

SECTION 6

TRANSFER OF SECURITIES

A. TRANSFER OF SECURITIES WITHIN THE CDS

6.1 Transfer of Securities between Client Accounts held by the same Account Holder (Intra – Account transfer of Securities) / Change of Depository Participant pertaining to a Client Account

- i. Subject to these Rules, an Account Holder who wishes to transfer Securities held in a Client Account with one Depository Participant to that Account Holder's Client Account with another Depository Participant shall submit a written request for the transfer of such Securities (intra-account transfer request) to the existing Depository Participant and the Depository Participant receiving such Securities.

Depository Participants shall maintain complete and accurate records of intra-account transfer requests received by them from the Account Holders, either in hard copy or electronic form at all times.

- ii. Depository Participants shall process intra-account transfer requests of Account Holders by electronic means through the system provided by the CDS and in the manner set out in applicable CDS Operational guidelines and procedures.
- iii. Depository Participants shall be solely responsible for verifying the genuineness, authenticity and the accuracy of intra-account transfer requests, prior to processing them.
- iv. Depository Participants shall not delay or refuse to carry out an intra-account transfer request unless:
 - the Account Holder has not paid for the Securities held in the Client Account; or
 - the Securities are held under lien for payments outstanding to the Depository Participant or any other institution.
- v. If an intra-account transfer request cannot be processed by the existing Depository Participant, the Depository Participant that is to receive such Securities shall be informed of such within two (02) Market Days from the date of receipt of such intra-account transfer request by the existing Depository Participant.
- vi. If the Depository Participant that is to receive such Securities is not satisfied with the reasons attributed for the delay/refusal by the existing Depository Participant, it shall be brought to the notice of the CDS. The CDS shall consider the reasons for such delay/refusal and may impose a fine on such Depository Participant.
- vii. When a request is made by a Depository Participant to the CDS to process an intra-account transfer of Securities on behalf of an Account Holder the CDS may

do so in the manner specified in the applicable CDS Operational guidelines and procedures subject to a processing fee as may be determined by the CDS.

- viii. All liabilities arising out of processing intra-account transfer requests shall be borne by the Depository Participants.

6.2 Transfer of Securities/change of Depository Participant in the event of termination, cessation or suspension of Depository Participant Status

- i If the CDS takes enforcement action against a Depository Participant in terms of Rule 14.3, the CDS shall facilitate the transfer of Securities of Account Holders of the said Depository Participant to any other Depository Participant of the Account Holders choice.
- ii Such transfers shall be made only after settlement of any outstanding obligations to such Depository Participant.
- iii Such transfers shall be carried out in terms of these Rules and any guidelines/procedures set out by the CDS from time to time.
- iv The procedures set out in (i), (ii) and (iii) above shall be followed by the CDS in the event the CSE or the SEC takes any enforcement action against a Depository Participant, which may lead to a termination, cessation or suspension of the Depository Participant status.

6.3 Transfer of Securities between Client Accounts held by separate Account Holders (Inter-account transfer of Securities)

Prior written approval of the CSE or the SEC (as applicable) shall be obtained by Depository Participants, in the prescribed form, to transfer Securities from one Client Account to another Client Account, outside the trading procedure of the CSE.

All such duly completed transfer application forms shall be submitted to the CDS along with the original letter of approval received from the CSE or the SEC (as applicable).

6.4 Transfer of Securities pertaining to an offer made under the Company Takeovers and Mergers Code of 1995 as amended in 2003 /de-listing

When the CDS receives instructions pertaining to the transfer of Securities in connection with an offer made under the Company Takeovers and Mergers Code 1995, as amended in 2003 or a de-listing, it shall transfer such Securities to the Offeror's Reserve Account and upon confirmation of payment transfer such Securities to the Offeror's Client Account.

6.5 Transfers of Shares pertaining to Trades Carried out on the CSE by a Consortium of Investors using the AON Block Facility

- 1. If a consortium of investors places a buy order using a Special CDS Account opened through a Depository Participant in relation to an AON Block as set out in the Trading Rules of the CSE and the AON Block is purchased through the Special CDS Account, the CDS shall transfer such shares from the Special CDS

Account to the Buyers' respective Client Accounts on the settlement date, based on the settlement instructions received from the CSE Clear.

2. If the Government of Sri Lanka holds shares of a Listed Entity through multiple entities/agencies and wishes to submit a single sell order as a consortium using the AON Block facility on the ATS through a Depository Participant, the shares held by such entities/agencies in their respective Client Accounts shall first be credited to a Special CDS Account opened by the Depository Participant for such purpose.
3. The CDS, in consultation with the SEC, may waive the application of any of the Rules set out in this Rule 6.5 and/or introduce additional conditions to facilitate the sale of a Government stake through the AON Block facility.

6.6 Transfers of Securities pertaining to Trades Carried out on the CSE in relation to Repurchase Transactions

1. Upon receiving instructions from the CSE Clear in relation to a Repurchase Transaction on Debt Securities carried out on the Over the Counter (OTC) Platform of the CSE, the CDS shall transfer the Purchased Securities for the Repurchase Transaction:
 - (i) from the Borrower's Client Account to the Lender's Client Account on the Purchase Date (or the Settlement Date, if different to the Purchase Date); and,
 - (ii) from the Lender's Client Account to the Borrower's Client Account on the Repurchase Date of the Repurchase Transaction,subject to instructions received from the CSE Clear in relation to a Roll Over of a Repurchase Transaction.
2. Upon the completion of the transfer of Debt Securities for a Repurchase Transaction in accordance with Rule 6.6 (1), the Central Depository shall confirm the same to the CSE Clear.
3. The CDS, its directors, employees and the parent entity shall not be responsible for any losses and/or damages that may be incurred by the parties to a Repurchase Transaction on Debt Securities carried out on the OTC Platform of the CSE as a result of non-availability of Securities on the Purchase Date (or the Settlement Date, if different to the Purchase Date) or the Repurchase Date as the case may be or the transfer of such Purchased Securities based on the instructions received by the CDS from the CSE Clear or any matters connected thereto.

6.7 Transmission of Securities in the CDS in the event of death of an Account Holder

Upon the death of an Account Holder, Securities held by such Account Holder in the CDS shall be transmitted to the legal heirs.

For this purpose, a request to transmit such Securities shall be made to the CDS in the prescribed form/s, through the respective Depository Participant/s.

6.8 Vesting/transfer of Securities pursuant to a court order approving a Scheme of Arrangement without an issuance of shares

6.8.1 Upon receiving instructions from a Listed Entity in relation to a Scheme of Arrangement of such Entity in terms of the Listing Rules of the CSE, the CDS shall give effect to the vesting/transfer of Securities to the respective CDS Client Account/s in the manner specified in the respective court order approving the said Scheme of Arrangement.

6.8.2 Upon the completion of the vesting/transfer of Securities in relation to the Scheme of Arrangement in accordance with Rule 6.8.1, the CDS shall confirm same to the CSE.

6.9 Transfer of Securities pertaining to Stock Borrowing and Lending transactions

6.9.1 Upon receiving instructions from the CSE Clear pertaining to a Stock Borrowing and Lending transaction, in terms of the CSE Clear Rules, the CDS shall effect such transfers as per the instructions of the CSE Clear.

6.9.2 Upon the completion of the transfer of Securities in accordance with Rule 6.9.1, the CDS shall confirm the same to the CSE Clear.

B. INTER-DEPOSITORY TRANSFER OF SECURITIES (TRANSFER OF SECURITIES BETWEEN THE CDS AND FOREIGN DEPOSITORIES)

If an Account Holder holding Securities which are listed on the Multi-Currency Board of the CSE, intends to transfer such Securities to the CDS or the Foreign Depository (as the case may be), such transfer of Securities shall be carried out by the Account Holder in the manner specified in the CDS Operational guidelines and procedures.