

## Central Depository Systems (Pvt) Ltd.

Fully Owned Subsidiary of the Colombo Stock Exchange

Company No: PV 1270



Central Depository Systems (Pvt) Limited

CONVENIENT : DEDICATED : SECURE

Ground Floor  
M&M Center  
341/5, Kotte Road  
Rajagiriya, Sri Lanka.

[www.cds.lk](http://www.cds.lk)

21<sup>st</sup> July 2020

**TO : ALL COMPANY SECRETARIES / REGISTRARS,**

**CIRCULAR NO: 08/2020**

Dear Sir/Madam,

**Changes made to the existing Securities Depositing Process:**

**Prior verification of the title of the share certificate holder before crediting shares**

We wish to inform you that the aforesaid changes have been made to the existing securities depositing process with effect from 4<sup>th</sup> August 2020.

The existing depositing process has been reviewed with a view to implement the best practices and thereby eliminating the risks associated with the existing process.

As per the new procedure, share certificates submitted to CDS by the account holders via their registered stockbrokers would only be credited to the respective CDS account upon confirmation by the respective company secretary/registrar in terms of the CDS rule 7.1.1 of the CDS rules. The lodged shares would remain in a shadow position until such time CDS receives the confirmation from the respective company secretary/registrar in the prescribed manner.

CDS has also made arrangements to facilitate urgent requests for lodgments. An account holder who wishes to avail this facility is required to complete the CDS form attached (Annexure 1) and submit the same to the CDS together with the share certificate duly verified and endorsed by the relevant company secretary/registrar.

The relevant approvals with regard to the amended rules have been granted by the Securities Exchange Commission of Sri Lanka ('SEC'). Please find attached the applicable rules. (Annexure 2). The same has been uploaded to the CDS web site for your ease of reference, [www.cds.lk](http://www.cds.lk).

You are kindly requested to contact the undersigned or following officials for any further information in this regard.

1. Rohan Fernando-Senior Executive -CDS
2. Nipun Gunasekera- Team Lead -Depository Operations.
3. Ruchira Jayasinghe- Assistant manager- Demat Compliance & Risk.

Your assistance is much appreciated to implement the above.

Yours faithfully,

Nalin Fonseka

**Head of Central Depository Systems**

cc : 1. All Chief Executive Officers of member firms.  
2. All Heads of Custody of Custodian Banks

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### Endorsement of Securities Certificates for Urgent Deposits in the CDS

Company Name:

.....

Type of

Security: .....

We hereby confirm that the enclosed certificate bearing the below specified details are accurate and valid. We also confirm that the said quantity of securities indicated in the securities certificate can be deposited to the tradable balance of the shareholder/s' CDS account and the CDS shall be absolved from any liability for loss/damage incurred as a result of depositing such securities into the tradable balance of such shareholder/s' CDS account.

Certificate Number: .....

Issued Date: .....

Distinctive Numbers: .....

Number of Securities: .....

NIC number of the Shareholder/s': .....

Full name of the Shareholder/s': .....

.....

**Signature of the Company Secretary/Registrar**

.....	.....	.....
Name & Designation	Signature	Date

**Participant Authorization**      *Place the participant stamp here*

.....	.....	.....
Name & Designation	Signature	Date

1) Amended Rule 4.5

## ENTRIES MADE TO A CLIENT ACCOUNT

A Client Account shall be credited with Securities in the following instances:

- a) Purchase of Securities into a Client Account as per Section 5.
- b) Dematerialisation/deposit of Securities into a Client Account as per Section 7.
- c) Direct deposit of Securities by a Listed Entity on behalf of an Account Holder.
- d) Transfer of Securities into a Client Account as per Section 9 (A) or 9 (B) of these Rules.

A Client Account shall be debited with Securities in the following instances:

- a) Sale of Securities from a Client Account as per Section 5.
- b) Rematerialisation / withdrawal of Securities from a Client Account as per Section 8.
- c) Transfer of Securities as per Section 9 (A) or 9 (B) of these Rules.
- d) Upon being notified by a Listed Entity of the following instances:
  - a repurchase of shares under the Companies Act No. 07 of 2007 (the Act),
  - a minority buy-out by the Listed Entity under the Act,
  - a redemption of shares under the Act.
- e) Direct deposit of Securities by a Listed Entity on behalf of an Account Holder.

2) Amended Rule 7.1

## PROCEDURE FOR DEMATERIALIZATION OF SECURITIES IN CDS

## 7.1.1 Procedure for Dematerializing Securities Certificates

- a) Subject to these Rules, Account Holders may dematerialise their Securities held in scrip form by depositing such securities certificates into their Client Accounts. Such deposits shall be made through the relevant Participant.
 

Participants shall ensure that the securities certificates and the relevant CDS Form/s handed over to CDS for deposit shall be submitted together with an acknowledgement of deposit in duplicate. The duplicate of the acknowledgement shall be returned to the Participant by CDS as confirmation of receipt of the deposit. Participants shall forward such duplicate of the deposit slip to the relevant Account Holder within three (3) Market Days of receiving same.
- b) Participants shall ensure that securities certificates to be deposited into a Client Account by an Account Holder are submitted together with the relevant CDS Form/s, duly completed, endorsed and executed. Any alterations to the particulars given in such Form/s shall be duly certified by the Account Holder and countersigned by the Participant.
- c) The CDS shall not be obliged to act on any documentation incorrectly completed, endorsed or executed.
- d) The quantity of Securities indicated on the securities certificate forwarded for deposit shall be deposited to the relevant Client Account by CDS, subject to these Rules.
- e) upon receipt of the securities certificates for depositing in the CDS, the CDS shall record the quantity of Securities indicated therein as a 'pending' deposit and

forthwith notify the relevant Company Secretary of the Listed Entity, in writing, regarding the pending deposit of Securities in the CDS for the purpose of registering such Securities in the name of the CDS in the share register of the Listed Entity. It shall be the responsibility of the Company Secretary to make arrangements for collection of the relevant documents from the CDS.

- f) The relevant Company Secretary of the Listed Entity shall confirm/reject the registration of such Securities in the name of the CDS in the share register of the Listed Entity, in writing, to the CDS within two (2) Market Days from the date of the written notification from the CDS.

In the event the relevant Company Secretary of the Listed Entity rejects the registration of such Securities in the name of the CDS in the share register of the Listed Entity, the Company Secretary shall indicate the reasons for such rejection. On receipt of such notification from the Company Secretary, the CDS shall cancel the pending deposit and return the securities certificates to the Participant, in accordance with Rule 4.4 (f) of these Rules.

- g) Upon receipt of a written confirmation from the relevant Company Secretary of the Listed Entity in terms of Rule 7.1.1 (f) above, the CDS shall deposit the quantity of Securities indicated in the securities certificates to the Account Holder's Client Account, with due notice to the relevant Company Secretary of the Listed Entity.
- h) The Company Secretary shall immediately inform the CDS as and when a report is lodged with a Listed Entity on any loss of a securities certificate, when a Listed Entity discovers a forgery in a securities certificate or when a securities certificate has been invalidated by the Company Secretary. Such notice to the CDS shall set out the details pertaining to the securities certificate including the name of the shareholder, certificate number, quantity of securities and the company name.
- i) All liabilities arising out of invalid deposit of Securities with the CDS shall be borne by the Participant.

#### 7.1.2 Procedure for Dematerializing Evidence of Title

Account Holders may dematerialize their evidence of title held in scrip form in the CDS in accordance with the procedure set out in the CDS Operational Guidelines and Procedures applicable from time to time.

### 3) Amended Rule 7.3

#### DIRECT DEPOSIT OF SECURITIES TO CLIENT ACCOUNTS

Notwithstanding anything stated in these Rules, the CDS may accept Securities directly from Listed Companies and/or such other issuers of Securities for deposit into Client Accounts on behalf of the respective Account Holders. The CDS will notify the details of such direct deposit to the relevant Participants.

### 4) Amended Rule 10.4 (c)

An Account Holder may renounce his Provisional allotment of Rights arising from the Rights issue to the CDS through the Participant. For this purpose the duly perfected Provisional Letter of Allotment shall be deposited in the respective Client Account by the Account Holder through his Participant in accordance with the procedure for dematerializing evidence of title set out in the CDS Operational Guidelines and Procedures applicable from time to time. The Account

Holder may trade on such Rights through the Participant. Such deposits and trading in Rights shall be allowed during the period of renunciation of the Rights issue.