

15th June 2026

CIRCULAR NO:02-06-2026

To: All Chief Executive Officers of Stockbroker Firms / All Heads of Custodian Banks

Dear Sir/Madam,

IMPLEMENTATION OF THE STAGGERED SUSPENSION FRAMEWORK FOR NON-OPERATIVE (NON-ACTIVE/DORMANT) CLIENT ACCOUNTS – COMPLIANCE WITH CDS RULE 3.10

The Central Depository System (CDS) is committed to maintaining the integrity, accuracy, and security of the depository system. In accordance with CDS Rule 3.10 and pursuant to the approval granted by the CDS Board, CDS will implement a staggered suspension framework for non-operative client accounts.

The objective of this initiative is to strengthen investor protection, improve data quality, enhance regulatory compliance, and mitigate operational and fraud-related risks associated with long-dormant CDS accounts.

1. Identification of Non-Operative (Non-Active/Dormant) Accounts

Under CDS Rule 3.10, any client account that has remained dormant, defined as having no transactions for a continuous period of three (03) years, is classified as a "Non-Operative Client Account."

In order to facilitate an orderly implementation process, the suspension of dormant accounts will be carried out in phases based on the duration of inactivity as follows:

Phase	Category	Dormancy Period	Effective Date
Phase 1	Highly Dormant Accounts	15 years or more	30th June 2026
Phase 2	Long-Term Dormant Accounts	10 years or more	30th September 2026
Phase 3	Medium-Term Dormant Accounts	5 years or more	31st December 2026
Phase 4	Short-to-Medium Dormant Accounts	3 years or more	31st January 2027

Accordingly, CDS will identify and suspend eligible accounts on the respective effective dates applicable to each phase.

2. Effect of Suspension

The suspension of a dormant account shall restrict transactions and dealings in the account until such time the account is reactivated.

However, such suspension shall not:

- Affect the ownership rights of the account holder.
- Restrict the receipt of corporate action entitlements, including dividends and other distributions.
- Result in the transfer, forfeiture, or cancellation of securities held in the account.

Voice : 0094112356444

Fax : 0094112440396

3. Obligations of Depository Participants (DPs)

Upon notification by CDS of accounts identified for suspension, all Participants are required to:

- Inform the respective account holders regarding the suspension of their CDS accounts.
- Maintain adequate records of all communications made to account holders relating to such suspensions.
- Assist account holders with the account reactivation process where required.
- Ensure that relevant staff members are adequately briefed on the procedures relating to dormant account suspensions and reactivations.

4. Reactivation Process

The CDS has established a digital reactivation process to facilitate the lifting of suspensions imposed on dormant individual CDS accounts.

Account holders may initiate the reactivation process through:

- The CSE Mobile App via the "Non operative Reactivation" option
- The Official CDS Website

Reactivation of a suspended account will be subject to:

- Submission of updated KYC and due diligence information.
- Compliance with applicable regulatory requirements and CDS Rules.
- Successful completion of the prescribed verification and approval process.

Institutional account holders seeking the removal of suspensions imposed due to dormancy shall submit the relevant CDS Form 31 and supporting documentation through their respective Depository Participants.

Participants are requested to ensure timely communication with affected account holders and to make the necessary operational arrangements to facilitate the smooth implementation of this initiative.

For any queries relating to the suspension framework or reactivation procedures, please contact the Depository Services Team.

Yours faithfully,



Nadeera Athukorale
Head - Central Depository Systems

AH/ng