

## **SECTION 1**

### **DEPOSITORY PARTICIPANTS**

All transactions pertaining to an Account Holder in the CDS shall be carried out only through a Depository Participant.

#### **1.1 Eligibility for appointment as a Depository Participant**

The following persons are eligible for appointment as a Depository Participant:

- (i) Trading Participant of the CSE.
- (ii) Custodian Bank.
- (iii) Any other entity licensed by a financial sector regulatory authority in Sri Lanka, which is acceptable to the CDS,

and having:

- (a) the minimum capital requirements stipulated by the Board of Directors.
- (b) sufficient resources and adequate systems to support the business operations of a Depository Participant in terms of these Rules.
- (c) adequate staff and facilities for monitoring the day to day operations of a Depository Participant in terms of these Rules.
- (d) any other facilities as may be determined by the Central Depository hereafter and from time to time

#### **1.2 Application to be appointed as a Depository Participant**

- (i) An application to be appointed as a Depository Participant shall be submitted by the applicant to the CDS in the format specified by the CDS from time to time.
- (ii) The CDS may accept or reject any application to admit a Depository Participant. The CDS shall not reject an application for admission as a Depository Participant without giving reasons.

#### **1.3 Grant of Depository Participant Status**

- (i) In the event the application to be appointed as a Depository Participant referred to in Rule 1.2 above, is accepted by the CDS, the CDS shall grant Depository Participant Status to the applicant.
- (ii) The grant of Depository Participant Status shall be subject to such terms and conditions contained in the Depository Participant Agreement that shall be entered into between the Depository Participant and the CDS at the time that Depository Participant Status is granted.

- (iii) Depository Participants shall ensure that they keep the CDS informed of any change in the material particulars submitted with or supporting its application for the grant of Depository Participant Status.

#### **1.4 Depository Participant Code**

Each Depository Participant shall be assigned a Depository Participant Code by the CDS for ease of identification. Such Depository Participant Code shall be used when making reference to such Depository Participant.

#### **1.5 Persons authorized to act on behalf of a Depository Participant**

- (i) Each Depository Participant shall give the CDS written notice of persons who are authorized to act on behalf of such Depository Participant.
- (ii) Such Authorized Persons shall be the contact persons and shall have the authority to instruct CDS in respect of matters concerning such Depository Participant.
- (iii) Depository Participants must ensure that any change of such Authorized Persons shall be communicated in writing to the CDS.

#### **1.6 Depository Participant fees**

Upon being admitted as a Depository Participant in terms of these Rules, Depository Participant shall pay fees, charges and reimbursement of expenses as may be specified by the CDS from time to time in respect of the Depository services and facilities offered by the CDS.

#### **1.7 Records**

##### **1.7.1 Reconciliation of Records**

The Depository Participant shall effect internal reconciliation of its accounts and total balances held in the different client accounts maintained in the CDS through such Depository Participant on a daily basis (as applicable) with the records of the CDS in relation to its daily business operations.

##### **1.7.2 Maintenance of Records**

- (i) Every Depository Participant shall maintain records relating to its business operations in a manner that will demonstrate compliance with these Rules.
- (ii) The Depository Participant shall keep the CDS informed of the place where records referred to in Rule 1.7.2 (i) are kept and made available for audit inspection.

## **1.8 Reporting of Adverse Events**

Depository Participants shall immediately notify the CDS and the SEC if;

- (i) it is experiencing or reasonably anticipates any situation that may threaten its ability to meet its obligations or continue its operations;
- (ii) it becomes aware of any matter which adversely affects, or is likely to adversely affect its ability to meet its obligations in respect of its licensed business, and thereby affect the integrity of the capital market or the proper management of systemic risk, or to ensure protection of the account holders.
- (iii) it is unable to pay its debts as they fall due, or an application is presented against it for winding up, or an order is made against it by a court of competent jurisdiction for the commencement of winding up, or any step is taken or a resolution passed for its winding-up, dissolution or judicial management, or it enters into a compromise with its creditors or administration; or
- (iv) it has had any attachment, distress, execution or legal process instituted against its assets, or has had any liquidator, receiver or any similar person appointed (or an application has been made for the appointment of such person) in respect of any of its assets; or
- (v) it reasonably believes there exists or anticipates any events that may be prejudicial to the interests of its account holders.
- (vi) any regulatory body has taken any action against such Depository Participant upon being found to have committed or been connected with the commission of any act which involves fraud, deceit or dishonesty by anybody with regulatory or supervisory authority; established by law in Sri Lanka or abroad, constituted under law as a commission of inquiry, tribunal or other similar body, or by any professional association which in the opinion of the SEC is of an established and credible stature.

## **1.9 Termination of Depository Participant Status**

- (i) The CDS may terminate the Depository Participant Status of a Depository Participant:
  - (a) in terms of these Rules;
  - (b) in terms of the Depository Participant Agreement; or
  - (c) if the Depository Participant has not been actively engaged in business with the CDS for a prescribed period of which prior notice has been given by the CDS.

- (ii) If the Depository Participant Status of a Depository Participant is terminated for any reason the Depository Participant shall:
  - (a) forthwith notify, in writing, the Account Holders maintaining Client Accounts in the CDS through such Depository Participant, of such termination; and,
  - (b) facilitate the transfer of the Client Accounts maintained through such Depository Participant to another Depository Participant of the Account Holders' choice, in accordance with the procedure specified by the CDS.

In the event the Depository Participant is unable to facilitate the transfer of any Client Account maintained through such Depository Participant, it shall inform the CDS forthwith of such fact in writing, in order to enable the CDS to initiate steps as deemed appropriate in accordance with the procedures specified by the CDS.

- (iii) The obligations of the CDS towards a Depository Participant in respect of Client Accounts maintained in the CDS through such Depository Participant under these Rules shall cease with effect from the date of termination of its Depository Participant Status. Provided that the CDS shall continue to facilitate the smooth transfer of the Client Accounts opened by such Depository Participant even after the date of termination of the Depository Participant status.
- (iv) A Depository Participant whose Depository Participant Status has been terminated shall:
  - (a) pay all outstanding charges owing to the CDS;
  - (b) fulfill all outstanding obligations to the CDS and to its clients; and
  - (c) continue to comply with the terms and conditions set out in the Depository Participant Agreement and these Rules;

until the effective date of the termination.

- (v) Upon the Depository Participant fulfilling the obligations/conditions stipulated in (ii) to (iv) above, the Depository Participant shall notify the CDS and the SEC of the due completion of the said obligations/conditions.

