

The CDS Guideline

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Central Depository Systems (Pvt) Ltd.

Contents

1. ACCOUNT OPENING	4
1.1. Procedure for Account Opening	4
1.1. Documents required for new and existing applicants	5
1.2.1. Resident Individuals	5
1.2.2. Non Resident Individuals	6
1.2.3. Bodies Corporate	7
1.2.4. Funds	10
2. DEMATERIALISATION (DEPOSIT) OF SECURITIES CERTIFICATES.....	12
2.1. Procedure for Deposit of Securities Certificates.....	12
2.2. Documents required	12
2.3. Deposit of securities to a Locked balance in the CDS	13
3. TRANSFER OF SECURITIES	14
3.1. Procedure for Transfer of Securities	14
3.2. Documents Required	14
4. TRANSFER OF CUSTODIAN.....	16
4.1. Procedure for change of global custodian	16
4.2. Documents Required	16
5. SETTLEMENT.....	17
5.1. Inter-participant Settlement.....	17
5.2. Buyer in Default of Payment.....	17
5.3. Margins for Purchase of Securities of and over the value of Rs. 20 Mn.....	18
5.4. Trade Affirmation and Rejection by Custodian Banks	18
5.5. Documents required	19
6. REMATERIALISATION (WITHDRAWAL) OF SECURITIES CERTIFICATES.....	20
6.1. Procedure.....	20
6.2 Documents Required	20
7. CDS ACCOUNT SUSPENSIONS.....	21
7.1 Suspending a Client Account.....	21
7.2 Non-Operative Client Accounts	21
8. ACCOUNT HOLDER MASTER FILE CHANGES	22
8.1. Procedure for Master File changes	22

8.2. Documentation Required.....	22
8.2.1. For individuals.....	22
8.2.2. For Institutions.....	23
8.2.3. For Funds.....	23
9. DECEASED ACCOUNT HOLDERS	24
9.1 Existing CDS account holders.....	24
9.1.1 Procedure.....	24
9.1.2 Documents required	25
9.2 Securities held outside the CDS	25
10. GENERAL INFORMATION.....	27
11. CHANGES TO OPERATIONAL GUIDELINE AND PROCEDURES	30

1. ACCOUNT OPENING

1.1. Procedure for Account Opening

- 1.1.1 The account holder is required to submit the duly completed account opening forms together with the relevant supporting document to the Participant as set out below in section 1.2.
- 1.1.2 The Participant shall ensure that there is full compliance with the KYC rules of the Financial Intelligence Unit (FIU) of Sri Lanka in opening CDS accounts. All relevant KYC details shall be obtained by the participant and it shall be the Participants responsibility to verify the authenticity of the documents and accuracy of the details submitted.

The Participant is required to place the rubber stamp in the space provided for this purpose in the application form and an authorized signatory of the Participant should sign on the rubber stamp which is considered as a certification of the account holder's signature. The account opening forms with the supporting documents should be forwarded to the CDS under cover of the daily document received/returned form in duplicate (CDS form No 25) to the CDS counter. Participants must ensure that they retain copies of the identification documents and account opening forms of their clients. The CDS will acknowledge and return a copy of the CDS Form 25 to the Participant.

- 1.1.3 After scrutinizing the account opening documents inclusive of the supporting documents the CDS shall register the applicant in the CDS system.
- 1.1.4 Once the registration process is completed the CDS system will generate an acknowledgement slip (CDS Form 13) with the CDS account number and the acknowledgment. The acknowledgement is communicated to the participant via electronic means.
- 1.1.5 Prior Approval of the Securities and Exchange Commission of Sri Lanka (SEC) is required to open a CDS account for an overseas fund. For this purpose a Participant is required to forward the relevant documents to the CDS. On scrutiny of the documents and if the documentation conforms to the requirements set out in the FIU rules, the CDS shall forward the documents to the SEC and recommend the fund to the SEC for their approval. After the receipt of the letter of approval granted by the SEC, the Participant shall forward the account opening documents to the CDS for opening of the account.
- 1.1.6 It is the responsibility of the Participant to take all possible steps necessary to satisfy themselves of the identity of the applicant. The Participant should verify the applicant's identification documents to the best of their ability and identify the applicant on the basis of an acceptable identification document. The original of such document shall be examined by the investment Advisor or Officer responsible for this task.

- 1.1.7 The CDS shall reject incomplete account opening documentation giving reasons for rejection (CDS Form 14) and return the same to the Participant.

1.2 Documents required for new and existing applicants

1.2.1. Resident Individuals

(i) Residents with standard identification:

- A clear photo copy of the National Identity Card (NIC).
If the NIC is not available a copy of a valid Passport as at the date of the account being opened at the CDS
- In the event an existing account holder has registered previously by giving his/her NIC copy before with another CDS participant and if that copy is available with the CDS, the account holder will not have to provide another copy to register again with a new participant. In case of an existing CDS account holder registered under a NIC has lost/misplaced the NIC and is unable to submit a copy through the new participant, the CDS shall accept a copy of a valid passport which bears the NIC number.
 - CDS Form 1
 - CDS Form 1(A)
- Proof of residency document as per the Rules issued by the Financial Intelligence Unit of Sri Lanka

Note: If the account is to be opened using a Power of Attorney (POA) a copy of a valid POA

(ii) Plantation Employees (If NIC is not available):

- A letter issued by the Superintendent of the estate confirming the applicant's EPF number and a copy of the EPF statement of the applicant.
- A copy of the proof of residency document as per the rules issued by the Financial Intelligence Unit of Sri Lanka.

Note: This type of accounts can be opened only for the purpose of sale of plantation employee shares.

(iii) Internal Displaced Persons (IDP):

- A copy of the special identification document issued under the authority of the government should be submitted for purposes of identification and as proof of residency.
- Alternatively if the IDP does not possess the special identification document as above, a confirmation letter issued by the 'Grama Sevaka' of the area in which the IDP lives should be submitted.
- A copy of the birth certificate or in the absence of a birth certificate, a sworn affidavit is acceptable.

1.2.2. Non Resident Individuals

- A copy of a valid Sri Lankan passport for Sri Lankan nationals **or**
- A copy a valid foreign passport for non-nationals
- Proof of residency document as per the Rules issued by the Financial Intelligence Unit of Sri Lanka
- If a non-resident applicant wishes to open an account giving a local correspondence address that person should provide sufficient information regarding the correspondence address (e.g. Valid residence visa)
Note: If the account is to be opened using a Power of Attorney (POA) a copy of a valid POA supported by a sworn affidavit is required
- CDS Form 1
- CDS Form 1(A)
- SIA/RANSI account details with documentary proof.
- In the event an Existing resident account holder opens a foreign individual account; CDS 1(C) has to be submitted.
- In the event a resident Sri Lankan acquires nonresident status such person could open a non-resident (foreign) account. In such an instance the following documents relating to opening a non-resident account needs to be submitted.
- CDS Form1 and CDS Form 1(A)
- CDS Form 1 (C)
- Proof of residency document as per the rules issued by the Financial Intelligence Unit of Sri Lanka
- SIA account details with documentary proof
- Copy of a valid passport

Note: If a non-resident shareholder has obtained a certificate while being a resident of Sri Lanka, the shareholder is not able to deposit the said shares with the support of a SIA account; since the share certificate was not obtained with foreign remittance (Since the sales proceeds cannot be deposited to SIA account)

In such cases shareholder should contact the ‘Migrant Fund Transfer Division of the Exchange Control Department of Central Bank’ and obtain necessary instructions to open a “non-resident blocked account” or an applicable another account.

1.2.3. Body Corporates

(i) Local Institutions:

- A copy of the certificate of incorporation of the company. If the company has changed its name, a copy of the certificate of name change issued by the Registrar of Companies is required.
- A copy of the Articles of Association of the company.
- An extract of the resolution passed by the Board of Directors to open the CDS account. In the alternative the company may provide a certification in the relevant section in the account opening form (CDS Form 2).
- A letter, issued within the 3 month period preceding the date of the application to the CDS issued by the Company Secretary indicating the names, addresses, NIC or passport numbers and occupations of all existing directors.
- A letter, issued within the 3 month period preceding the date of the application to the CDS from the Company Secretary confirming the top ten shareholders (names and addresses)
- For companies listed on the Colombo Stock Exchange, a directors list and a shareholders list is not applicable.
- CDS Form 2 completed by the company in accordance with the provisions of the Articles of Association of the company and /or The Companies Act (No.7 of 2007) of Sri Lanka.
- CDS Form 2(A) completed by the company in accordance with the provisions of the Articles of Association of the company and /or the New Companies Act (No.7 of 2007) of Sri Lanka.

Note: If a person other than a Director of the company signs the CDS application form on behalf of the applicant company,

- A copy of the power of attorney/ board resolution authorizing such person to sign on behalf of the company
- A copy of national identity card/passport of such person should be submitted.

(ii) Foreign Institutions

- A copy of the certificate of incorporation of the company or equivalent document, issued by the Registrar of Companies/applicable authority where the company is incorporated
- If the company has changed its name a copy of the certificate of name change issued by the Registrar of Companies/applicable authority where the company is incorporated
- A copy of the Articles of Association of the company or equivalent document
- A copy of the Certificate of Good Standing or an equivalent document issued within a period of one year by the Registrar of Companies/applicable authority where the company is incorporated.
- A certified extract of the resolution passed by the Board of Directors to open the CDS account. In the alternative the company may provide a certification in the relevant section in the account opening form (CDS Form 2).
- Certificate to Commence Business issued by the Registrar of Companies/applicable authority where the company is incorporated. (Where applicable)
- A letter, issued within the 3 month period preceding the date of the application to the CDS to the CDS from the Company Secretary confirming the names, addresses, occupations and passport numbers of Directors of the company.
- If the company is listed in a regulated Stock Exchange only the names of directors and the name of the Stock Exchange (web site reference is sufficient) should be given.
- If the Director/s is/are also a company the following shall be furnished;
 - Name of the director of the company
 - Date of incorporation
 - Place of incorporation
 - Registered address
- A letter, issued within the 3 month period preceding the date of the application to the CDS to the CDS from the company confirming the top 10 shareholders/members. Names and addresses. (Not applicable if the company is listed in a Stock Exchange. In that event web Site reference is sufficient).
- Where the application includes a Global Custodian and the application is forwarded through a Custodian Bank, a copy of the SWIFT message or similar document issued by the Global Custodian instructing the local Custodian Bank to open the account on behalf of the beneficiary company should be submitted together with a declaration from the Global Custodian that a Custody arrangement or agreement exists between the Global Custodian and the beneficiary.

- CDS Form 2 completed by the company in accordance with the provisions of the Articles of Association of the company.
- CDS Form 2 (A)
- Note: If a person other than a Director of the company signs the CDS application form on behalf of the applicant company;
 - A certified copy of the power of attorney/ board resolution authorizing such person to sign on behalf of the company
 - A copy of national identity card/passport of such person/s should be submitted.

(iii) Designated Accounts

(a) Designated Accounts

- A copy of the margin trading agreement
- The intention of the parties to open a margin trading account should be clearly stated in the agreement
- A copy of the license granted to the margin provider by the SEC If the borrower is a company, Certificate of Incorporation, Articles Association, names, addresses and passport numbers of the Directors, and names and addresses of the top ten shareholders should be forwarded.
- CDS Form 2
- CDS form 2 (A)
- A copy of NIC /passport of the borrower should be submitted.

Note: The CDS forms should be completed and signed by the margin provider. The margin provider shall be the principal applicant.

The documentation applicable for institutions shall be applicable to the borrower in instances where the borrower is an institution.

(b) Accounts for lending purposes

(In the event listed securities are accepted by a Bank licensed by the Central Bank of Sri Lanka when granting a facility to a shareholder)

- CDS Form 2 completed by the first (registered) owner.
- CDS 2 (A) completed by the first (registered) owner.
- A certified copy of the agreement relating to the grant of the facility
The intention of the parties to open accounts for lending purposes in the CDS should be stated in the Agreement.
- A copy of the Power of Attorney (POA) granted by the shareholder to the bank (Alternatively provisions in the POA may also be included in the Agreement).

In order to transfer shares from an individual account to the accounts for lending purposes, the CDS requires the under mentioned documents together with duly completed CDS transfer form.

- Original document of the approval granted by SEC
- Confirmation of stamp duty paid to the Department of Inland Revenue

(c) Segregated Accounts

In the event a company requires opening a segregated account, the company should pass a resolution to that effect. This resolution should clearly indicate the purpose of the segregation. Such company should instruct the CDS the title of such segregated account.

Documentation Required:

- CDS Form 2 completed and signed by the applicant.
 - CDS Form 2(A) completed by the applicant.
- If the account to be opened under a Power of Attorney a certified copy of the same is required.
- A copy of the resolution as mentioned above or a copy of the swift message

1.2.4. Funds

- Copy of the document relating to the name of the fund, place and date of establishment of the Fund (Prospectus, Trust Deed or other legal document)
- Copy of the document relating to appointment of the Manager of the Fund or Trustees
- If the Fund Manager/Trustee is a company,
 - (i) Name of the Fund Manager.
 - (ii) Date of Incorporation.
 - (iii) Place of Incorporation.
 - (iv) Registered Address
- Sufficient proof that the Fund Manager/Trustee is incorporated – proof being certificate of incorporation from the Registrar of Companies or the relevant authority in its country of origin.
- If the Fund Manager/Trustee(s) is not an incorporated entity, individual names and addresses of the persons who are responsible for the management of the fund should be given
- Source of the applicant fund where available
- Purpose/objective of the fund
- A copy of the letter issued by the supervisory authority of the relevant country (within a period of one year). However, where the applicant fund is exempted from regulation, a confirmation must be provided of the Law under which the fund is exempted and other relevant proof.

- For Local Funds: A copy of the Certificate of Registration issued by the Securities and Exchange Commission of Sri Lanka.
- Where the application is titled in the names of the 'Registered Holder/Global Custodian/Beneficiary' and forwarded through a Custodian Bank, a copy of the SWIFT message or similar document issued by the Global Custodian instructing the local Custodian Bank to open the account on behalf of the beneficiary Company should be submitted together with a declaration from the Global Custodian that a Custody arrangement or agreement exists between the Global Custodian and the beneficiary.
- Copy/copies of the Custody Agreement/s.
- Details of beneficiaries/unit holders of the Fund
- Sufficient proof that the applicant fund is legally permitted to invest in securities outside the country of its incorporation or establishment – proof being, for example – in the form of Memorandum & Articles of Association, Prospectus or other relevant documents.
- CDS Form 2
- CDS Form 2 (A)

Note: The person signing the documents on behalf of the applicant should be identified as follows,

- A certified copy of the Board Resolution /Power of Attorney authorizing such person to sign on behalf of the Fund
- A copy of Passport of such person/s
- A letter from the Participant confirming the name of the applicant, registered address of the applicant, name of the Fund Manager, registered address of the Fund Manager, and The place and date of incorporation of the Fund Manager (where applicable)

Certification of non-resident applicants as per the FIU Guidelines

01. By the Company Registry or similar authority, where the documents were originally issued (applicable for Corporate Bodies), or
02. By a Sri Lankan diplomatic officer or Sri Lankan consular officer in the country where the documents were originally issued, or
03. By a Solicitor, Attorney-at-Law, Notary Public, practicing in the country where the applicant resides, or
04. Custodian Bank, or
05. Global Custodian – The Custodian Bank should certify the authenticity of the signature of the Global Custodian or,
06. Broker. (Applicable only in respect of Individuals.)

2. DEMATERIALISATION (DEPOSIT) OF SECURITIES CERTIFICATES

2.1. Procedure for Deposit of Securities Certificates

- 2.1.1 An account holder who wishes to deposit a securities certificate in the CDS is required to submit the following forms.
- 2.1.2 The Participant shall verify the accuracy of information provided in the CDS Form 3, 3(A), 4 and 4 (A) with the Securities Certificate (s). The documents (CDS Form 5, 5(A) and the CDS Form 3, 3 (A), 4, 4(A)) should be certified by an authorized signatory of the Participant.
- 2.1.3 The Participant is required to forward the relevant documents to the CDS under cover of CDS Form 25 to the CDS counter.
- 2.1.4 The CDS shall reject incomplete deposit documentation giving reasons for rejection (CDS Form 14) and return the same to the Participant.
- 2.1.5 After due examination of the documents the CDS shall credit the quantity stated in the securities certificate(s) to the relevant CDS account indicated in the CDS Form 3,3A,4,4A. The CDS shall inform the Company Secretary and it is the responsibility to collect the documents.
- 2.1.6 If for any reason a securities certificate is found to be a forged certificate or cannot be accepted, notice shall be given to the CDS by the Company Secretary/Registrar of the listed entity within two (2) market days from the date of receipt with reasons for such refusal.

Note: CDS may accept securities directly from listed companies or such other issuers of securities issued pursuant to new issues or further issues (Right issues, sub-division of shares, capitalization of reserves, right issues etc.) to deposit into client account on behalf of the respective account holders.

2.2. Documents required

- Form 3 - Sold transfer to the tradable balance for Nationals
- Form 3 A - Sold transfer to the locked balance for Nationals
- Form 4 - Sold transfer to the tradable balance for Non-Nationals
- Form 4 A - Sold transfer to the locked balance for Non-Nationals
- Form 5 - Deposit Slip to the tradable balance
- Form 5A - Deposit slip to the locked balance

Together with the relevant securities certificates to the relevant Participant

Note: If the deposit is to be made by a person acting under a Power of Attorney, a copy of the Power of Attorney which is registered with the respective Company Secretary/Registrar should be attached with the above documents.

If the CDS account is opened with the NIC and if the securities certificate bears the EPF number, a EPF statement which carries both the EPF number and NIC number should be submitted. Alternatively a letter from the Estate Superintendent can be submitted confirming that EPF holder and the NIC holder is one and the same.

If the CDS account is opened under the passport, to deposit certificates bearing the NIC number; a copy of the passport should be submitted with the deposit documentation to confirm that it relates to the same person. The NIC number should be indicated in the passport.

In the event of a discrepancy of a name between the CDS account the CDS shall return the share certificate to the participant. In such an instance the share certificate would have to be referred to the relevant Company secretary for rectification or verification.

2.3. Deposit of securities to a Locked balance in the CDS

Account holders have the option of locking either wholly or in part any securities held in a CDS account. The locking facility is a method for shareholders of listed companies to hold securities that they would not wish to trade, in the CDS.

- The CDS would maintain two balances for each CDS account, namely a trading balance and a “locked” balance.
- Once deposited into a locked balance, securities can only be unlocked and made available for trading upon the written authorization given by the Account Holder
- Once deposited into a locked balance, securities can only be unlocked and made available for trading upon the written authorization given by the Account Holder
- The locked balance will not be visible to the CDS participants (other than in the instances set out below) thereby maintaining the confidentiality of the information .Trading on locked balances would be suspended.

Note :

The “locked” account balances will not be visible to CDS Participants except in the following instances.

1. When a deposit of a share certificate is made to a “locked” balance
2. When a transfer request is made to transfer securities from a trading balance to a “locked” balance or vice versa
3. When a withdrawal request is made to withdraw securities from a “locked” balance

3. TRANSFER OF SECURITIES

This section describes the procedures to be complied with for transfers of securities between the Client accounts in the following instances:

- Change of broker - transfer of an account from one Participant to another
- Change of beneficiary - transfer from one account holder to another in instances of a gift ,on the death of an account holder or any other off market transfer approved by the SEC.
- Transfers pertaining to Takeovers, Mergers and Repurchases
- Transfer from locked balance to a tradable balance and vice versa
- Transfer from Locked balance of a one participant to another participant

3.1. Procedure for Transfer of Securities

- 3.1.1. A duly completed CDS Form 6 signed by the transferee and transferor together with relevant supporting documents to be submitted through the relevant Participant.
- 3.1.2. The Participants of the transferor and transferee shall verify the instructions and signatures of the clients by certifying the CDS form.
- 3.1.3. The CDS shall check for the completeness and accuracy of the documents. The CDS shall also check where relevant approval of the SEC and payment of stamp duty. If the transfer confirms to the requirements the CDS shall affect the transfer.
- 3.1.4. The CDS shall reject incomplete transfer forms giving reasons for rejection by using CDS Form 14 and return same to the Participant.

3.2. Documents Required

3.2.1. Change of broker

- CDS Form 6 duly authorized by the respective Participant and completed by the account holder.(CDS 6A form is required in case of a Locked balance transfer)
- Power of Attorney duly registered / Resolution with the relevant Company Secretary (where applicable)

3.2.2. Transfer between two different account holders

- CDS Form 6 duly authorized by the respective participant and completed by the account holder (CDS 6A form is required in case of a Locked balance transfer)
- Original document of approval granted by the SEC
- Confirmation of the stamp duty paid to the Inland Revenue

Note: If the transfer is to be effected under a Power of Attorney/resolution a certified copy of the same is required.

If the account holder is a company the transfer form should be signed by the company in accordance with the provisions of the Articles of Association of the company

3.2.3. Transfers pertaining to Take-overs, Mergers and Repurchases

- Form of acceptance, letter of authorization to the CDS and application for additional shares (applicable only for repurchase of shares) should be forwarded to the CDS through the respective Participant. The account holder should duly complete all the relevant sections in the offer document. An authorized signatory of the Participant should sign in the relevant section of the offer document on behalf of the Participant.
- The Participant must submit the CDS Authorization Form to CDS on or before the date stipulated in the offer document.

Note:

01. After transferring the relevant shares to the reserve account the offer documents would be collected by the Registrars to the offer.
02. In case the shares are in Locked account, the account holder is required to get the shares transferred from the Locked account to the Tradable account using a CDS 6A form prior to sending the offer document.

3.2.4. Transfers to/from Locked balances

On a written request made by an account holder submitted to the CDS through the relevant Participant together with a duly completed CDS form 6A, the CDS would transfer the specified quantity of securities from the locked balance to the trading balance of a CDS account or from the trading balance to the locked balance as the case may be.

CDS Form 6 A should be used for this purpose.

4. TRANSFER OF CUSTODIAN

4.1. Procedure for change of global custodian

- 4.1.1 Both the existing bank & receiving bank should forward written requests to the CDS to change the Global Custodian with the relevant supporting documents.
- 4.1.2 In the event the account has a portfolio, approval from the SEC is required.
- 4.1.3 The CDS shall change the title of the account to reflect the name of the New custodian

4.2. Documents Required

4.1.4 Existing bank

- A letter instructing the CDS to transfer the account to the receiving bank
- Account holder instructions to transfer the account (SWIFT message given by the Global custodian acceptable. It should indicate all the required information regarding the transfer.)
- A request to suspend the existing account.

4.1.5 Receiving bank

- CDS Form 2 and CDS Form 2 (A)
- A letter from the bank instructing the CDS to register the account with the bank
- Customer instructions to register the account with the new bank
- If the account to be opened under a Power of Attorney a certified copy of the same is required.

5. SETTLEMENT

5.1. Inter-participant Settlement

- 5.1.1 The inter-participant settlement of funds for Securities traded on the CSE shall take place by 10.30 hours on the third Market Day after the Trade day (T +3), referred to as the settlement date, through the settlement bank/s as per the Settlement Schedules issued by the CDS. The inter-participant settlement shall be completed by 10.30 hours on the settlement date.
- 5.1.2 The CDS shall issue, on each Market Day, a Settlement Schedule, which will reflect the debits and credits that have been entered into the Participant's account and the net amount to be settled by each Participant on a particular settlement date.
- 5.1.3 The buyer shall ensure that 'Cleared Funds' are made available to the buying Stockbroker Participant/Custodian Bank by 09.00 hours on the settlement date, for the purchase of Securities
- 5.1.4 The Stockbroker Participants shall ensure that sufficient Cleared Funds are available in the settlement bank account by 09.30 hours on the settlement date to settle payment arising out of transactions carried out by such Participant based on the Settlement Schedule issued by the CDS.
- 5.1.5 The Custodian Banks shall make available sufficient Cleared Funds in the settlement bank by 09.30 hours on the settlement date to settle payment arising out of transactions carried out by such Custodian Bank based on the Settlement Schedule issued by the CDS.

5.2. Buyer in Default of Payment

- 5.2.1. Transfer of Securities in relation to a buyer in default in order to meet the settlement obligations of the buying Stockbroker Participant on the Settlement Date (T+3)
- A Member Firm Participant could obtain an immediate credit facility from a bank, in order to meet the settlement obligations of the buying Stockbroker Participant on the Settlement Date.

Procedure

- The buying Stockbroker Participant is required to inform the CDS in writing of the default by the buyer by 09.00 hours on the settlement date and request the CDS to transfer the Securities in respect of which the payment is in default from the buyer's Client Account to a designated CDS Account of the buying Stockbroker Participant, by submitting the relevant CDS form/s.

- The CDS will thereafter transfer the Securities in respect of which the payment is in default: from the buyer's Client Account to a designated CDS Account of the buying Stockbroker Participant, and, from the designated CDS Account of the buying Stockbroker Participant to a designated CDS Account of the commercial bank to enable the Stockbroker Participant to obtain an immediate credit facility.
- The buying Stockbroker Participant shall use the Securities transferred to the designated CDS account of the buying Stockbroker Participant in Rule 6.5 (b) and 6.5 (c) above solely for the purpose of pledging such Securities with a commercial bank, licensed under the Banking Act No. 30 of 1988 (as amended).
- The CDS shall report all transfers referred to in this Rule to the SEC on an immediate basis.

5.3. Margins for Purchase of Securities of and over the value of Rs. 20 Mn.

- 5.3.1. In the event the aggregate value of all the purchases executed by any participant (other than the custodian Banks) on behalf of a particular client in relation to a particular security during a particular market day equals or exceeds Rs. 20 Mn., such participant shall provide a minimum margin of 15% of the aggregate value of the securities so purchased in the form of 'cleared funds' to the CDS or a bank guarantee in favor of the CDS, by 09.00 hours on Trade Day +1 (T+1).
- 5.3.2. The CDS shall issue schedules containing the margins payable by Member Firm participants at the end of each market day.
- 5.3.3. Participants are required to deposit such margins into their settlement account in their settlement Bank. Alternatively, Participants may furnish a bank guarantee, in a format acceptable to the CDS, obtained by the Account Holder in favor of the CDS.
- 5.3.4. The CDS would credit the settlement account of the member Firm Participant on T+3 with the margin amount paid on Trade day.
- 5.3.5. In the event a trade is not affirmed by a Custodian Bank, the Participant shall be required to submit the margin by 09.00 hours on T+2.

5.4. Trade Affirmation and Rejection by Custodian Banks

- 5.4.1. The CDS at the end of every market day will initiate a trade confirmation identifying the CDS account holder and the Participant Custodian Bank. The trade has to be affirmed by the relevant custodian bank by using CDS Form 22 by the Participant Custodian Bank by 14:30 hours on Trade Day plus 1 (T+1), to enable the institutional transaction to settle on Trade Day plus 3 (T+3).

- 5.4.2. Custodian banks have the right to reject any transaction executed for any of their clients by a Member Firm of the CSE provided such a rejection of a trade is notified to the CDS by 14.30. on T + 1. For this purpose Custodian Banks are required to submit CDS Form 23 to the CDS.
- 5.4.3. The CDS will on receipt of the rejection shall instruct the Member Firm to buy back shares in the event of a sale or meet the settlement obligation in the event of a purchase. New settlement schedules would be generated to the custodian bank, the relevant member firm and the settlement bank.

5.5. Documents required

Trade Affirmation:

Duly completed CDS Form 22 to be submitted by relevant Custodian bank

Trade Rejection:

Duly completed CDS Form 23 to be submitted by relevant Custodian Bank

6. REMATERIALISATION (WITHDRAWAL) OF SECURITIES CERTIFICATES

6.1. Procedure

- 6.1.1. The account holder is required to submit duly completed CDS Form 7 or CDS Form 8 with CDS Form 9 to the Participant.
In the case of Locked balances the Account holder is required to submit duly completed CDS Form 7(A) or CDS Form 8(A) with the CDS Form 9(B) to the Participant.
In the event of withdrawal of Beneficial Interest of Government Securities CDS form 9 (A) should be submitted.
i.e: A letter should be provided by the account holder certified by the participant giving reasons for such withdrawal.
- 6.1.2. The CDS shall check for completeness of the form and proceed with the withdrawal of securities.
- 6.1.3. The CDS shall reject incomplete withdrawal forms giving reasons for rejection by using CDS form 14 and return same to the Participant.
- 6.1.4. The CDS shall withdraw the stated quantity of securities from the relevant securities account of the account holder and the withdrawal documents shall be collected by the Company Secretary
- 6.1.5. The Company Secretary shall transfer the securities from the CDS ledger to the share ledger of the company and issue a securities certificate in the name of the shareholder. The securities certificate shall be sent to the CDS within 7 market days from the receipt of the documents.
- 6.1.6. The CDS shall make available the securities Certificate to the relevant Participant.

6.2 Documents Required

- CDS form 9 duly completed by the Participant and the account holder.
- CDS form 7 (resident) or CDS Form 8 (non-resident) duly completed by the Participant and the account holder.
- CDS Form 7 A, 8A, and 9B

7. CDS ACCOUNT SUSPENSIONS

7.1 Suspending a Client Account

CDS accounts could be suspended in any of the following ways

- By the account holder through a letter giving instructions to the CDS to be forwarded through the Participant
- By a court order
- Direction by the SEC
- On receipt of a certified copy of a death certificate issued by the relevant authority pertaining to the death of an account holder, through the relevant Participant
- In terms of CDS Rule 11.1

7.2 Non-Operative Client Accounts

The CDS shall designate CDS accounts without a portfolio balance which are not operative for a period of three (3) years from the date of the last transaction carried out in such account as a non-operative CDS account and notify the relevant Participant/s accordingly.

In the event an account holder requires activating such account, the account holder shall submit a fresh account opening application through the relevant Participant and conform to Know Your Client (KYC) requirements of the Financial Intelligence Unit (FIU).

8. ACCOUNT HOLDER MASTER FILE CHANGES

8.1. Procedure for Master File changes

- 8.1.1 Where an account holder wishes to change any particulars in the account, the account holder shall submit a letter indicating the desired changes together with any supporting document (relevant to the particular change) to the Participant.
- 8.1.2 The Participant shall verify the accuracy of information provided by the client and authenticate the signature before submitting the documents to the CDS.
- 8.1.3 The CDS shall effect changes after verifying the documents submitted.
- 8.1.4 If an existing account holder submits a new account opening forms through a different Participant and if the correspondence address of the account holder differs with the CDS system, the CDS will change the address according to the new account opening.
- In the case of joint accounts if the joint holders address differs with the system the CDS shall not change the address of the joint holder according to the account opening
- 8.1.5 If the CDS is not satisfied with the information submitted, the CDS will reject the request giving reasons by using CDS Form 14-E.
- 8.1.6 In order to change the name of a fund, the Participant shall forward a request to the CDS furnishing all the relevant details. The CDS shall forward the request for the approval of the SEC.
- 8.1.7 Once the CDS obtains the approval of the SEC, CDS shall change the name of the fund and the CDS inform such name change to the Participant in writing.

8.2. Documentation Required

8.2.1. For individuals

- Change of Name
A letter from the account holder together with a copy of the NIC/Passport with other supporting documents to prove the relevant name change (E.g. marriage certificate/affidavits/birth certificates)

- Change of address

To change the Residential Address;

A letter from the account holder together with documentary proof for the residential address as per the rules issued by the FIU

To change the Corresponding address

A letter together with a proof of residency document to prove the residential address. If the account holder has already submitted the documentary proof for the residential address , a letter would be sufficient to change the correspondent address.

- Change of Account numbers

A letter from the account holder together with a copy of the NIC/passport

8.2.2. For Institutions

- A request from the Participant to change the name.
- Instructions from account holder to change the name of the company.
- Certificate of name change or corresponding document, issued by the Registrar of Companies/applicable authority where the Company is incorporated.

8.2.3. For Funds

- A letter of request from the Participant to change the name
- Instructions from the account holder to change the name of the Fund
- Certificate of name change or corresponding document
- Letter/copy of extract of name change/other document issued by the Funds Supervisory Authority (Fund regulator) of the relevant country.
- Letter of Approval granted by the SEC which identifies the former name and the new name of the fund

9. DECEASED ACCOUNT HOLDERS

9.1 Existing CDS account holders

9.1.1 Procedure

(i) Conversion of the account into a deceased account

- The CDS requires a letter from the Participant together with a copy of the certificate of death issued by District Registrar/Additional District Registrar or Registrar in accordance with the Births and Deaths Registration Act (Cap 110) or a letter of administration or probate duly certified by a Participant.
- Upon a receipt of notification of a death of an account holder by a Participant to the CDS, the CDS will change the account title as follows.
- In the event the death certificate is given the account title will be indicated as “Deceased – name of account holder”
- In the letter of administration or probate is submitted the account title will be indicated as the “Estate of LateName of account holder”
- In both instances dealings will be suspended on the account.

(ii) Transmission of shares

- The duly completed CDS Form 19 to be submitted to the CDS for confirmation of CDS balance.
- The CDS will confirm the balance on the CDS form 19.
- The completed CDS form 19 and supporting documents should be submitted to the relevant Company Secretary by the relevant heirs or Participant
- The Company Secretary will approve the Form 19 and return the same to the Participant.
- The relevant stamp duty should be paid by the legal heirs to the Department of Inland Revenue.
- Thereafter the approved CDS Form 19 should be submitted to the CDS together with the stamp duty paid receipt, other supporting legal documents and the CDS form 6, duly signed by the executor /legal heirs.

Note: If the shares are in Locked account a separate CDS 19 form should be forwarded to the CDS for balance confirmation. And CDS 6A form should be used to transfer the Locked shares.

(iii) Sale of securities

- If the administrator/executor of the estate of the deceased account holder wishes to sell the securities in the CDS account of the estate prior to conveying same to the legal heirs of the deceased, the administrator/executor of the estate should submit the required documents to the CDS.
- Upon submission of the relevant documents, the CDS will remove the trading suspension of the relevant account.

9.1.2 Documents required

- Copy of the letter of administration /probate and last will.
- An affidavit from the administrator/executor
- List of securities to be sold.

9.2 Securities held outside the CDS

Option 1 - To obtain a new securities certificate in the name of legal heirs the administrator/ executor of the estate of the deceased account holder has to submit the relevant documents to the Company Secretary.

Option 2 - If the court has granted permission to sell securities in the secondary market and credit the proceeds to a deceased estate account

Procedure

(i) Opening of account

By submitting letters of administration /probate together with duly completed CDS account opening forms signed by the Executors /administrator. All documentation relevant for an individual account will apply.

(ii) Deposit of securities certificate

By submitting the relevant securities certificate/s of the deceased person along with the CDS Form 3 or 4) signed by the executor /administrator and a copy of the letter of administration/probate registered with the relevant Company Secretary/Registrar

Note: Once the sale of shares are completed this should be notified in writing to the CDS by the Participant instructing the CDS to suspend the deceased estate account.

In the event of a death of a joint holder pertaining to a joint CDS account, a copy of the Register of Deaths issued by District Registrar/Additional District Registrar or Registrar in

accordance with the Births and deaths Registration Act (Cap 110) and a letter signed by the surviving holder/s requesting the transfer of securities should be submitted to the CDS along with the CDS Form 6.

10. GENERAL INFORMATION

10.1. Any document submitted to the CDS through a Participant should be certified by an authorized officer of such Participant. The rubber stamp of the Participant should be placed appropriately.

10.1.1. Each Participant shall provide the CDS with a list of persons authorized to act on such Participant's behalf, specifically with regard to the following:

- (a) Opening of Client accounts for investors
- (b) Deposit of Securities
- (c) Withdrawal of Securities
- (d) Transfer of Securities
- (e) Confirmation/rejection of trades
- (f) Changes to information provided to CDS on opening or maintaining CDS Accounts.
- (g) Any other matter which has a bearing on the functions carried out by such Participant.

The CDS shall not be bound to act on any instructions given by any person, including an account holder, unless such instructions are in writing and signed by such authorized person/s for and on behalf of the Participant.

Participants shall ensure that any change of such authorized persons shall be communicated in writing to CDS immediately upon a decision being made in that respect.

10.1.2. Where a CDS Form is signed under a Power of Attorney, Probate or Letters of administration the person/s who signs the document should indicate the capacity of that person.

Ex: "Attorney for Mr. ABC Perera" or "Executor for the estate of the late" etc.

10.1.3. Power of Attorney, Probates & Letters of Administration submitted to CDS for deposit/withdrawal of shares should be registered with the relevant Company Secretary/Registrar.

10.1.4. In the event CDS forms are written illegibly, defaced or tippexed, the CDS reserves the right to reject such applications. All corrections in the CDS forms should cut by a single line. Do not scratch or erase.

10.1.5. Amendments/corrections in any CDS forms should be certified by the participant by placing the "all corrections certified" rubber stamp and the signature of the Participant at the bottom of the form.

10.1.6. When documents are returned by the CDS, such documents shall be returned under cover of a returned document advice (CDS Form 14) stating the reasons for returning. Participants shall takeover such documents after due acknowledgement.

In such an event Participants should endeavor to take steps to submit a new document whenever possible, rather than re-submitting the amended documents. The account opening form should always indicate an account holders name as per the attached NIC copy. An applicant who wishes to open an account with a different surname (Ex: After marriage) should submit the marriage certificate along with the NIC copy.

10.1.7. Participants should attach a clear copy of NIC/passport along with the account opening forms .The CDS will not open accounts for illegible NIC/passport copies.

10.1.8. If the information indicated in the NIC/Passport is not clear, such information should be confirmed in writing, by the Compliance officer /the Chief Executive Officer of the relevant Participant.

10.1.9. A thumb impression placed by the applicant in the CDS form should be certified by a Notary Public/Commissioner for oath/ Attorney -at - Law as the **left** true thumb print of the relevant applicant and placed the thumb print before him.

10.1.10. Differences in the name of the applicant (due to any reason) should be supported by an affidavit.

10.1.11. In the event an applicant submits documents in a language other than one of 3 official languages in Sri Lanka such documents should be translated to English by a sworn translator and should be certified accordingly.

10.1.12. Foreign affidavits should be attested by a recognized Notary public of the relevant country.

10.1.13. All supporting documents that are be submitted to the CDS should be certified or attested or authenticated for purposes of validating by persons mentioned under (a) or (b) below. Such certification should state that the document certified is a true copy

(a) Certification for Non Resident Applicants

- By the Company Registry where the documents were originally issued (applicable for Corporate Bodies), or
- By a Sri Lankan diplomatic officer or Sri Lankan consular officer in the country where the documents were originally issued, or
- By a Solicitor, Attorney-at-Law, Notary Public, practicing in the country where the applicant resides, or
- Custodian Bank, or
- Global Custodian – The Custodian Bank should certify the authenticity of the signature of the Global Custodian or
- Authorized signatory of a Member Firm. (Applicable only in respect of resident individuals.)

(b) Certification for Resident Applicants

- Registrar of Companies or the Company Secretary (applicable in respect of Corporate Bodies), or
- Attorney-at-Law / Notary Public, or
- Member Firm, or
- Custodian Bank.

Note: The person certifying should place the signature, full name, address, contact telephone numbers and the official seal. (Not applicable for Member Firm, Custodian Banks and Global Custodians).

10.2 CDS Account Statements

The CDS shall forward account statements to active CDS account holders.

An 'active account' shall be an account with at least one transaction (purchase/sale/deposit/withdrawal/transfer) during the period/s as follows.

- If the account was active during the preceding month the CDS will send monthly statements.
- If the account was active during the preceding three months the CDS will send quarterly statements.
- The CDS shall forward a statement annually as at 31st March to inactive account holders (accounts with no transactions for a period of 12 months) having credit balances.
- Details of de-listed securities will not appear in the statement.

10.2.1 eStatement facility

An individual account holder can provide an e-mail address in order to receive CDS Account Statements pertaining to his/her CDS Account in soft form. The CDS Account Statements pertaining to account holder's CDS Account will be forwarded to the e-mail address provided. An account holder can request for the eStatement facility as an alternative to the printed copy in the manner set out below:

1. When opening the CDS account, the applicant can fill the necessary details in the CDS 1 form. [Further the account holder should endorse the acceptance of eStatements by signing against the caption given in the CDS 1 form.]

Or;

2. By submitting the duly filled in CDS 28 form to one of the CDS participants (Stock Broker/ Custodian Bank) of the account holder.

11. CHANGES TO OPERATIONAL GUIDELINE AND PROCEDURES

Any changes to this Guideline for CDS Documentation will be under advice of a circular issued by the CDS.