

Central Depository Systems (Pvt) Ltd.
Fully owned subsidiary of the Colombo Stock Exchange



Company No: PV 1270

04-01 West Block
World Trade Centre, Echelon Square
Colombo 00100, Sri Lanka.

www.cds.lk

20 December 2017

TO : All Heads of Custodian Banks,

Dear Sirs,

RE: TRADING OF BASEL III COMPLIANT DEBT SECURITIES BY QUALIFIED INVESTORS AS RECOMMENDED BY THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

Please find enclosed a CSE Circular (No.05-12-2017) dated 20th December 2017 to Member Firms, the contents of which are self-explanatory.

Please ensure compliance with the said circular.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'Nalin Fonseka', written over a horizontal line.

Nalin Fonseka
Head of Central Depository Systems

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CONFIDENTIAL

Voice : +94 11 2356456

Fax : +94 11 2440396

20th December 2017

To: Chief Executive Officers
Member Firms/Trading Members

CIRCULAR NO: 05 - 12 - 2017

Dear Sir/Madam,

TRADING OF BASEL III COMPLIANT DEBT SECURITIES BY QUALIFIED INVESTORS AS RECOMMENDED BY THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

The Securities and Exchange Commission of Sri Lanka (SEC) has stipulated an interim admission process for the listing of BASEL III compliant Debt Securities issued by commercial banks and specialized banks licensed by the Central Bank of Sri Lanka (CBSL) on the Colombo Stock Exchange (CSE).

In this regard, by way of letter dated 08th December 2017, the SEC has approved the amendments to the ATS Rules which facilitate the trading of such BASEL III compliant Debt Securities. **The SEC has required that investment in BASEL III compliant Debt Securities in both the primary and secondary markets is limited to 'Qualified Investors' set out below:**

- a commercial bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act No. 30 of 1988 (as amended);
- a specialized bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act No. 30 of 1988 (as amended);
- a mutual fund, pension fund, Employee Provident Fund or any other similar pooled fund;
- a venture capital fund/company and private equity company;
- a finance company licensed by the Central Bank of Sri Lanka in terms of the Finance Business Act No. 42 of 2011(as amended);
- a company licensed by the Central Bank of Sri Lanka to carry on finance leasing business under the Finance Leasing Act No. 56 of 2000 (as amended);
- a company licensed by the Insurance Board of Sri Lanka to carry on insurance business in terms of the Regulation of Insurance Industry Act No. 43 of 2000 (as amended);
- a corporate (listed or unlisted) which does not fall under the above categories and is incorporated under the Companies Act No. 7 of 2007;
- an investment trust or investment company;
- a non-resident institutional investor; and,
- an individual with an initial investment of Rs. 5,000,000/-.

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Finance & Administration: +94 11 2448921

Information Technology: +94 11 2440162

Trading & Market Surveillance : +94 11 2448925

Market Development : +94 11 2445279

Listing & Corporate Affairs : +94 11 2391128

Legal: +94 11 2440539

Human Resource: +94 11 2440163

Research Division : +94 11 2445279

Debt Supervision: +94 11 2440541

 PUBLIC



As per the amended Rule 8.3 of the ATS rules, any trade executed on BASEL III compliant Debt Securities where the buyer is not a 'Qualified Investor' as defined in Rule 7 of these Rules, will be cancelled by the CSE and the Buying Broker Firm must pay to the CSE a trade cancellation administration fee amounting to Rs.10,000/- or 0.005% of the total value of the transaction whichever is higher, subject to a maximum of Rs.25,000/-.

The amended ATS Rules to facilitate trading of BASEL III Compliant Debt Securities has been uploaded to the CSE website (www.cse.lk)

The Broker Firms are required to take necessary measure to restrict investors from placing orders for BASEL III compliant Debt Securities using internet trading facility. Only the "Qualified Investors" should be allowed to place orders for BASEL III Compliant Debt Securities through internet trading facility.

The Broker Firms are required to flag "Qualified Investors" in their respective BBO (Broker Back Office System) and OMS (Order Management System) in order to restrict the order submission to BASEL III Securities to "Qualified Investors".

In order to ensure that secondary trading of the said BASEL III compliant Debt Securities are carried out only by and between Qualified Investors, the Central Depository Systems (Pvt.) Ltd. (CDS) has decided to introduce "CDS Form 30A" (enclosed as **Annexure**) to be furnished by all "Qualified Investors" (as set out above) who wish to trade in such Debt Securities on the CSE.

The "Qualified Investors" are required to submit the duly completed "CDS Form 30A" to the CDS through the respective Stockbroker Participant/Custodian Banks prior to submitting buy/sell orders to trade in Basel III compliant Debt Securities on the CSE. This is in order for the CSE to establish a mechanism to identify any trades on such Debt Securities involving investor/s other than the "Qualified Investors".

Yours faithfully,



Renuke Wijayawardhane
Chief Regulatory Officer

np

CDS Form 30A

NOTE: This Declaration should be submitted through your Participant (prior to transacting in BASEL III compliant Debt Securities on the Colombo Stock Exchange)

To: Central Depository Systems (Pvt.) Ltd.
Ground Floor, M & M Center,
341/5, Kotte Road,
Rajagiriya.

**DECLARATION TO BE SUBMITTED BY QUALIFIED INVESTORS
FOR THE PUPORSE OF TRADING IN BASEL III COMPLIANT DEBT SECURITIES ON THE
COLOMBO STOCK EXCHANGE**

Name/s* of the CDS Account Holder/s*:

Main Holder

1. [Grid for Main Holder Name]

First Joint Holder

2. [Grid for First Joint Holder Name]

Second Joint Holder

3. [Grid for Second Joint Holder Name]

CDS A/C Number to be used to transact in BASEL III compliant Debt Securities:

[Grid for CDS A/C Number]

I/We* hereby declare that, I/we* am/are a Qualified Investor/s* as indicated below and therefore, I/we am/are* eligible to trade in BASEL III compliant Debt Securities on the Colombo Stock Exchange.

[Please tick (√) the applicable category under which the CDS Account Holder/s* becomes a 'qualified investor/s*']

- a commercial bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act No. 30 of 1988 (as amended)
- a specialized bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act No. 30 of 1988 (as amended)
- a mutual fund, pension fund, Employee Provident Fund or any other similar pooled fund
- a venture capital fund/company and private equity company
- a finance company licensed by the Central Bank of Sri Lanka in terms of the Finance Business Act No. 42 of 2011(as amended)

- a company licensed by the Central Bank of Sri Lanka to carry on finance leasing business under the Finance Leasing Act No. 56 of 2000 (as amended)
- a company licensed by the Insurance Board of Sri Lanka to carry on insurance business in terms of the Regulation of Insurance Industry Act No. 43 of 2000 (as amended)
- a corporate (listed or unlisted) which does not fall under the above categories and is incorporated under the Companies Act No. 7 of 2007
- an investment trust or investment company
- a non-resident institutional investor
- an individual with an initial investment of Rs. 5,000,000/-

(1) (2)..... (3).....
 Signature/s* of Account Holder/s* or Authorized Signatories of the Account Holder/s*

[In the event the Account holder is a Body Corporate, the Common Seal of the Account holder, if applicable)

Date:

 Name of Participant:

We confirm that;

1. the above details pertaining to the Account Holder/s* are accurate; and,
2. the signature/s* indicated above is/are* of the Account Holder/s*

.....
 Authorized Signatory and Stamp of the Participant

Date:

***Delete accordingly**

