into Transactions hereunder and the performance of its obligations under such Transactions are within its powers;

(b) All necessary consents and approvals (whether governmental or regulatory) for its entry into this Agreement and into Transactions hereunder and the performance of its obligations under such Transactions have been obtained and are in full force and effect;

(c) All internal approvals necessary for its entry into this Agreement and into Transactions thereunder and the performance of its obligations under such Transactions have been obtained;

(d) It is entering into this Agreement in the full knowledge that the Central Bank does not act in any advisory or similar capacity with respect to the Counterparty;

(e) It has executed this Agreement and will at all times engage in Transactions hereunder as principal.

Each of the above representations and warranties shall be deemed to be repeated whenever a Transaction is entered into between the parties.

11. **Account Transfers**

The Central Bank reserves the right to effect Account Transfers in the circumstances specified in this Agreement, for the purpose of recovering any amount due from the Counterparty as damages in terms of the Operating Instructions, and to deal with any contingency situation which may arise due to a breakdown or malfunctioning of LankaSettle or any sub-system thereof.

12. **Term of the Agreement**

This agreement shall come into effect on [EFFECTIVE/APPOINMENT DATE]. This Agreement shall automatically terminate if the Participant ceases to be a participant of LankaSettle in terms of the Mandate Agreement between the parties and the System Rules.

Termination of this Agreement shall not affect any rights and liabilities that have already accrued at the time of such termination.

13. **Amendments**

Amendments may be made to this Agreement in writing by mutual agreement of the parties.
14. **Non-assignability**

The rights and obligations of the parties under this Agreement and under any Transaction shall not be assigned, charged or otherwise dealt with by either party without the prior written consent of the other party.

15. **Governing Law and Jurisdiction**

This Agreement and all Transactions entered into hereunder shall be governed by the laws of Sri Lanka and the Counterparty submits to the non-exclusive jurisdiction of the courts of Sri Lanka but with liberty on the part of the Central Bank to take action in any forum in which jurisdiction may exist or become established.

16. **Waiver of Immunity**

Each party irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, all immunity (whether on the basis of sovereignty or otherwise) from jurisdiction, attachment (both before and after judgment) and execution to which it might otherwise be entitled to any action or proceeding relating in any way to this Agreement or any Transaction, and agrees that it will not arise, claim or cause to be pleaded any such immunity at or in respect of any action or proceeding.

17. **Dispute Resolution**

The parties shall endeavour to settle any dispute, controversy or claim arising out of, or relating to this contract by negotiation, failing which any such dispute, controversy, or claim shall be settled by arbitration in Sri Lanka in accordance with the UNCITRAL Arbitration Rules as at present in force and the laws of Sri Lanka.

18. **Notices**

Any notice or other communication to be given under this Agreement shall be in English and shall be in writing. The addresses of the parties for service of notice are as follows:
For the Monetary Board of the Central Bank of Sri Lanka

Attention: (Mr/Mrs.) [DPS'S NAME], Director, Payments and Settlements
Address: Central Bank of Sri Lanka, No.30, Janadhipathi Mawatha, Colombo 1.
Tel.: 2477042
Fax: 2387009

For the Counterparty

Attention: [NAME AND DESIGNATION]
Address: [NAME AND ADDRESS of LCB/PD]
Tel.: 
Fax.: 

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed on the dates hereinafter set out.

Signed for an on behalf of the Monetary Board of the Central Bank of Sri Lanka

(Mr/Mrs.) [AG'S NAME]
Assistant Governor
Authorized Signatory

Date:
Witnesses: 1.
2.

Signed for and on behalf of [NAME of LCB/PD].

[NAME of CEO/MD/GM]
[DESIGNATION of CEO/MD/GM]
Authorized Signatory

Date:
Witnesses: 1.
2.
ATTACHMENTS
Table of Contents

ATTACHMENT A
   APPOINTING PARTICIPANTS ........................................................... 1
ATTACHMENT B
   SCHEDULE OF THE LANKASETTE SYSTEM FEES AND CHARGES .......... 3
ATTACHMENT C
   PARTICIPANT BIC CODES .................................................................. 4
ATTACHMENT D
   ABORT NOTIFICATIONS .................................................................. 5
ATTACHMENT E
   INVESTOR CATEGORIZATION – BENEFICIAL OWNER TYPES ............. 6
ATTACHMENT F
   UNPREMEDITATED SPECIAL BANK HOLIDAY ..................................... 7
ATTACHMENT G.1
   FORMAT - REQUEST FOR MANUAL FUND TRANSFERS ..................... 9
ATTACHMENT G.2
   FORMAT - PARTICIPANT REQUEST FOR MANUAL SECURITY TRANSFERS .... 10
ATTACHMENT G.3
   FORMAT – COUNTERPARTY PARTICIPANT REQUEST FOR MANUAL SECURITY TRANSFERS ................................................................. 11
ATTACHMENT H
   LANKA SETTLE APPLICATION EVENT ............................................. 12
   ATTACHMENT H.1 ............................................................................. 15
   ATTACHMENT H.2 ............................................................................. 16
   ATTACHMENT H.3(A) .......................................................................... 17
   ATTACHMENT H.3(B) .......................................................................... 18
   ATTACHMENT H.3(C) .......................................................................... 19
   ATTACHMENT H.4(A) .......................................................................... 20
   ATTACHMENT H.4(B) .......................................................................... 21
   ATTACHMENT H.5 ............................................................................. 22
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)/Scripless 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.

(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

SCHEDULE OF THE LANKASETTEL SYSTEM FEES AND CHARGES

CBSL charges all LankaSettle Participants an all-inclusive per transaction fee of LKR 600/- with effect from 1st May 2012.

For the purposes of fees and charges a “transaction” is defined as:

(1) Any settled debits to their own Settlement accounts initiated by Participants within the LankaSettle System through the use of the following messages:

a. MT 102 – Multiple Customer Credit Transfer
b. MT 103 – Single Customer Credit Transfer
c. MT 202 – General Financial Institution Transfer
d. MT 205 – Financial Institution Transfer Execution
e. MT 541 – Receive Against Payment

(2) Any settled securities transactions initiated by participants within the LankaSettle System through the use of MT 540 – Receive Free message.

In addition to the transaction fees stated above, the participants have to bear SWIFT messaging related charges. These are independently billed by SWIFT and have to be paid by the participants to SWIFT directly.
### ATTACHMENT C

**PARTICIPANT BIC CODES**

<table>
<thead>
<tr>
<th>Participant</th>
<th>BIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Acuity Securities Ltd.</td>
<td>HNBSLKLX</td>
</tr>
<tr>
<td>2 Amana Bank Ltd.</td>
<td>AMNALKLX</td>
</tr>
<tr>
<td>3 Axis Bank Ltd</td>
<td>AXISLKLX</td>
</tr>
<tr>
<td>4 Bank of Ceylon</td>
<td>BCEYKLX</td>
</tr>
<tr>
<td>5 Capital Alliance Ltd.</td>
<td>CALDLKLX</td>
</tr>
<tr>
<td>6 Central Bank of Sri Lanka</td>
<td>CBCELKLX</td>
</tr>
<tr>
<td>7 Central Depository Systems Ltd.</td>
<td>CDSPLKLX</td>
</tr>
<tr>
<td>8 Citibank N.A</td>
<td>CITILKLX</td>
</tr>
<tr>
<td>9 Commercial Bank of Ceylon PLC</td>
<td>CCEYLKLX</td>
</tr>
<tr>
<td>10 Deutsche Bank AG</td>
<td>DEUTLKLX</td>
</tr>
<tr>
<td>11 DFCC Vardhana Bank PLC</td>
<td>DFCCCLLX</td>
</tr>
<tr>
<td>12 Employees’ Provident Fund</td>
<td>CBCELKLXEPF</td>
</tr>
<tr>
<td>13 Entrust Securities Ltd.</td>
<td>CSSKLKLX</td>
</tr>
<tr>
<td>14 First Capital Treasuries Ltd.</td>
<td>FCTCLKLX</td>
</tr>
<tr>
<td>15 Habib Bank Ltd.</td>
<td>HABBLKLX</td>
</tr>
<tr>
<td>16 Hatton National Bank PLC</td>
<td>HBLILKLX</td>
</tr>
<tr>
<td>17 Hongkong and Shanghai Banking Corp.</td>
<td>HSBCCLLX</td>
</tr>
<tr>
<td>18 ICICI Bank Ltd.</td>
<td>ICICLKLX</td>
</tr>
<tr>
<td>19 Indian Bank</td>
<td>IDIBLKLX</td>
</tr>
<tr>
<td>20 Indian Overseas Bank</td>
<td>IOBALKLC</td>
</tr>
<tr>
<td>21 MCB Bank Ltd.</td>
<td>MUCBLKLX</td>
</tr>
<tr>
<td>22 National Development Bank PLC</td>
<td>NDBSCLLX</td>
</tr>
<tr>
<td>23 Nations Trust Bank PLC</td>
<td>NTBCCLLX</td>
</tr>
<tr>
<td>24 NatWealth Securities Ltd.</td>
<td>NWSCLLX</td>
</tr>
<tr>
<td>25 NSB Fund Management Co. Ltd.</td>
<td>NSBFLKLX</td>
</tr>
<tr>
<td>26 Pan Asia Banking Corporation PLC</td>
<td>PABSLKLX</td>
</tr>
<tr>
<td>27 People's Bank</td>
<td>PSBKLKLX</td>
</tr>
<tr>
<td>28 Public Bank Berhard</td>
<td>PBBELKLX</td>
</tr>
<tr>
<td>29 Sampath Bank PLC</td>
<td>BSAMLKLX</td>
</tr>
<tr>
<td>30 Seylan Bank PLC</td>
<td>SEYBKLX</td>
</tr>
<tr>
<td>31 Standard Chartered Bank PLC</td>
<td>SCBBKLX</td>
</tr>
<tr>
<td>32 State Bank of India</td>
<td>SBINLKLX</td>
</tr>
<tr>
<td>33 Union Bank of Colombo PLC</td>
<td>UBCLLKLX</td>
</tr>
<tr>
<td>34 WealthTrust Securities Ltd.</td>
<td>WTEYKLX</td>
</tr>
</tbody>
</table>
## ATTACHMENT D

### ABORT NOTIFICATIONS

Abort Notification codes for aborted Payment Messages (MT 097) in the RTGS System

<table>
<thead>
<tr>
<th>Status Codes</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>LA070</td>
<td>Aborted due to authentication failure</td>
</tr>
<tr>
<td>LA071</td>
<td>Aborted as submitting or receiving Member is unknown</td>
</tr>
<tr>
<td>LA072</td>
<td>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).</td>
</tr>
<tr>
<td>LA073</td>
<td>Aborted due to invalid value date</td>
</tr>
<tr>
<td>LA074</td>
<td>Aborted as payment entry not permitted for payments of this type.</td>
</tr>
<tr>
<td>LA075</td>
<td>Not used</td>
</tr>
<tr>
<td>LA076</td>
<td>Aborted due to participant organisation being placed in default</td>
</tr>
<tr>
<td>LA077</td>
<td>Duplicate payment</td>
</tr>
<tr>
<td>LA078</td>
<td>Invalid payment</td>
</tr>
<tr>
<td>LA079</td>
<td>Cancelled</td>
</tr>
<tr>
<td>LA080</td>
<td>Error in CAS</td>
</tr>
<tr>
<td>LA081</td>
<td>Invalid Format</td>
</tr>
<tr>
<td>LA082</td>
<td>Insufficient funds (for submitter types configured not to allow payments to queue where there are insufficient funds)</td>
</tr>
<tr>
<td>LA083</td>
<td>Amount is less than the minimum allowed amount for the payment message type</td>
</tr>
<tr>
<td>LA084</td>
<td>Non eligible debit account</td>
</tr>
<tr>
<td>LA085</td>
<td>Non eligible credit account</td>
</tr>
<tr>
<td>LA086</td>
<td>Rejected by AML Filter</td>
</tr>
</tbody>
</table>
## INVESTOR CATEGORIZATION – BENEFICIAL OWNER TYPES

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

### UNPREMEDITATED SPECIAL BANK HOLIDAY

Operational Schedule to be followed when the government declare an unpremeditated Special Bank Holiday.

**A. Operational Schedule under the original Value Date which was declared as Special Bank Holiday.**

<table>
<thead>
<tr>
<th>TIME</th>
<th>EVENT</th>
<th>ACTIVITIES/TRANSACTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.30 a.m.</td>
<td>System start-up</td>
<td>Start-up of RTGS/SSS applications.</td>
</tr>
<tr>
<td>7.30 a.m. to 8.00 a.m.</td>
<td>Start of day processing</td>
<td>Update Official Prices (for declared Special Bank Holiday) of securities, earmarking securities for ILF.</td>
</tr>
<tr>
<td>8.00 a.m.</td>
<td>LankaSettle System opens for business</td>
<td>System opens for effecting transactions.</td>
</tr>
<tr>
<td>8.00 a.m.</td>
<td>ILF/auto reversal of Repos</td>
<td>Grant ILF and settle second leg of Repos of OMO.</td>
</tr>
<tr>
<td>8.15 a.m.</td>
<td>Maturities/interest payments, start of the day (SOD) file</td>
<td>Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties.</td>
</tr>
<tr>
<td>8.30 a.m.</td>
<td>Multi lateral Net Settlement Batch from LankaClear</td>
<td>Main Clearing (Net Figures for the previous day to the declared Special Bank Holiday).</td>
</tr>
<tr>
<td>10.00 a.m.</td>
<td>Closure of Primary Auction Settlement/Customer Repositioning</td>
<td>Settlement of securities under Primary Auction/ Settlement of Customer Repositioning, Transactions entered through CBSL WAN.</td>
</tr>
<tr>
<td>10.05 a.m.</td>
<td>If required Repo/ Reverse Repos (Standing)</td>
<td>Settlement of first leg of Repo/ Reverse Repos under OMO.</td>
</tr>
<tr>
<td>10.20 a.m.</td>
<td>ILF Repayment</td>
<td>Repayment of ILF.</td>
</tr>
<tr>
<td>10.30 a.m.</td>
<td>Final Cut-off Time Close for business</td>
<td>No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues are rejected.</td>
</tr>
<tr>
<td>10.30 a.m. to 11.00 a.m.</td>
<td>EOD processing</td>
<td>End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.</td>
</tr>
<tr>
<td>11.00 a.m.</td>
<td>System shut down</td>
<td>Commence shutting down of RTGS/SSSS application software, obtain off line backups.</td>
</tr>
</tbody>
</table>

**B. Operational Schedule of Real Value Date – (following day after the original value day)**

<table>
<thead>
<tr>
<th>TIME</th>
<th>EVENT</th>
<th>ACTIVITIES/TRANSACTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.45 a.m.</td>
<td>System start-up</td>
<td>Start-up of RTGS/SSS applications.</td>
</tr>
<tr>
<td>12.00 noon to 12.15 p.m.</td>
<td>Start of day processing</td>
<td>Update Official Prices of securities, earmarking securities for ILF. (prices for the existing day)</td>
</tr>
<tr>
<td>12.15 p.m.</td>
<td>LankaSettle System opens for business</td>
<td>System opens for effecting transactions.</td>
</tr>
<tr>
<td>12.15 p.m.</td>
<td>ILF/auto reversal of Repos</td>
<td>Grant ILF and settle second leg of Repo/Reverse Repos of OMO.</td>
</tr>
<tr>
<td>12.20 p.m.</td>
<td>Multi lateral Net Settlement Batch from LankaClear</td>
<td>SLIPS Session 1 (Net Figures for the previous day to the declared Special Bank Holiday)</td>
</tr>
<tr>
<td>12.30 p.m.</td>
<td>Maturities/interest payments</td>
<td>Settlement of maturity proceeds/coupon payments of securities</td>
</tr>
<tr>
<td>TIME</td>
<td>EVENT</td>
<td>ACTIVITIES/TRANSACTIONS</td>
</tr>
<tr>
<td>----------</td>
<td>--------------------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>2.00 p.m.</td>
<td>Customer Repositioning</td>
<td>Settlement of Customer Repositioning Transactions entered through CBSL WAN</td>
</tr>
<tr>
<td>2.30 p.m.</td>
<td>Repos (Auction)</td>
<td>Settlement of first leg of Repos under OMO.</td>
</tr>
<tr>
<td>2.30 p.m.</td>
<td>Multilateral Net Settlement Batch</td>
<td>Rupee Draft Clearing.</td>
</tr>
<tr>
<td></td>
<td>from LankaClear</td>
<td></td>
</tr>
<tr>
<td>2.45 p.m.</td>
<td>Multilateral Net Settlement Batch</td>
<td>Settlement Clearing, Adjustment Clearing and SLIPS Session 2 for the previous day to the declared Special Bank Holiday.</td>
</tr>
<tr>
<td></td>
<td>from LankaClear</td>
<td></td>
</tr>
<tr>
<td>3.30 p.m.</td>
<td>Primary cut-off time for third party transactions / Primary Auction Settlement</td>
<td>Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series). / Settlement of securities under Primary Auction.</td>
</tr>
<tr>
<td>4.00 p.m.</td>
<td>Repos (standing) / Customer Repositioning</td>
<td>Settlement of first leg of Repos under OMO / Settlement of Customer Repositioning Transactions entered through CBSL WAN</td>
</tr>
<tr>
<td>4.15 p.m.</td>
<td>Reverse Repos (Standing)</td>
<td>Settlement of first leg of Reverse Repos under OMO.</td>
</tr>
<tr>
<td>4.15 p.m.</td>
<td>ILF Repayment</td>
<td>Repayment of ILF.</td>
</tr>
<tr>
<td>4.30 p.m.</td>
<td>Final Cut-off Time</td>
<td>No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues are rejected.</td>
</tr>
<tr>
<td></td>
<td>Close for business</td>
<td></td>
</tr>
<tr>
<td>4.30 p.m. to 5.00 p.m.</td>
<td>EOD processing</td>
<td>End-of-day (EOD) processes, e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.</td>
</tr>
<tr>
<td>5.00 p.m.</td>
<td>System shut down</td>
<td>Commence shutting down of RTGS/SSSS application software, obtain off line backups.</td>
</tr>
</tbody>
</table>

Participants are advised to monitor their Settlement Accounts through the browser workstation and ensure sufficient funds in their Settlement Accounts to facilitate smooth Settlement of all transactions according to scheduled times.
ATTACHMENT G.1

FORMAT - REQUEST FOR MANUAL FUND TRANSFERS

Name of the Participant: ……………………………..

BIC: ………………………

Address: ………………………………………………...

………………………………………………...

Date: …………………..

Director
Payments and Settlements Department
Central Bank of Sri Lanka
Colombo 01

Dear Sir/Madam

Re : Manual Fund Transfers in the RTGS System

Please make necessary arrangements to effect the following manual Account Transfer/s in
the RTGS System.

Reason for the Request: …………………………………..

<table>
<thead>
<tr>
<th>Serial No</th>
<th>Counterparty’s Name</th>
<th>Counterparty’s BIC</th>
<th>Value Date</th>
<th>Amount (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

……………………………………

Authorized Signatory 1

Authorized Signatory 2
ATTACHMENT G.2

FORMAT - PARTICIPANT REQUEST FOR MANUAL SECURITY TRANSFERS

Name of the Participant: ……………………………..
BIC: ………………………
Address: …………………………………………………
………………………………………………

Date: ………………………

Superintendent of Public Debt
Public Debt Department
Central Bank of Sri Lanka
Colombo 01

Dear Sir/Madam

Re: Manual Security Transfers in the LankaSecure System

Please make necessary arrangements to effect the following security transfer/s in the LankaSecure System, as we are experiencing difficulties in sending SWIFT messages. We have informed the counterparty participant/s involving following transaction/s to make their requests regarding the securities transfer/s in writing as per Attachment F.2 of the LankaSettle System Rules.

Value Date: …………..

<table>
<thead>
<tr>
<th>Serial No</th>
<th>Counterparty BIC</th>
<th>ISIN</th>
<th>Debit A/C (with Beneficial Owner Code, if any)</th>
<th>Amount (Face Value, Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>3</td>
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<td></td>
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</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Serial No</th>
<th>Counterparty BIC</th>
<th>ISIN</th>
<th>Credit A/C (with Beneficial Owner Code, if any)</th>
<th>Amount (Face Value, Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
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<tr>
<td>3</td>
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<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Authorized Signatory 1
Authorized Signatory 2
ATTACHMENT G.3

FORMAT – COUNTERPARTY PARTICIPANT REQUEST FOR MANUAL SECURITY TRANSFERS

Name of the Participant: ……………………………
BIC: ……………………….
Address: …………………………………………………
 …………………………………………………

Date: ………………….

Superintendent of Public Debt
Public Debt Department
Central Bank of Sri Lanka
Colombo 01

Dear Sir/Madam

Re: Manual Security Transfers in the LankaSecure System

Please make necessary arrangements to effect the following security transfer/s in the LankaSecure System, as our below mentioned counterparty experiences difficulties in sending SWIFT messages.

Counterparty BIC: ……………………………
Value Date: …………………

Debits - DvF

<table>
<thead>
<tr>
<th>Serial No</th>
<th>Counterparty BIC</th>
<th>ISIN</th>
<th>Debit A/C (with Beneficial Owner Code, if any)</th>
<th>Amount (Face Value, Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
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</tr>
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</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Credits - RvF

<table>
<thead>
<tr>
<th>Serial No</th>
<th>Counterparty BIC</th>
<th>ISIN</th>
<th>Credit A/C (with Beneficial Owner Code, if any)</th>
<th>Amount (Face Value, Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

 ……………………………
Authorized Signatory 1

 ……………………………
Authorized Signatory 2
ATTACHMENT H

LANKA SETTLE APPLICATION EVENT

Operational Mechanism and Procedures to be Followed in the Event of a LankaSettle Application Event under Rule 3.8.1 of Volume 4

1. Balances of the Participants’ Settlement Accounts in the RTGS System and Securities Settlement System

If CBSL decides to move to the PC Based System at the beginning of a Business Day, CBSL will open the System with the previous Business Day’s end of the day balances of the Participants’ Settlement Accounts in the RTGS System and Securities Accounts in the LankaSecure System. If CBSL decides to move to the PC Based System in the middle of a Business Day, CBSL will endeavour to use the latest available balances of the Participants’ Settlement Accounts in the RTGS System and Securities Accounts in the LankaSecure System before the contingency event occurred. If the situation does not permit to do so, CBSL will open the System with the previous Business Day’s end of the day balances of the Participants’ Settlement Accounts in the RTGS System and the Securities Accounts in the LankaSecure System.

2. Fund transfers in the PC Based PSS and Securities Transfers in PC Based SSS

Inter participant fund transfers are settled in the PC Based PSS and inter participant securities transfers are settled in the PC Based SSS. The two systems are not interlinked to facilitate automated Delivery versus Payments (DvP) transactions relating to securities.

3. Procedure to be followed by participants with regard to PC Based PSS and PC Based SSS

Both systems recognize transactions under two categories:
(i) Inter participant transactions excluding transactions with CBSL; and
(ii) Transactions with CBSL

3.1 Inter Participant transactions excluding the transactions with CBSL

Inter participant transactions excluding the transactions with CBSL are categorized into two:
(i) Payments related transactions
(ii) Securities related transactions

3.1.1 Payment related transactions

Each Participant shall forward details of its inter participant fund transfers relating to transactions effected during hours and/or days specified by CBSL in its
declaration, to be debited/credited to its Settlement Account in the PC Based PSS in diskette/CD form using Excel data file (ExcelData.xls) provided by CBSL along with the hard copy as per Attachment H.1, duly signed by two authorized officers, to the Director, Payments and Settlements Department (PSD) of CBSL before the cut off time declared by CBSL.

3.1.2 Securities related transactions

Each Participant shall forward details of its inter participant securities related transactions effected during hours and/or days specified by CBSL in its declaration, to be debited/credited to its Securities Account in the PC Based SSS to the Superintendent of Public Debt (SPD), Public Debt Department (PDD) of CBSL in diskette/CD form using Excel data file (SecurityTxnData.xls) provided by CBSL along with the hard copy as per Attachment H.2, duly signed by two authorized officers. All securities related transactions shall be Deliver Free (DvF) or Receive Free (RvF) type which involves only the movement of securities. The System does not facilitate Delivery Vs. Payment (DvP) transactions. Accordingly, the details of the payment relating to a purchase of securities shall be forwarded by the Participant that purchases the securities, to the PC Based PSS as explained under 3.1.1 above.

3.2 Transactions with CBSL

3.2.1 Open Market Operations (OMO) – Participants are requested to deal first with the OMO Front Office of the Domestic Operations Department (DOD) of CBSL in respect of the following transactions with CBSL:
- Repurchase Transactions (Repo);
- Reverse Repurchase Transactions (Reverse Repo);
- Outright Sales; and
- Outright Purchases

Each Participant shall inform the details of its each deal over the phone to the OMO Front Office and fax the written confirmation using the relevant format given in Attachment H.3(a) or H.3(b) or H.3(c) to the OMO Front Office of the DOD within half an hour after entering into such a deal with the DOD. A payment leg relating to an OMO transaction is settled in the PC Based PSS and the securities leg relating to that OMO transaction is settled in the PC Based SSS, if sufficient funds and/or securities are available in the respective Participant’s Settlement Account in the PC Based PSS and the Securities Account in the PC Based SSS, by debiting/crediting the respective Accounts.

Confirmation for each settled OMO transaction as per the relevant format given in the Attachment H.4 (a) or H.4 (b) is issued by the PSD to the respective Participant.

3.2.2 Intra-day Liquidity Facility (ILF)

Funds under the ILF are provided to the Participants by CBSL. Participants shall inform the details of ILF requirements over the phone to the OMO Front Office of
the DOD and shall fax the written confirmation as per the format in Attachment H.5 within half an hour to the OMO Front Office of the DOD after entering into such a deal.

Each Participant is also required to transfer securities to its ILF Account in the PC Based SSS as explained under 3.1.2 above, once a deal is finalized. ILF is granted at the official price announced by CBSL. Each Participant shall ensure that sufficient funds are available in its Settlement Account in the PC Based PSS in order to reverse the ILF transactions within the time specified by CBSL.

3.2.3 Cash Deposits/Withdrawals

Each Participant has to deal directly with the Currency Department of CBSL and forward requests on cash deposits or withdrawals to/from its Settlement Account in the PC Based PSS at CBSL. Relevant entries regarding such cash deposits or withdrawals will be made by CBSL to the respective Participant’s Settlement Account.

3.2.4 Settlements of Primary Issues of Government Scripless Securities (T bills and T bonds)

Front Office of the Public Debt Department (PDD) conducts the auctions for Government Securities. On the Settlement day, Back Office of the PDD informs the successful bidders regarding net values due from each relevant Primary Dealer (PD). Accordingly, each PD who has purchased securities at the auction shall maintain sufficient funds in its Settlement Account and request relevant fund transfer as explained under 3.1.1 above, in the PC Based PSS, enabling CBSL to effect the payment in the PC Based PSS and transfer relevant securities in the PC Based SSS.

3.2.5 Maturity and Coupon Payments for Scripless Securities (T bills and T bonds)

CBSL effects maturity and coupon payments for Scripless Securities (T bills and T bonds) to each relevant Participant’s Settlement Account in the PC Based PSS.
Name of the Participant: 

Date: 

Director,
Payments and Settlements Department,
Central Bank of Sri Lanka,
No.30, Janadhipathi Mawatha,
P.O. Box 590, Colombo 01.

**PC Based Payment Settlement System (PC Based PSS)**

**Inter Participant Payment Related Transactions (Excluding ILF, OMO and other transactions with CBSL)**

<table>
<thead>
<tr>
<th>Sender BIC</th>
<th>Value Date</th>
<th>Amount (LKR)</th>
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<tbody>
<tr>
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</tbody>
</table>

We certify that the above data / information are correct.

Authorized Signatory 1  
(Name of the Participant)

Authorized Signatory 2  
(Name of the Participant)
ATTACHMENT H.2

Name of the Participant: …………………

Date: ……………………………………

Superintendent,
Public Debt Department,
Central Bank of Sri Lanka,
No.30, Janadhipathi Mawatha,
P.O. Box 590, Colombo 01.

PC Based Securities Settlement System (PC Based SSS)

Inter Participant Securities Related Transactions (Excluding ILF, OMO and other transactions with CBSL)

<table>
<thead>
<tr>
<th>Settlement Order</th>
<th>Transaction Ref.</th>
<th>Delivering Participant’s BIC</th>
<th>Receiving Participant’s BIC</th>
<th>Source Sub Account</th>
<th>Destination Sub Account</th>
<th>ISIN</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
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</tbody>
</table>

We certify that the above data/information are correct.

Authorized Signatory 1
(Name of the Participant)

Authorized Signatory 2
(Name of the participant)
Confirmation of Repo Deal with CBSL on PC Based Payments and Securities Settlement System (PC Based System)

We hereby confirm the purchase of Government of Sri Lanka Treasury Bills from CBSL under a Repurchase Agreement as per the details given below.

01). Value of the Repo Deal (Rs.) -
02). Date of sale -
03). Maturity date of the Deal -
04). Yield rate for Repo -

Authorized Signatory 1
(Name of the Participant)

Authorized Signatory 2
(Name of the Participant)

* Respective Participant should inquire from the Front Office of the Domestic Operations Department of CBSL in respect of rates and price of relevant Treasury Bill / Bond.
ATTACHMENT H.3(b)

Name of the Participant : ………………
Date: ………………………………..

Director,
Domestic Operations Department,
Central Bank of Sri Lanka
No.30, Janadhipathi Mawatha,
P.O. Box 590, Colombo 01

Confirmation of Re-repo Deal with CBSL on
PC Based Payments and Securities Settlement System
(PC Based System)

We hereby confirm the sale of Sri Lanka Treasury Bills to CBSL under a
Repurchase Agreement as per the details given below.

01). Value of the Repo Deal (Rs.) -
02). Date of Sale -
03). Maturity Date of the Deal -
04). Yield Rate for Repo -
05). Treasury Bill/Bond ISIN No. (for Repo)*

<table>
<thead>
<tr>
<th>ISIN No.</th>
<th>Yield</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Authorized Signatory 1
(Name of the Participant)

Authorized Signatory 2
(Name of the participant)

* Respective Participant should inquire from the Front Office of the Domestic Operations Department of CBSL in respect of rates and price of relevant Treasury Bill/Bond.
ATTACHMENT H.3(c)

Name of the Participant: ....................
Date: ...........................................

Director,
Domestic Operations Department,
Central Bank of Sri Lanka,
No.30, Janadhipathi Mawatha,
P.O. Box 590, Colombo 01

Confirmation of Outright Purchase /Sales Deals with CBSL on PC Based Payments and Securities Settlement System (PC Based System)

We hereby confirm the purchase /sale of Government of Sri Lanka Treasury Bills/Bonds from/to CBSL under a Repurchase/Re-purchase Transactions as per the details given below.

01). Value of the outright Purchase/Sale Deal (Rs.) -
02). Date of Sale/Purchase -
03). Maturity Date of the Security -
04). Yield Rate (Repo/Re-repo) -
05). ISIN No. (for Purchases) -

................................. .................................
Authorized Signatory 1 Authorized Signatory 2
(Name of the Participant) (Name of the Participant)

* Respective Participant should inquire the Front Office of the Domestic Operations Department of CBSL in respect of rates and price of relevant Treasury Bill/Bond.
Confirmation- Secondary Repo / Re-repo for PC Based Payments and Securities Settlement System (PC Based System)

We hereby confirm the sale/purchase of Government of Sri Lanka Treasury Bills to your institution under a Repurchase/Re-repurchase Transaction as per the details given below.

01). Treasury Bill / Bond ISIN No. -

02). Maturity Date of Treasury Bill / Bond -

03). Face Value of Treasury Bill / Bond Sold/Purchased (Rs. Mn.)-

04). Date of Sale / Purchase -

05). Repurchase Date ( Maturity Date ) -

06). Rate of the Bill / Bond (yield), per annum -

07). Price of the Bill / Bond (Rs. Per 100/=) -

08).Repo / Re-repo Rate (yield), per annum -

09). Repo / Re-repo Price (as per Rs. 100/=) -

10). Payable Value (Rs.) -

11). Repayable Value (Rs.) -

Name of the Participant : ..............................

OMO Settlements Division
Payments and Settlements
Department
Central Bank of Sri Lanka
No.30, Janadhipathi Mawatha
P.O. Box 590, Colombo 01.

Date: .................................

Head / OMO Settlements Division
Payments and Settlements Department
Confirmation- Secondary Purchases / Sales for PC Based Payments and Securities Settlement System (PC Based System)

We hereby confirm the sale/purchase of Government of Sri Lanka Treasury Bills to your institution under a Repurchase/Re-repurchase Transaction as per the details given below.

<table>
<thead>
<tr>
<th>No.</th>
<th>Details</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.</td>
<td>Treasury Bill ISIN No.</td>
<td>-</td>
</tr>
<tr>
<td>02.</td>
<td>Deal Date</td>
<td>-</td>
</tr>
<tr>
<td>03.</td>
<td>Settlement Date</td>
<td>-</td>
</tr>
<tr>
<td>04.</td>
<td>Maturity Date of Treasury Bill</td>
<td>-</td>
</tr>
<tr>
<td>05.</td>
<td>Face Value of Treasury Bill Sold/Purchased (Rs. Mn.)</td>
<td>-</td>
</tr>
<tr>
<td>06.</td>
<td>Yield Rate</td>
<td>-</td>
</tr>
</tbody>
</table>

Head / OMO Settlements Division
Payments and Settlements Department
ATTACHMENT H.5

Name of the Participant: ……………………

Date: ……………………………….

Director,
Domestic Operations Department
Central Bank of Sri Lanka
No.30, Janadhipathi Mawatha,
P.O. Box 590, Colombo 01

Confirmation of ILF Deal with CBSL on PC Based Payments and Securities Settlement System (PC Based System)

We hereby confirm the sale of Government of Sri Lanka Treasury Bills/Bonds to Central Bank of Sri Lanka under to obtain ILF as per the details given below.

01). Value of the Deal (Rs.) -
02). Value Date of ILF -
03). Value Time -
04). Maturity Date of the Deal -
05). Details of the Treasury Bills/Bonds (for Re-repo)*

<table>
<thead>
<tr>
<th>ISIN</th>
<th>Yield</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>…………………</td>
<td>…………………</td>
<td>…………………</td>
</tr>
</tbody>
</table>

Authorized Signatory 1
( Name of the Participant)

Authorized Signatory 2
( Name of the Participant)

* Respective Participant should inquire from the Front Office of the Domestic Operations Department of CBSL in respect of rates and price of relevant Treasury Bill/Bond.