



**PARLIAMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF
SRI LANKA**

**REGISTERED STOCK AND SECURITIES
(AMENDMENT)
ACT, No. 32 OF 1995**

[Certified on 14th December, 1995]

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Registered Stock and Securities (Amendment)
Act, No. 32 of 1995

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L. D—O 87/93.

AN ACT TO AMEND THE REGISTERED STOCK AND SECURITIES
ORDINANCE

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows :—

1. This Act may be cited as the Registered Stock and Securities (Amendment) Act, No. 32 of 1995.

Short title.

2. The long title to the Registered Stock and Securities Ordinance (hereinafter referred to as the "principal enactment") is hereby amended by the substitution for the words "GOVERNMENT PROMISSORY NOTES, AND BEARER BOND:", of the words "GOVERNMENT PROMISSORY NOTES, BEARER BONDS AND TREASURY BONDS".

Amendment
of long
title of
Chapter 423.

3. Section 2 of the principal enactment is hereby amended as follows :—

Amendment
of section 2
of the
principal
enactment.

(1) in subsection (1) of that section by the repeal of paragraph (c) of that subsection and the substitution of the following paragraphs therefor :—

" (c) by the issue of securities in the form of bearer bonds ;

(d) by the issue of securities in the form of treasury bonds." ;

(2) in the marginal note to that section, by the substitution, for the words "promissory notes, and bearer bonds", of the words "promissory notes, bearer bonds, and treasury bonds".

4. Section 4 of the principal enactment is hereby amended in subsection (1) of that section, by the repeal of paragraphs (b), (c), (d) and (e) of that subsection and the substitution of the following paragraphs therefor :—

Amendment
of section 4
of the
principal
enactment.

" (b) the modes of raising the loan and the manner in which such loan is to be raised ;

(c) the rate of interest payable on the loan, or the method of determination of the rate of interest payable ;

(d) the dates on which interest on the loan shall be payable ;

- (e) the rate at which, and the periods at the end of which, appropriation out of the Consolidated Fund and assets of Sri Lanka shall be made as a contribution to the sinking fund established for the purpose of redeeming that loan and the date from which such contributions shall commence.”.

Insertion
of new
section
5A in the
principal
enactment.

5. The following new section is hereby inserted immediately after section 5 and shall have effect as section 5A of the principal enactment:—

“Restrictions
on purchase
of stocks and
securities.

5A. Any application or bids for the purchase of registered stock or securities may, having regard to the interests of the national economy, be restricted to primary dealers and designated non-dealer bidders.”.

Insertion of
new sections
21A, 21B, 21C,
21D, 21E
and 21F
in the
principal
enactment.

6. The following new heading and new sections are hereby inserted immediately after section 21 of the principal enactment and shall have effect as sections 21A, 21B, 21C, 21D, 21E and 21F of that enactment:—

‘TREASURY BONDS

Treasury
bonds.

21A. (1) Every treasury bond shall, when issued, bind the Government to pay the principal sum, for which the bond is issued and the interest thereon, in accordance with the provisions of this Ordinance at the rate and on the dates specified in the Order under section 4 or in pursuance of an option to redeem such bond reserved in that Order.

(2) Notwithstanding any other provisions of this Ordinance, treasury bonds may be issued either as bonds in the form of written certificates or as scripless treasury bonds. In the case of treasury bonds issued in the form of written certificates, the provisions of section 21B shall apply to such written certificates. In the case of scripless treasury bonds the provisions of sections 21C, 21D, 21E and 21F shall apply, to such scripless treasury bonds.

Treasury
bonds in
the form of
written
certificates.

21B. (1) Every treasury bond issued in the form of a written certificate shall be signed by the Registrar for and on behalf of the Government, and the title thereto shall be transferable by endorsement and delivery of the bond.

(2) Notwithstanding anything to the contrary in any written law—

(a) no endorsement of a treasury bond issued in the form of a written certificate shall be valid unless made by the signature of the holder written on the reverse of the bond in one of the spaces provided for that purpose, or in a separate form prescribed by regulation;

(b) a person shall not, by reason only of his having endorsed or endorsed and delivered a treasury bond issued in the form of a written certificate be liable to pay any money due either as principal or as interest thereon.

Issue, trading
and main-
tenance of
records of
scripless
treasury
bonds.

21C. (1) Notwithstanding any other provisions of this Ordinance the Minister in charge of the subject of Finance, may by an Order published in the Gazette direct the issue of scripless treasury bonds. Such scripless treasury bonds shall be issued and maintained in accordance with the provisions of this section and sections 21b, 21E and 21F of this Ordinance.

(2) The Central Bank shall have the authority to take any action necessary for the issue and trading of scripless treasury bonds in accordance with the provisions of this Ordinance. Without limiting the generality of the foregoing, the Central Bank shall have the authority to undertake and carry out the following:—

(a) the making and maintaining of entries in the records of the Central Bank to record the issue and trading of scripless treasury bonds;

(b) the maintenance of accounts to record the ownership or custodial holdings of scripless treasury bonds

or interests therein, for or on behalf of direct participants or the Central Bank;

- (c) the appointment from time to time of direct participants referred to in section 21b, and the regulation, supervision or monitoring of such direct participants with respect to their transactions in scripless treasury bonds and the performance of their duties as direct participants;
- (d) the appointment from time to time of dealer direct participants referred to in section 21e, and the regulation, supervision or monitoring of such dealer direct participants with respect to their transactions in scripless treasury bonds and the performance of their duties as dealer direct participants;
- (e) the appointment from time to time of interdealer brokers, and the regulation, supervision or monitoring of such interdealer brokers with respect to their brokering of scripless treasury bonds and the performance of their duties as interdealer brokers;
- (f) the appointment from time to time of primary dealers, and the regulation, supervision or monitoring of such primary dealers with respect to their transactions in securities and the performance of their duties as primary dealers;
- (g) the appointment of designated non-dealer bidders and the regulation, supervision and monitoring of such non-dealer bidders with respect to their transaction in securities and the performance of their duties as non-dealer bidders;
- (h) the formulation of a code of conduct for the promotion and development of an orderly market for scripless treasury bonds.

(3) The Central Bank may, to the extent not otherwise provided for in sections 21c, 21d, 21e, and 21f, issue directions to direct participants or any category thereof, to provide for the following:—

- (a) the manner in which the accounts of customers of dealer direct participants are to be maintained and administered;
- (b) the times at which principal and interest payments, and any redemption proceeds, are to be credited to such accounts;
- (c) the fees that may be charged for maintaining and administering such accounts;
- (d) the regulating, supervising or monitoring of direct participants, dealer direct participants, or interdealer brokers;
- (e) the manner and means by which scripless treasury bonds, or interests therein, may be purchased, sold, transferred, pledged or encumbered

Direct
participants.

21d. (1) The Central Bank may appoint in writing any primary dealer or other person to be a direct participant. Each direct participant shall be entitled to maintain with the Central Bank its own scripless treasury bond account, as specified in subsection (2) of this section.

(2) A direct participant shall maintain a single account with the Central Bank for holding scripless treasury bonds, on its own account. Such account shall be maintained by the direct participant in the form and manner specified in writing by the Central Bank from time to time.

Registered Stock and Securities (Amendment)

Act, No. 32 of 1995

(3) The Central Bank shall maintain records of the account of a direct participant, and such records shall be conclusive evidence of the state of such account, and the same shall be binding on the Central Bank and the direct participant.

(4) The Central Bank shall pay, on the date they become payable, all amounts either of principal, interest or redemption proceeds, owing on scripless treasury bonds to direct participants in accordance with the accounts of scripless treasury bonds maintained by them with the Central Bank, whether those accounts are in respect of scripless treasury bonds held on their own account or, in the case of dealer direct participants in respect of such treasury bonds, held on their own account, and in respect of such treasury bonds held in aggregate customers accounts. Such payments shall be made by such means and in such manner as may be specified by the Central Bank.

(5) A direct participant shall furnish to the Central Bank such returns, details, particulars or information with respect to its own scripless treasury bond account and, in the case of a dealer direct participant, with respect to its own scripless treasury bond account and its aggregate customers account, as the Central Bank may from time to time specify.

(6) The Central Bank may, through any of its officers authorized in writing by the Monetary Board, inspect and take copies of any books, records or accounts maintained by a direct participant relating to or affecting any scripless treasury bonds, including any books, records or accounts with respect to scripless treasury bonds held in its own account, or in the case of a dealer direct participant, with respect to scripless treasury bonds held in its own account as well as those held in its aggregate customers account. The direct participant, and its

officers, directors, employees, servants and agents, shall furnish to the Central Bank, all such books, records, correspondence or any other documents as may be required by the Central Bank, and shall provide the Central Bank with all such assistance as it may require to perform the duties imposed on the Central Bank by this Ordinance with respect to scripless treasury bonds.

(7) In the event the Government incurs any liability, or makes payment of any interest, principal or redemption proceeds with respect to a scripless treasury bond, and such liability arises or such payment is made, in consequence, or by reason, of any default of a direct participant or a dealer direct participant, such participant shall be liable on demand by the Government, to indemnify the Government with respect to such liability or payment.

For the purposes of this subsection "default" includes—

(a) any negligence or failure on the part of a direct participant or a dealer direct participant in the carrying out of any function, or the discharging of any duty, assigned to, or imposed on him, by this Ordinance; and

(b) any act or omission on the part of a direct participant or a dealer direct participant which constitutes an offence under this Ordinance, or an offence under any other written law in relation to any matter dealt with by this Ordinance,—

(1) whether or not, there has been any prosecution in respect of such offence; or

(ii) whether such act or omission was by the direct participant, or the dealer direct participant,

or by any Director, officer, employee, or agent of such direct participant or of such dealer direct participant.

**Dealer
direct
participant**

writing any direct participant to be a dealer
21E. (1) The Central Bank may appoint in direct participant.

(2) A dealer direct participant shall maintain with the Central Bank, in addition to, and separate from, its own scripless treasury bond account an aggregate customers account which shall be a single aggregate account in respect of all transfers effected under subsection (3) of this section, through such dealer direct participant. The aggregate customers account shall be maintained by the dealer direct participant in such form and manner as may be specified from time to time in writing by the Central Bank.

(3) Only dealer direct participants may transact in scripless treasury bonds on behalf of others. Any person, other than a direct participant and the Central Bank, desiring either to make a transfer or take a transfer of a scripless treasury bond shall do so only through a dealer direct participant.

(4) A dealer direct participant shall maintain an account in respect of each of its customers, and any other books, records and files relating to its customers as may be necessary or appropriate to enable the dealer direct participant to perform his duties under this Ordinance.

(5) A dealer direct participant shall issue to each of its customers a monthly or other periodic statement or statements in respect of such customer's scripless treasury bonds on or before the date or dates that may be specified therefor by the Central Bank. Each such statement shall be for such period and in such form, and shall contain such information, as the Central Bank may specify.

(6) Upon receipt by a dealer direct participant of such payments from the Central Bank, as are referred to in subsection (4) of section 21b, of amounts owing on scripless treasury bonds held in the dealer direct participant's aggregate customers account, the dealer direct participant shall pay to the party or parties entitled thereto, on the date they become payable, all amounts, either of interest or principal or redemption proceeds, payable on such scripless treasury bonds. Such payments shall be by such means, and made at the time and in such manner, as may be specified by the Central Bank.

(7) The scripless treasury bonds transacted by a dealer direct participant in respect of any transfer effected through him under subsection (3) of this section shall be transacted in the manner, and for the purposes, provided for in this section and section 21f.

(8) The accounts maintained by a dealer direct participant under subsections (2) and (4) of this section, shall in so far as it relates to a customer, be confidential as between the dealer direct participant and the customer and shall, notwithstanding anything in section 54 of this Ordinance, not be disclosed to any person, except to the Central Bank or to the heirs, executors or assigns of the customer or as otherwise required by law, unless such disclosure is authorized in writing by the customer.

(9) A dealer direct participant shall be wholly responsible and liable to a customer in respect of all transfers taken or made by such customer through such dealer direct participant.

Transfers of
scripless
treasury
bonds

21f. (1) A dealer direct participant shall maintain an account in respect of every transferor and transferee of scripless treasury bonds other than the Central Bank

or a direct participant who is a party to any transfer effected through such dealer direct participant in accordance with subsection (3) of section 21E, except where in respect of a transferee, a customer's account is maintained by another dealer direct participant, in which case the first-mentioned dealer direct participant shall have the scripless treasury bonds transferred into the transferee's account with the second-mentioned dealer direct participant.

(2) Where a transfer of scripless treasury bonds is made by any person in accordance with subsection (3) of section 21E, the dealer direct participant through which the transfer is effected shall forthwith issue, in the form and manner specified from time to time by the Central Bank—

(i) to the transferor, a confirmation or acknowledgement receipt in respect of the transfer; and

(ii) to the transferee, a confirmation or acknowledgement receipt in respect of the transfer, if such dealer direct participant maintains an account in respect of the transferee's treasury bonds:

Provided however that if a dealer direct participant other than the aforementioned dealer direct participant maintains a customers' account in respect of the transferee's scripless treasury bonds, the first-mentioned dealer direct participant shall forthwith notify, in the manner specified from time to time by the Central Bank, the second-mentioned dealer direct participant of the transfer and such second-mentioned dealer direct participant shall forthwith issue to the transferee a confirmation or acknowledgement receipt in the form and manner specified from time to time by the Central Bank.

(3) The confirmation or acknowledgment receipt referred to in subsection (2) of this section shall not be capable of being negotiated and shall be used solely between the dealer direct participant who issued it and the customer to whom it was issued, as evidence of the transfer of scripless treasury bonds, under subsection (3) of section 21E, to which it relates.

(4) Where the amount in the aggregate customers account maintained by a dealer direct participant with the Central Bank is affected by a transfer effected through the dealer direct participant in accordance with subsection (3) of section 21E, the dealer direct participant shall communicate forthwith to the Central Bank, information of any change in such amount caused by such transfer.

(5) The Central Bank may, permit any notification or confirmation or acknowledgment receipt required under this section to be in non-written form and to be transmitted or delivered by wire, telephone, satellite, cable or any other such electronic, magnetic or optical media, as may be specified, by the Central Bank.

7. Section 22 of the principal enactment is hereby amended by the substitution for the words "in each half year", of the words "for each period".

Amendment
of section 22
of the
principal
enactment

8. Section 23 of the principal enactment is hereby amended by the repeal of subsection (1) of that section and the substitution of the following subsection therefor:—

Amendment
of section 23
of the
principal
enactment

" (1) The interest due on any registered stock or securities shall be payable on the dates specified by Order made under section 4."

Replacement
of section 27
of the
principal
enactment

9. Section 27 of the principal enactment is hereby repealed and the following section substituted therefor:—

"Appropriation of revenue for the sinking fund.

27. After the date specified in the Order under section 4 as the date from which contributions to the sinking fund for any loan shall commence, there shall, for each period ending with the date specified in that Order for the payment of interest on any stock or securities issued in respect of that loan, be appropriated out of the Consolidated Fund and assets of Sri Lanka, a sum determined in accordance with the rate specified in the Order as the contribution to the sinking fund established for the purpose of redeeming that loan."

Amendment
of section 31
of the
principal
enactment.

10. Section 31 of the principal enactment is hereby amended by the substitution for the words "payments of half-yearly contributions", of the words "payment of contributions."

Replacement
of section
38 of the
principal
enactment.

11. Section 38 of the principal enactment is hereby repealed and the following section substituted therefor:—

"Renewal of stock certificates and securities.

38. On the surrender to the Registrar of a stock certificate, promissory note, bearer bond, or treasury bond which is defaced or damaged or of a promissory note in which the spaces provided for endorsement have been used for that purpose, or of a bearer bond or treasury bond at the end of the period which the interest-coupons originally attached to the bond were intended to cover, the Registrar may, if he is satisfied that the claim of the persons surrendering the certificate, note or bond is just and lawful, issue to such person, on payment of the prescribed fee, if any, a new certificate, note, or bond of the same class or series and value as thereupon cancel the certificate, note, or bond surrendered to him for renewal."

Amendment
of section 49
of the
principal
enactment.

12. Section 49 of the principal enactment is hereby amended by the substitution for the words "promissory note or bearer bond", of the words "promissory note, bearer bond, or treasury bond".

13. The following new sections are hereby inserted immediately after section 53 and shall have effect as sections 53A and 53B of the principal enactment:—

**Insertion of
new
sections 53A,
and 53B
in the
principal
enactment.**

*** Powers of
Central
Bank
exercised by
officers etc.**

53A. Whenever by any provision of this Ordinance any power, duty or function is authorized or required to be exercised or performed by the Central Bank such power, duty or function may be exercised or performed by an officer of the Central Bank or any other person authorized in writing in that behalf by the Monetary Board of the the Central Bank.'.

*** Protection
of action.**

53B. No suit or prosecution shall lie against the Government, the Monetary Board, the Registrar, or any officer or servant of the Central Bank in respect of any payment made or any act which in good faith is done, or purported to be done under this Ordinance, by the Government, the Monetary Board, Registrar, or any such officer or servant of the Central Bank."

14. Section 55 of the principal enactment is hereby amended by renumberring paragraph (h) of subsection (2) as paragraph (m) of that subsection and the insertion immediately after paragraph (g) of that subsection of the following new paragraphs:—

**Amendment
of section 55
of the
principal
enactment.**

- * (h)** the appointment of primary dealers and the conditions to be observed by, and the privileges of, and the duties to be performed by, the primary dealers;
- (i)** the appointment of direct participants, dealer direct participants, and interdealer brokers, and their regulation, supervision or monitoring;
- (j)** the issue, holding and administration of scripless treasury bonds under this Ordinance;
- (k)** the manner in which stock and securities, including scripless treasury bonds, or interests therein, may be purchased, sold, transferred, pledged or encumbered;
- (l)** the procedures and conditions applicable to the primary issue of and subsequent transfers and other transactions relating to, stock and securities; and".

Insertion
of new
sections 56A
and 56B
in the
principal
enactment.

15. The following new sections are hereby inserted immediately after section 56 and shall have effect as sections 56A and 56B of the principal enactment:—

Offences.

56A. (1) Any person who—

(a) fails to comply with any provision of this Ordinance or any regulation, order, or direction given thereunder;

(b) furnishes for the purposes of this Ordinance any information which is, or any return the contents of which are, to his knowledge false or incorrect;

(c) with intent to deceive —

(i) makes or causes to be made a false entry, or

(ii) omits to make, or causes to be omitted, any entry; or

(iii) alters, conceals or destroys, or causes to be altered, concealed or destroyed, any entry, in any of the records of the Central Bank, or in any books, records or accounts of any direct participant, including any dealer direct participant, or any primary dealer,

shall be guilty of an offence under this Ordinance.

(2) Any person guilty of an offence under this Ordinance shall be liable on conviction after summary trial by a Magistrate, to imprisonment for a term not exceeding five years or to a fine not exceeding ten million rupees or to both such

Offence of
directors
and officers

56B. Where the person convicted of an offence under the Ordinance is a body corporate, every person who at the time of the commission of the offence was a director or an officer of the body corporate shall be deemed to be guilty of that offence unless he proves that the offence was committed without his knowledge, or that he exercised all due diligence to avoid the commission of such offence."

Amendment of
section 58 of
the principal
enactment.

16. Section 58 of the principal enactment is hereby amended as follows:—

(a) by the insertion immediately before the definition of "bearer bond", of the following definition:—

"aggregate customers' account" means the single account maintained by dealer direct participant with the Central Bank, in accordance with subsection (2) of section 21E;";

(b) by the insertion, immediately after the definition of "bearer bond", of the following definitions:—

"customer" in relation to a dealer direct participant means any person who purchases or sells, or otherwise acquires or disposes of, scripless treasury bonds or an interest therein through such dealer direct participant, or who negotiates, with such dealer direct participant for the possible acquisition or disposition of such bonds or interest;

"dealer direct participant" means any direct participant appointed by the Central Bank in writing under subsection (1) of section 21E to be a dealer direct participant;

"designated non-dealer bidder" means any institution, other than a primary dealer that is appointed in writing by the Central Bank as being eligible to bid directly at Central Bank auctions of securities;

"direct participant" means any primary dealer or other person, appointed by the Central Bank in writing under subsection (1) of section 21D to be a direct participant;

"interdealer broker" means any person or firm appointed to be an interdealer broker by the Central Bank pursuant to subsection (2) (e) of section 21c;

"nondealer direct participant" means any direct participant who is not a dealer direct participant;

"pledge" includes a pledge of, or any security interest in, scripless treasury bonds as collateral for loans or advances, or to secure deposits of public moneys or the performance of an obligation;';

(c) by the insertion immediately after the definition of "prescribed" of the following definition:—

"primary dealer" means any commercial bank company, or other person appointed by the Monetary Board as a primary dealer for the purpose of dealing with the Central Bank as a counterparty in the primary and secondary markets for stock and securities;';

(d) by the insertion immediately after the definition of "promissory note", of the following definitions:—

"rate of interest" includes a rate of interest determined in accordance with the method, if any, specified in terms of an Order under subsection (1) (c) of section 4;

"records of the Central Bank" include records maintained on behalf of the Central Bank by any person authorized for that purpose by the Monetary Board, and include records kept, stored or transmitted in the form of computer files, disks, tapes or other magnetic, electronic or optical media;';

(e) by the insertion immediately after the definition of "registered stock" of the following definitions:—

"scripless treasury bond account" means the single account maintained by a direct participant with the Central Bank in accordance with subsection (2) of section 21d;

"scripless treasury bond" means a treasury bond issued in the form of entries in the records of the Central Bank and not embodied in or represented by a certificate or other instrument;';

(f) by the repeal of the definition of "security" and the substitution of the following definition therefor:—

"security" means a bearer bond or a promissory note or a treasury bond;';

(g) by the insertion immediately after the definition of "security" of the following definition:—

"treasury bond" means a treasury bond issued under this Ordinance and other than in sections 37, 38, 39, 42, 44, 46 (b) and (c), 49, 52 and 55 (2) (c) and (d), includes a scripless treasury bond.'.

17. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Sinhala
text to
prevail
in case of
inconsistency.

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