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இலங்கை மத்திய வங்கி  
CENTRAL BANK OF SRI LANKA

ගෙවීම් සහ පියවීම් දෙපාර්තමේන්තුව கொடுப்பனவுகள், தீர்ப்பனவுகள் திணைக்களம் **Payments and Settlements Department**

10 October 2017

Ref. No. : 34/07/029/0001/002

Circular No. : Payments and Settlements System Circular No. 10/2017

To : All Participants of the LankaSettle System

**Subject: Implementing Measures to Avoid the Use of Government Securities of Customers as Collateral to Obtain Intraday Liquidity Facility from the Central Bank of Sri Lanka**

Monetary Board of the Central Bank of Sri Lanka (CBSL) has approved amending of Section 11 of Volume 3 of LankaSettle System Rules Version 2.1 issued in August 2013 (incorporating amendments upto 31 March 2013) and Section 2 of the Agreement on Intra-day Liquidity Facility.

Accordingly, Section 11 of Volume 3 of LankaSettle System Rules Version 2.1 issued in August 2013 (incorporating amendments upto 31 March 2013) and Section 2 of the Agreement on Intra-day Liquidity Facility will be amended to read as follows **with effect from 17 October 2017**.

**Section 11 of Volume 3 of the LankaSettle System Rules Version 2.1**

**11. INTRADAY LIQUIDITY FACILITY**

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

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

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

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

**11.4** 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.

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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.

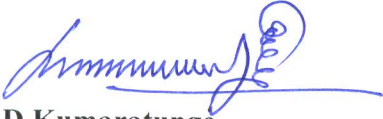
## **Section 2 of the Agreement on Intra-day Liquidity Facility**

### **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.

In the event a Participant uses a security that is owned by any person other than the said Participant or securities that are in anyway encumbered, as security to obtain funds under the ILF, such a Participant will be deemed to have violated the Section 2 of this agreement and will be liable to make a payment to Central Bank amounting to 2 per cent and 2.5 per cent per day if the amount so borrowed is up to Rs. 1,000 million and above Rs. 1,000 million, respectively.



**D Kumaratunge**  
Director/Payments and Settlements



**D M Rupasinghe**  
Superintendent of Public Debt