



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

**LOCAL TREASURY
BILLS (AMENDMENT)
ACT, No. 31 OF 1995**

[Certified on 11th December, 1995]

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AN ACT TO AMEND THE LOCAL TREASURY BILLS 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 Local Treasury Bills (Amendment) Act, No. 31 of 1995. Short title.

2. Section 2 of the Local Treasury Bills Ordinance (Chapter 417) (hereinafter referred to as the "principal enactment") is hereby amended as follows:— Amendment of section 2 of Chapter 417.

(a) by the repeal of subsection (2) thereof, and the substitution therefor of the following new subsection:—

"(2) All acts or things necessary for the purpose of, and in connection with, the issue and repayment of Treasury Bills under this Ordinance shall be done on behalf of the Deputy Secretary to the Treasury by the Central Bank.";

(b) by the repeal of subsection (3) thereof; and

(c) by the insertion of the following new subsections (3) and (4) immediately after subsection (2) thereof:—

"(3) Treasury Bills may be issued either as bills in the form of written certificates or as Scripless Treasury Bills.

(4) Any application or bids for the purchase of Treasury Bills may having regard to the interests of the national economy be restricted to primary dealers and designated non-dealer bidders."

3. Section 5 of the principal enactment is hereby amended by the substitution for the words "fix and determine," of the words "fix and determine but not later than one year from the date of issue". Amendment of section 5 of the principal enactment.

4. Section 7 of the principal enactment is hereby repealed and the following section substituted therefor:— Replacement of section 7 of the principal enactment.

"Treasury Bills other than Scripless Treasury Bills.

7. (1) Every Treasury Bill issued under this Ordinance, other than Scripless Treasury Bills, shall bear the signature in facsimile of the Deputy Secretary to the Treasury.

(2) Title to every Treasury Bill, other than a Scripless Treasury Bill shall be transferable by endorsement and delivery of the Bill.

(3) With respect to every Treasury Bill other than a Scripless Treasury Bill--

(a) no endorsement of the Treasury Bill shall be valid unless made by the signature of the holder written on the reverse of the Bill in one of the spaces provided for that purpose, or in a separate assignment or other instrument attached thereto which is in a form prescribed by regulation and issued by the Central Bank;

(b) a person shall not, by reason only of his having endorsed or endorsed and delivered a Treasury Bill be liable to pay any money due thereon."

Insertion
of new
sections
8, 9, 10, 11,
12, 13, 14, 15,
16 and 17
in the
principal
enactment.

5. The following new sections are hereby inserted immediately after section 7 of the principal enactment and shall have effect as sections 8, 9, 10, 11, 12, 13, 14, 15, 16 and 17 of the principal enactment:—

'Issue,
trading and
maintenance
of records
of Scripless
Treasury
Bills.

8. (1) The Central Bank shall have the authority to take any action necessary for the issue and trading of Scripless Treasury Bills 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 issuance and trading of Scripless Treasury Bills;

(b) the maintenance of accounts to record the ownership or custodial holdings of Scripless Treasury Bills 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 9, and the regulation, supervision or monitoring of such direct participants with respect to their transactions in Scripless Treasury Bills and the performance of their duties as direct participants;
- (d) the appointment from time to time of dealer direct participants referred to in section 10, and the regulation, supervision or monitoring of such dealer direct participants with respect to their transactions in Scripless Treasury Bills 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 Bills and the performance of their duties as interdealer brokers;
- (f) the appointment from time to time of primary dealers, and the regulations, supervision or monitoring of such primary dealers with respect to their transactions in Scripless Treasury Bills and the performance of their duties as primary dealers;
- (g) the appointment of designated non-dealer bidders and the regulation, supervision or monitoring of such non-dealer bidders with respect to their transactions in Scripless Treasury Bills 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 Bills.

(2) The Central Bank may, to the extent not otherwise provided for in sections 8, 9, 10, and 11, 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 payments of principal 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, interdealer brokers or primary dealers;
- (e) the manner and means by which Scripless Treasury Bills, or interests therein, may be purchased, sold, transferred, pledged or encumbered.

Direct
Participants.

9. (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 Bill 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 Bills, 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.

(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 or redemption proceeds) owing on Scripless Treasury Bills to direct participants in accordance with the accounts of Scripless Treasury Bills maintained by them with the Central Bank, whether those accounts are in respect of Scripless Treasury Bills held in their own account or in the case of dealer direct participants in respect of such Treasury Bills held in their own account and in respect of such Treasury Bills held in aggregate customers accounts. Such payments shall be made by such means and 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 Bill account and in the case of a dealer direct participant, with respect to its own Scripless Treasury Bill account and its aggregate customers' account or its customers' or its own 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 Bills, including any books, records or accounts with respect to Scripless Treasury Bills held in its own account or, in the case of a dealer direct participant with respect to its Scripless Treasury Bills held in its own account as well as those held in 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 in respect of Scripless Treasury Bills.

(7) In the event the Government incurs any liability or makes payment of any principal or redemption proceeds with respect to a Scripless Treasury Bill, 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 purpose 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 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—

(i) 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.

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

Dealer
direct
participant.

(2) A dealer direct participant shall maintain with the Central Bank, in addition to, and separate from its own Scripless

Treasury Bill 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 Bills 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 Scripless Treasury Bills 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 Bills 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 9, of amounts owing on Scripless Treasury Bills 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 principal or redemption proceeds)

payable on such Scripless Treasury Bills. 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) Every transfer of Scripless Treasury Bills effected through a dealer direct participant under subsection (3) of this section shall be transacted in the manner and for the purposes, provided for in this section and section 11.

(8) The account 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, 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 customers in respect of all transfers taken or made by such customer through such dealer direct participant.

**Transfer of
Treasury Bill
Scripless**

11. (1) A dealer direct participant shall maintain an account in respect of every transferor and transferee of Scripless Treasury Bills other than the Central Bank or direct participant who is a party to any transfer effected through such dealer direct participant in accordance with subsection (3) of section 10, except where in respect of a transferee, a customers account is maintained by another dealer direct participant, in which case the first-mentioned dealer direct participant, shall have the Scripless Treasury Bills transferred into the transferee's account with the second-mentioned dealer direct participant.

(2) Where a transfer of Scripless Treasury Bills is made by any person in accordance with subsection (3) of section 10 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 Scripless Treasury Bills:

Provided however that if a dealer direct participant other than the afore-mentioned dealer direct participant maintains a customer's account in respect of the transferee's Scripless Treasury Bills, 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 acknowledgement 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 Bills under subsection (3) of section 10, 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 10, 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.

Power of
Central
Bank
exercised by
officers &c.

12. 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 Central Bank.

Protection
of action.

13. No suit or prosecution shall lie against the Government, the Monetary Board 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 or any such officer or servant of the Central Bank.

Offences of

14. (1) Any person who—

(a) fails to comply with any provisions of this Ordinance or any regulation, order, or direction given there under ;

(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, 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 imprisonment and fine.

Offences of directors and officers.

15. Where the person convicted of an offence under this 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.

Regulations.

16. (1) The Minister in charge of the subject of Finance may make regulations for the purpose of giving effect to the provisions of this Ordinance.

(2) In particular and without prejudice to the generality of the foregoing power, such regulations may provide for all or any of the following matters:—

(a) the terms of issue of Treasury Bills, under this Ordinance;

- (b) the mode and manner in which Treasury Bills, may be issued ;
- (c) the appointment of primary dealers and the conditions to be observed by, and the privileges entitled to, and the duties to be performed, by the primary dealers ;
- (d) the appointment of direct participants, dealer direct participants and interdealer brokers, and their regulation, supervisions or monitoring ;
- (e) the issue, holding and administration of Scripless Treasury Bills under this Ordinance ;
- (f) the manner in which Treasury Bills including Scripless Treasury Bills, or interests therein, may be purchased, sold, transferred, pledged or encumbered ;
- (g) the procedures and conditions applicable to the primary issue of, and subsequent transfers and other transactions relating to Treasury Bills.

Interpretation. 17. In this Ordinance unless the context otherwise requires :—

“aggregate customers’ account” means the single account maintained by a dealer direct participant with the Central Bank in accordance with subsection (2) of section 10 ;

“Central Bank” means the Central Bank of Sri Lanka established by section 5 of the Monetary Law Act ;

“customer” in relation to a dealer direct participant means any person who purchases or sells, or otherwise acquires or disposes of, Scripless Treasury Bills or an interest therein through such dealer direct partici-

pant, or who negotiates, with such dealer direct participant for the possible acquisition or disposition of such Treasury Bills or interests ;

“dealer direct participant” means any direct participant appointed by the Central Bank in writing under subsection (1) of section 10 to be a dealer direct participant ;

“designated non-dealer bidder” means any investor institution other than a primary dealer, that is specifically designated in writing by the Central Bank as eligible to bid directly at Central Bank auctions of Treasury Bills ;

“direct participant” means any primary dealer or other person appointed by the Central Bank in writing under subsection (1) of section 9 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 (1) (e) of section 8 ;

“own Scripless Treasury Bill account” with reference to a direct participant means the single account maintained by a direct participant with the Central Bank, in accordance with subsection (2) of section 9, to hold Scripless Treasury Bills in his own account.

“pledge” includes a pledge of, or any security interest in, Scripless Treasury Bills as collateral for loans or advances, or to secure deposits of public moneys or the performance of an obligation ;

"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 Treasury Bills;

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

"Scripless Treasury Bill" means a treasury bill issued in the form of entries in the records of the Central Bank and not embodied in or represented by, a certificate or other physical instrument;

"Treasury Bill" means a Treasury Bill issued under this Ordinance and includes a Scripless Treasury Bill.

Sinhala text to prevail in case of inconsistency.

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

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