

## **SECTION 10**

### **MINIMUM STANDARDS APPLICABLE TO DEPOSITORY PARTICIPANTS**

**10.1** The following minimum standards shall be complied with by all Depository Participants on an ongoing basis upon admission in terms of these Rules.

#### **10.1.1 Capital Requirements**

(A) Depository Participant shall comply with the minimum capital requirements as set out below:

- (i) Depository Participants who are Trading Participants of the CSE, shall comply with the capital requirements applicable to such Trading Participants stipulated in the Trading Participant Rules of the CSE.
- (ii) Depository Participants who are Custodian Banks, shall comply with capital requirements applicable to the Licensed Commercial Banks of Sri Lanka as specified by Central Bank of Sri Lanka (CBSL).
- (iii) Depository Participants that are entities licensed by a regulatory authority in Sri Lanka [other than the Depository Participants referred to in Rule 10.1.1 (A) (i) and (ii)], shall comply with the minimum capital requirements stipulated by the Board of Directors of the CDS from time to time.

(B) Financial Statements of Depository Participants:

(i) Depository Participants shall submit to the CDS, certified copies of the following:

- (a) quarterly financial statements of the Depository Participant within two (02) months from the end of the respective quarter.

Provided however where the Depository Participant submits its annual audited financial statements within three (03) months from the end of the financial year, such Depository Participant shall be exempt from publishing its quarterly financial statement for the fourth quarter of the respective year,

and,

- (b) audited financial statements of the Depository Participant within five (05) months from the end of the financial year.

Provided however, this Rule 10.1.1 (B) (i) shall not be applicable to Depository Participants that have its securities listed on the CSE and have published its financial statements in accordance with the Listing Rules of the CSE.

- (ii) The failure to submit certified copies of such Financial Statements within the respective timelines set out in Rule 10.1.1 (B) (i) above, may result in the CDS imposing a fine as determined by the Board of Directors of the CDS from time to time on the Depository Participant until such Financial Statements are submitted to the CDS.

- (iii) The CDS shall have the right to suspend a Depository Participant from using

the services and facilities offered by CDS if such Depository Participant is deemed to be financially unstable as referred to in Rule 10.1.1 (A) above.

### **10.1.2 Systems and Operations**

Depository Participants shall ensure;

- (i) that its back office systems operate smoothly and properly at all times and have adequate redundancy and scalable capacity to accommodate all current depository functions and future enhancements; and
- (ii) compliance with the terms and conditions in any agreement with, and any other requirements imposed by the CDS in relation to systems and operations required to support and facilitate depository functions to the extent stipulated in these Rules.

### **10.1.3 Business Continuity Requirements**

- (i) Depository Participants shall have adequate disaster recovery and business continuity arrangements in place at all times to ensure the timely recovery of its usual operations having regard to the nature and extent of the business carried on by such Depository Participant and any requirements specified by the CDS from time to time.
- (ii) The CDS may require a Depository Participant to undertake testing of its disaster recovery and business continuity arrangements at such times and in such manner as may be specified by CDS.

### **10.1.4 Risk Management Requirements**

- (i) Depository Participants shall establish and maintain adequate and robust risk management frameworks and internal controls which are sufficient to support and facilitate depository operations of such Depository Participant.
- (ii) The management of Depository Participants shall oversee and periodically review the adequacy of the risk management framework and internal controls referred to in Rule 10.1.4 (i).

### **10.1.5 Human Resource Requirements**

Depository Participants shall maintain sufficient and skilled employees at all times to perform business operations in terms of these Rules and Applicable Requirements.

## **10.2 Non-compliance with minimum standards**

If a Depository Participant fails to comply with the minimum standards stipulated in Rule 10.1, the CDS may suspend/terminate its Depository Participant status having conducted an inspection in terms of these Rules and after having given the Depository Participant an opportunity of being heard.