

CENTRAL DEPOSITORY SYSTEMS (PVT) LTD.

Central Depository Rules

(Effective from 3rd April 2023)



CONTENTS

INTRODUCTION

DEFINITIONS

INTERPRETATION

Section 1	-	Depository Participants
Section 2	-	Eligible Securities
Section 3	-	Client Accounts
Section 4	-	Dematerialization of Securities
Section 5	-	Rematerialization of Securities
Section 6	-	Transfer of Securities
Section 7	-	Entitlements
Section 8	-	CDS Account Statements
Section 9	-	Release of Client Account Information
Section 10	-	Financial Responsibility and Operational Capability of Depository Participants
Section 11	-	Right to Inspection
Section 12	-	Disciplinary Proceedings
Section 13	-	Dispute Resolution
Section 14	-	Communications with CSE Clear
Section 15	-	CDS Fees

INTRODUCTION

(i) Role of the Central Depository Systems (Private) Limited as a Central Depository

The Central Depository Systems (Private) Limited (CDS), a wholly owned subsidiary of the Colombo Stock Exchange (CSE) was incorporated on 30th August 1991 as a private company with limited liability under the Companies Act No. 17 of 1982 for the purpose of acting as a depository in respect of Securities traded on the CSE

The CDS is licensed by the Securities and Exchange Commission of Sri Lanka (SEC) as a Central Depository in terms of the Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021 (SEC Act), and provides services relating to the central handling of Securities for the CSE and all matters ancillary and incidental thereto.

The Central Depository Rules are issued by the CDS in terms of Section 55 (3) of the SEC Act in the discharge of its duties as a licensed Central Depository under the said Act, including the obligation to act in the public interest having regard to the need for the protection of the account holders.

These Rules govern the Central Depository functions offered by the CDS to the Depository Participants admitted in terms of these Rules and shall constitute a binding contract between the CDS and Depository Participants. Further, the obligations contained in these Rules are additional and complementary to statutory obligations.

(ii) Waivers or Variation

(a) Power of the CDS to Waive/Vary the Rules

Unless otherwise provided herein the CDS may waive the application of a rule (or any part thereof) in exceptional circumstances with the approval of the SEC. Such waivers may be granted subject to such conditions as the CDS may consider appropriate, other than in instances subsequent to a default or a breach. A defaulting Depository Participant shall not be granted the benefit of a waiver to negate a default.

(b) Failure or delay not deemed a waiver

No failure or delay by the CDS to exercise or enforce any rights conferred upon it by these Rules shall be deemed to be a waiver of any such rights or operate as a bar to subsequent exercise or enforcement thereof.

(iii) Circulars and Operational Guidelines

The CDS may, from time to time, issue circulars and operational/procedural guidelines to supplement, clarify or provide administrative guidance on these Rules.

These circulars and operational/procedural guidelines issued by the CDS, may be unilaterally issued, amended or revoked by the CDS subject to the provisions of the SEC Act and shall be effective on the date specified by the CDS.

(iv) Limitation of Liability

Neither the CDS, nor its directors, officers, employees or agents shall be liable to any person for any loss or damage (including consequential or indirect loss or damage),

however caused or arising, including but not limited to any loss or damage arising directly or indirectly from or in connection with the following or any act or omission as a direct or indirect consequence of the following:

- (a) any failure, error, delay, security breach or malfunction of the Central Depository functions operated by the CDS whether or not identified or identifiable, provided the CDS is able to demonstrate that it has taken due care to ensure the non-occurrence or mitigation of such failure, delay, security breach or malfunction;
- (b) the access to, use of or inability to use the Central Depository functions operated by the CDS, other than due to the negligence or fault of the CDS;
- (c) anything done (including any statement made) or omitted to be done in the course of, or in connection with the exercise of rights or the discharge or purported discharge of the CDS's obligations or rights under the SEC Act, any other applicable law, or under these Rules;
- (d) any breach or failure of any Depository Participant to comply with these Rules;
- (e) the acts or omissions of Depository Participants;
- (f) the acts or omissions of CSE Clear and any errors in the Settlement Instructions issued by CSE Clear.
- (g) any failure, security breach, inoperability or malfunction of equipment, software or any other product supplied to a Depository Participant or in respect of its installation, maintenance or removal, provided the CDS is able to demonstrate that it has taken due care to ensure the non-occurrence or mitigation of such failure, security breach, inoperability or malfunction
- (h) the exercise of a decision-making or regulatory power or discretion under these Rules;
- (i) any virus or other destructive, malicious, or corrupting program, code, agent, script or macro, other than due to the negligence or fault of the CDS;
- (j) the originality, accuracy, adequacy, timeliness or completeness of the Central Depository system or any content, information, materials, images, sounds, graphics, video and other materials displayed therein or any functionalities or applications, programs or services provided therein, other than due to the negligence or fault of the CDS;
- (k) any information transmitted or received by or on behalf of the CDS or a Depository Participant, including through the Depository System, and
- (l) the interception of or access to such information by unauthorized persons other than due to the negligence or fault of the CDS.

(v) Action by the CDS

Except where action of the Board of Directors is specifically required by the Rules, the Chief Executive Officer of the CDS or any authorized person acting on his behalf shall act on behalf of the CDS in respect of its Central Depository functions.

No act or omission by the CDS in good faith in connection with or for the purpose of these Rules shall subject any person acting on behalf of the CDS, including;

- (a) any member of the Board of Directors, or any member of any committee established by the Board of Directors;
- (b) any officer assigned to carry out Central Depository functions of the CDS; and
- (c) any agent of, or any person acting under the direction of the CDS,

to any liability whether personally or otherwise, except to the extent as set out by the Unfair Contract Terms Act No. 26 of 1997.

If any matter that arises in connection with or relating to the Central Depository functions of the CDS is not provided for in these Rules, the CDS shall have the right to determine such matter. Any such determination shall be binding on all parties concerned.

(vi) Notices and communications

Any notice and/or communication by the CDS to any Depository Participant under these Rules or otherwise may be issued by any method of communication available to and deemed appropriate by the CDS including, without limitation, email, fax, courier, telephone, or registered post.

Such notice and/or communication shall be deemed to have been received by and/or delivered to the Depository Participant, if:

- (a) by email, upon the dispatch of the email from the server of the CDS,
- (b) by fax, upon generation of a transmission confirmation by the facsimile transmitter,
- (c) by courier, immediately upon delivery to the Depository Participant.
- (d) by telephone, at the time of communication,
- (e) by registered post, upon expiry of 72 hours from the time of dispatch by the CDS, and
- (f) by any other means, immediately upon actual delivery thereof.

(vii) Amendments to these Rules

Subject to the approval of the SEC in terms of the SEC Act, the CDS may amend the provisions of these Rules from time to time.

(viii) Forms

All forms and other documents issued and/or required by the CDS in connection with carrying out the depository functions/facilities of the CDS in terms of these Rules, may be varied by additions, deletions, exclusions from time to time at the sole discretion of the CDS.

(ix) Service Charges payable to CDS

The CDS may charge fees for services rendered, as determined by the CDS from time to time, from Account Holders, Listed Entities, Depository Participants or any other party.

Any change in such fees shall be notified to the Depository Participants by the CDS in the form of Circulars.

INTERPRETATION

1. Definitions

When used herein, the following expressions shall, unless the context otherwise requires, bear the following meanings:

Account Holder

means any person who holds a Client Account in the CDS.

Applicable Requirements

means circulars, operational guidelines and procedures issued by the CDS from time to time, and as well as other applicable laws, rules and regulations that may set out requirements to be complied with which are relevant to that particular issue.

Board of Directors

means the Board of Directors of the CDS.

CDS

means the Central Depository Systems (Private) Limited, which acts as a licensed Central Depository in terms of the SEC Act.

Central Depository

means a Central Depository as defined in the SEC Act.

Client Account

means a securities account opened by a Depository Participant on behalf of a person in the CDS in accordance with Section 3 of these Rules.

CSE

means the Colombo Stock Exchange.

CSE Clear

means CSE Clear (Private) Limited.

CSE Rules

means the rules promulgated by the CSE.

Companies Act

means the Companies Act, No. 07 of 2007, as amended from time to time.

Company Secretary

means the Company Secretary of a Listed Entity duly appointed in terms of the Companies Act.

Custodian Bank

means a bank licensed under the Banking Act, No. 30 of 1988, as amended providing custodial services and admitted by the CDS as a Depository Participant in terms of the CDS Rules.

Delist

means a delisting of Securities in terms of the Listing Rules of the CSE or any Rules issued by the SEC, as applicable.

Dematerialization

means the process by which Account Holders could convert their title to Securities held in the scrip form into electronic form in the CDS.

Depository Participant

means a Depository Participant as defined in the SEC Act and admitted as a Depository Participant by the CDS under these Rules.

International Security Identification Number (ISIN)

means a unique number assigned by the CSE in accordance with standards for securities identification established by the International Standards Organization.

Licensed Clearing House

means a Licensed Clearing House as defined in the SEC Act.

Listed Entity

means an entity listed in terms of the Listing Rules of the CSE.

Listed Securities

means Listed Securities as defined in the SEC Act, issued and listed by a Listed Entity, in terms of the Listing Rules of the CSE.

Locked Balance

means a portfolio of Securities held in a Client Account on which trading is restricted.

Market Day

means any day on which the CSE is open for trading.

NIC

means the National Identity Card issued under the Registration of Persons Act, No. 32 of 1968, as amended.

NIC Number

means the unique number which appears on the NIC.

Pending Buy Trades

means any Market Contract for purchase of securities which has been executed and is pending settlement.

Pending Sell Trades

means any Market Contract for sale of securities which has been executed and is pending settlement.

Record Date

means the date of entitlement to participate in a corporate action as set out in the Listing Rules of the CSE.

Register

means a share register or register of holders of debentures, as the case may be, of a Listed Entity.

Rematerialisation

means the conversion of the title to Securities held in the electronic form in the CDS into scrip

form.

Rights Issue

means a Rights Issue as defined in the SEC Act.

Rules

means these Central Depository Rules issued by the CDS.

SEC

means the Securities and Exchange Commission of Sri Lanka established under the SEC Act.

SEC Act

means the Securities and Exchange Commission of Sri Lanka Act, No. 19 of 2021, as may be amended from time to time.

Securities

means Securities as defined in the SEC Act and recognized by the CDS from time to time as Eligible Securities.

Securities Certificate

means a certificate evidencing title to Securities in terms of applicable law.

Stock Dealer

means a Stock Dealer as defined in the SEC Act and admitted as a Trading Participant by the CSE.

Stockbroker/Stockbroker Participant

means a Stockbroker as defined in the SEC Act and admitted as a Trading Participant by the CSE.

Trade

means a purchase and sale transaction of Securities executed on the CSE, unless the context otherwise requires.

Trade Day

means, in respect of a particular Trade, the Market Day on which the Trade is executed.

Trading Participant

means a Trading Participant as defined in the SEC Act and admitted for trading in terms of the Trading Participant Rules of the CSE.

Trading Rules

means the trading rules of the CSE.

Unlisted Security

means Securities which are not listed on the CSE.

2. INTERPRETATION OF RULES

Headings are provided for ease of reference only and shall not affect the interpretation or construction of these Rules.

Unless expressly provided to the contrary, the interpretation of these Rules shall be in conformity with the definitions set out above. If there is any ambiguity, the Board of Directors or any committee or designee(s) of the Board shall have authority to interpret the Rules. Such interpretations shall be final and binding, unless an appeal is made to the SEC within seven (07) days of the communication of the interpretation.

If there is any conflict between these Rules and the circulars, operational guidelines and procedures issued by the CDS from time to time, these Rules shall prevail.