

17 June 2020

TO : All Chief Executive Officers of Member Firms
All Heads of Custody Services of Custodian Banks

CIRCULAR NO:04-06-2020

Dear Sir/Madam,

AMENDMENTS TO THE CDS RULES TO FACILITATE SENDING OF PERIODIC E-STATEMENTS TO CDS ACCOUNT HOLDERS

The Central Depository Systems (Pvt.) Limited [CDS] has amended Rule 11.1 of the CDS Rules relating to Periodic Account Statements as part of the initiative to digitize the operations of the Colombo Stock market.

The relevant amendments which have been approved by the Securities and Exchange Commission of Sri Lanka are set out below. The below mentioned rule amendments are effective from 02nd June 2020.

The procedure to be adopted to give effect to the amendments is also given below.

SECTION 11

CDS ACCOUNT STATEMENTS

11.1 Periodic CDS Account Statements

A. Methodology of forwarding CDS Account Statements

The CDS shall send Account Holders a CDS account statement which includes;

- a) all listed Securities held by the Account Holder and,
- b) the quantity of such listed Securities in such Client Account.

The CDS account statement will be forwarded to the Account Holder directly by the CDS in electronic form to an e-mail address provided by the Account Holder through the relevant participant. Where the Client Account is maintained through a Custodian Bank, the statements will be forwarded to the Account Holder through the relevant Custodian Bank, through whom the Client Account is maintained on behalf of the CDS.

The Participants shall ensure that the e-mail addresses provided to the CDS have been obtained from the relevant CDS Account Holders.

In the event an Account Holder requests in writing through the relevant Participant, the CDS shall forward the CDS account statements in printed form to such Account Holder.

B. Transitional Provisions pertaining to forwarding CDS Account Statements in respect of Client Accounts maintained in the CDS prior to the implementation of Rule 11.1.A

In respect of Client Accounts maintained with the CDS prior to the implementation of Rule 11.1.A above, the following provisions shall apply;

- (i) Up to 30th June 2020, the CDS account statements will be forwarded to the relevant Account Holder in printed form, unless there is a request in writing to the CDS by the Account Holder to forward the CDS account statements in electronic form;

And,

- (ii) With effect from 30th September 2020 the CDS account statements will be forwarded to the relevant Account Holder in electronic form, unless there is a request in writing to the CDS by the Account Holder to forward the CDS account statements in printed form.

C. Frequency of Issuing CDS Account Statements

The frequency of issuing CDS account statements shall be as follows:

- a) The CDS shall forward to the Account Holder a monthly statement if such account was active during a particular month (monthly statement).

For the purpose of rule (a) above an active account shall be an account with at least one transaction (purchase / sale / deposit / withdrawal / transfer) during a particular month.

- b) The CDS shall forward a statement annually as at 31st March to all Account Holders in respect of their Client Accounts having credit balances.

Provided however, the CDS may, at its discretion, forward statements in electronic form to Account Holders in respect of their Client Accounts having credit balances in a more frequent manner.

Procedure to be adopted

In order to implement the said amendments to the CDS Rules, CDS Participants are requested to notify all existing clients with regard to receiving CDS e-statements as envisaged by the amended Rule.

CDS Participants are required to obtain duly completed CDS Forms 28 from all existing clients during the transitional period, which is effective from 30th June 2020 to 30th September 2020.

Participants have to ensure that all the information required in terms of the CDS Form 28 is provided by the respective clients prior to uploading Form 28 to the CDS system.

Once a CDS Form 28 is uploaded to the CDS system as set out above, the CDS will take steps to verify the information provided in the CDS Form. This verification will be carried out by the CDS prior to sending e-CDS statements to the CDS Account Holders who have not subscribed for the e-statement facility previously.

CDS Form 28 can be downloaded from the CDS website, www.cds.lk.

The amended CDS Rules also have been uploaded on the CDS website for the ease of reference of the Participants.

We seek your assistance to make this endeavor a success and please take necessary action to implement the amended Rule 11.1 of the CDS Rules.

Yours faithfully,



Nalin Fonseka
Head of Central Depository Systems

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