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இலங்கை மத்திய வங்கி

CENTRAL BANK OF SRI LANKA

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පැයුම් පෙට්ටි 590,
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ஜனாதிபதி மாவத்தை,
த. பெ. ஓல. 590,
கொழும்பு - 1, ஸ்ரீ லங்கா
தந்தி: 'மத்தியவங்கி'

Janadhipathi Mawatha,
P.O. Box 590,
Colombo 1, Sri Lanka.
Telegrams: 'CENTRABANK'

Public Debt Department

September 28, 2007

Circular No: SSSS/04/2007

To: All participants of the LankaSettle System

Amendments to LankaSettle System Rules issued in August 2003

You are hereby informed that the Rule 2.2 of Volume 3 of LankaSettle System Rules issued in August 2003 is replaced to read as follows with effect from 01 October 2007.

(a). The Rule 2.2 of volume 3 of LankaSettle System Rules issued in August 2003 is replaced by incorporating the non recording transaction charges to read as follow.

2.2 Custodial Responsibilities

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

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

- 2.2.1 to promptly and accurately record the name, address and National Identity Number, Company Registration Number or other identifying number approved by the Central Bank of their Customer in LankaSecure when the Customer obtains legal ownership of a security;

- 2.2.2 to promptly and accurately record in LankaSecure ownership or any change of ownership or owner details of a security within their Securities holdings and in the event of a failure to record the said transaction details, the Central Bank may in its sole discretion impose a non-recording transaction charge on the Dealer Direct Participant (DDP). Without prejudice to the generality of the foregoing, the Central Bank may take the following steps.
- 2.2.2.1 For the 1st instance of non-recording of transaction -severe warning
- 2.2.2.2 For the 2nd instance of non-recording of transaction - Rs. 5,000/- per transaction or 0.5% of the value of the transaction (face value) whichever is higher.
- 2.2.2.3 For the 3rd instance of non-recording of transaction - Rs. 10,000/- per transaction or 1% of the value of the transaction (face value) whichever is higher.
- 2.2.2.4 In the event of repeated non recording of transactions, Central Bank may suspend forthwith the DDP 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 the Central Bank of Sri Lanka.
- 2.2.3 The amounts so charged shall be debited from the Settlement Account on the next business day of the decisions taken by the Central Bank and shall be credited to the Central Bank. If sufficient funds are not available in the Participants accounts, then it shall pay the non-recording transaction charges within 3 business days of the date of notice of the decision of the Central Bank.
- 2.2.4 Ten percent (10%) of each charge so credited shall be deducted as an administrative charge by the Central Bank. The balance shall be available for utilisation for training of the staff of the banks and primary dealers and shall be paid for such purpose upon an application being made by the Sri Lanka Bank's Association (Guarantee) Ltd. and Association of Primary Dealers to the Central Bank.
- 2.2.5 Any non-recording charge imposed shall not be in substitution or derogation of, or preclude the exercise by the Central Bank of any right or claim which the Central Bank 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 a security within its Securities holdings.

2.2.6 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

2.2.7 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 must comply strictly with instructions of a customer in transferring customer securities.

C. Premaratne

Superintendent of Public Debt