

Central Depository Systems (Pvt) Ltd.

(Incorporating amendments up to 16th September 2021)

Rules

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INTRODUCTION

(i) Central Depository Systems (Private) Limited

The Central Depository Systems (Private) Limited (CDS), a wholly owned subsidiary of the Colombo Stock Exchange (CSE) was incorporated on 30th August 1991 as a private company with limited liability under the Companies Act No. 17 of 1982, for the purpose of acting as a depository in respect of Securities traded on the CSE and additionally to facilitate clearing and settlement of such Securities.

These Rules govern the depository functions and clearing and settlement functions offered by the CDS to its Participants.

All Participants of the CDS shall comply with these Rules. Any breach of these Rules shall be construed as a breach of contract between a Participant and the CDS. The CDS Rules create obligations, which are additional and complementary to statutory obligations.

(ii) Failure or delay to not deemed a waiver

No failure or delay by the CDS to exercise or enforce any rights conferred upon it by these Rules shall be deemed to be a waiver of any such rights or operate so as to bar the exercise or enforcement thereof at any subsequent time or times.

(iii) Circulars and Operational Guidelines

The CDS may, from time to time, issue;

- (a) Circulars to the CDS Participants in order to supplement or explain these Rules; and
- (b) Operational guidelines and procedures in the form of letters to Participants, for administrative purposes.

These Circulars and Operational guidelines and procedures issued by the CDS, may be unilaterally issued, amended or revoked by the CDS and shall be effective on such date as may be specified by the CDS.

(iv) Limitation of Liability

The CDS, its respective successors and/or assignees, or its respective directors, officers, employees or agents ("Relevant Persons") shall not be liable to any person for any loss or damage (including consequential or indirect loss or damage), however caused or arising, including but not limited to any loss or damage arising directly or indirectly from or in connection with the following or anything done or not done as a direct or indirect consequence of the following:

- (a) any failure, error, delay, security breach or malfunction of the settlement facilities operated by the CDS howsoever caused and whether or not identified or identifiable;
- (b) the access to, use of or inability to use the settlement facilities operated by the CDS;
- (c) anything done (including any statement made) or omitted to be done in the course of, or in connection with the exercise of rights or the discharge or purported discharge of the CDS's obligations or rights under the Securities

- and Exchange Commission of Sri Lanka Act No. 36 of 1987, as amended, any other applicable law, or under these Rules;
- (d) any breach or failure of any Participant to comply with these Rules;
 - (e) the acts or omissions of any of the Participants;
 - (f) any failure, security breach, inoperability or malfunction of equipment, software or any other product supplied to a Participant howsoever caused, or in respect of its installation, maintenance or removal;
 - (g) the exercise of a decision-making or regulatory power or discretion under these Rules;
 - (h) any virus or other destructive, malicious, or corrupting program, code, agent, script or macro;
 - (i) any errors, inaccuracy, omissions or delay in the calculation of margins;
 - (j) the originality, accuracy, adequacy, timeliness or completeness of the settlement system or any content, information, materials, images, sounds, graphics, video and other materials displayed therein or any functionalities or applications, programs or services provided therein;
 - (k) any information transmitted or received by or on behalf of the CDS or a Participant, including through the settlement system, or the interception of or access to such information by unauthorised persons.

(v) Action by the CDS

Except where action of the Board of Directors is specifically required by the Rules, the Head of the CDS or any other person authorized by the Board of Directors from time to time shall act on behalf of the CDS.

No act carried out or omitted to be carried out by the CDS bona fide in connection with or for the purpose of these Rules shall subject any person acting on behalf of the CDS, including;

- (a) any member of the Board of Directors, or any member of any committee established by any the Board of Directors,
- (b) any officer assigned to carry out functions of the CDS, and
- (c) any agent of, or any person acting under the direction of the CDS,

to any liability whether personally or otherwise, except to the extent as set out by the Unfair Contract Terms Act No.26 of 1997.

In the event of any matter which arises in connection with or relating to CDS not provided for in these Rules, the CDS shall have the right to determine such matter. Any determination given by the CDS in terms of this Rule shall be binding on all parties.

(vi) Notices and communications

Any notice and/or communication by the CDS to any Participant under and in terms of these Rules or otherwise may be issued by the CDS using any method or means of communication available to and as may be deemed appropriate by the CDS including, without limitation email, fax, courier, telephone, or registered post.

Such notice and/or communication shall be deemed to be have been received by and/or delivered to the Participant, in case of notice and/or communication,

- (a) by email, upon the despatch of the email from the server of the CDS,
- (b) by fax, upon generation of transmission confirmation by the facsimile transmitter,
- (c) by courier, immediately upon delivery to the Participant,

- (d) by telephone, at the time of the communication,
- (e) by registered post, upon expiry of 72 hours from the time of dispatch by the CDS, and
- (f) by any other means, immediately upon delivery thereof.

(vii) Amendments to these Rules

Subject to the approval of the SEC in terms of the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended), the CDS may, from time to time, amend the provisions of these Rules.

(viii) Forms

All forms and other documents issued and/or prescribed by the CDS in connection with carrying out the facilities of the CDS in terms of these Rules, may be from time to time varied by additions, deletions, exclusions at the sole discretion of the CDS.

(ix) Service Charges payable to CDS

The CDS may charge fees, as determined by the CDS from time to time, from Account Holders, Listed Entities, Participants or any other party for services rendered by the CDS.

Any change in such fees shall be notified to the Participants by the CDS in the form of Circulars.

(x) Admission to Premises of CDS

No person shall be permitted to enter the premises of CDS without the prior written approval of the Head of the CDS or in his absence the officer designated to act on his behalf.

INTERPRETATION

1. Definitions

When used herein, the following expressions shall, unless the context otherwise requires, bear the following meanings:

Account Holder

means any person who holds a Client Account in CDS.

ATS

means the Automated Trading System of the CSE.

Board of Directors

means Board of Directors of CDS.

Buy-In Board Settlement Date

means the date on which the settlement of a Trade on the Buy-in Board of the CSE shall take place in accordance with Section 10.2 of these Rules.

CDS

means Central Depository Systems (Private) Limited.

Cleared Balance

means the portfolio of Securities held in a Client Account, which are free from lien and have been cleared and settled in terms of these Rules.

Client Account

means an account opened by a Participant on behalf of a person in CDS in accordance with Section 4 of these Rules.

CSE

means Colombo Stock Exchange.

CSE Rules

means the rules promulgated by the Colombo Stock Exchange.

Companies Act

means the Companies Act No. 07 of 2007 as amended from time to time.

Company Secretary

means the Company Secretary of a Listed Entity duly appointed under the Companies Act.

Custodian Bank

means a Bank licensed under the Banking Act No: 30 of 1988 (as amended) providing custodial services.

Custodian Trade

means a Trade carried out by an Account Holder registered through a Custodian Bank in CDS.

Dematerialisation

means the process by which account holders could convert their title to Securities held in the scrip form into electronic form in the CDS.

Excluded Crossings

means a Trade executed on the Crossing Board/Window of the CSE, which is settled in accordance with Section 10 of these Rules.

International Security Identification Number (ISIN)

means a unique number assigned by CSE in accordance with standards for securities identification established by the International Standards Organization.

Listed Entity

means an Entity which has its Securities listed on the CSE.

Listed Security

means a Security which is listed on the CSE.

Locked Balance

means a portfolio of Securities held in a Client Account on which trading is restricted at the request of the Account Holder and is not visible to the Participant except in instances set out in Rules 7.1 and 8.1 of these Rules.

Market Day

means any day on which the CSE is open for trading.

Member

means a Member admitted to membership either as a Member or as a Trading Member of the CSE in terms of the Articles of Association of the CSE.

NIC

means the National Identity Card issued under the Registration of Persons Act No.32 of 1968, as amended.

NIC Number

means the number which appears on the NIC.

Non-Operative Client Account

means a Client Account with no transactions for a period of three (3) years from the date of the last transaction carried out in such Client Account on which the CDS has suspended its dealings.

Participant

means an organization, entity or person approved by the CDS under Section 1 of these Rules as a Participant.

Pending Buy

means any purchase transaction which has been executed and is pending settlement.

Pending Sell

means any sale transaction which has been executed and is pending settlement.

Record Date

means the date of entitlement to participate in a corporate action as set out in the Listing Rules of the CSE.

Register

means a share register or register of holders of debentures, as the case may be, of a Listed Entity.

Rematerialisation

means the conversion of the title to Securities held in the electronic form in the CDS into scrip form.

Rules

means these CDS Rules issued by the CDS.

SEC

means the Securities and Exchange Commission of Sri Lanka incorporated under the SEC Act.

SEC Act

means the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987, as amended from time to time.

Securities

means Securities as defined in the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987, as amended and recognized by the CDS from time to time as eligible Securities.

Securities Certificate

means a certificate evidencing title to the Securities in terms of applicable law.

Settlement

means the settlement of Trades in accordance with Section 10 of these Rules.

Settlement Date

means the date on which the settlement of a Trade shall take place in accordance with Section 10 of these Rules.

Settlement Schedule

means the schedule issued by the CDS on each Trade Day to a Participant, reflecting the amounts to be payable or receivable (as the case may be) by such Participant to the CDS on the Settlement Date.

Short Position

means in respect of a particular sell Trade, a position where the aggregate of the Cleared Balance of the Securities of a Listed Entity in a Client Account and the number of Securities of such Listed Entity purchased under Pending Buy transactions in relation to such Client Account is, as at the end of the Trade Day, less than the aggregate of the Securities of such Listed Entity sold by such sell Trade and the number of Securities of such Listed Entity sold under Pending Sell transactions in respect of such Client Account.

Stock Dealer Participant

means a Member or a Trading Member of the CSE licensed by the SEC to operate as a stock dealer.

Stockbroker Participant

means a Member or a Trading Member of the CSE licensed by the SEC to operate as a stockbroker.

Trade

means a purchase or sale transaction of Securities executed on the CSE.

Trade Day

means, in respect of a particular Trade, the Market Day on which the Trade is executed.

Trading Rules

means the trading rules of the CSE.

Unlisted Security

means Securities which are not listed on the CSE.

2. INTERPRETATION OF RULES

Headings are provided for ease of reference only and shall not affect the interpretation or construction of the provisions of these Rules.

Unless expressly provided to the contrary, the interpretation of these Rules shall be in conformity with the definitions set out above. In the event of any ambiguity, the Board of Directors of CDS or any Committee thereof, or their designee(s) shall have authority to interpret the Rules of the CDS. Interpretations of the Board of Directors or any Committee thereof, or their designee(s) shall be final and binding subject to an appeal to the SEC and such appeal shall be made within 7 days.

In the event of any conflict between any of the provisions of these Rules, the Circulars, Operational guidelines and procedures, these Rules shall prevail.