



PARLIAMENT OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

LOCAL TREASURY BILLS (AMENDMENT) ACT, No. 1 OF 2004

[Certified on 6th January, 2004]

Printed on the Order of Government

Published as a Supplement to Part II of the **Gazette of the Democratic
Socialist Republic of Sri Lanka** of January 09, 2004

PRINTED AT THE DEPARTMENT OF GOVERNMENT PRINTING, SRI LANKA

TO BE PURCHASED AT THE GOVERNMENT PUBLICATIONS BUREAU, COLOMBO 1

Price : Rs. 9.50

Postage : Rs. 4.50

Local Treasury Bills (Amendment)
Act No. 1 of 2004

[Certified on 6th January, 2004]

L. D. — O. 45/2003.

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. 1 of 2004. Short title.

2. Section 6 of the Local Treasury Bills Ordinance (Chapter 417) (hereinafter referred to as the “principal enactment”) is hereby amended by the substitution for the words “at the Treasury in Colombo when the Treasury Bills fall due” of the words “when the Treasury Bills fall due : Amendment of section 6 of the Local Treasury Bills Ordinance (Chapter 417).

Provided however that if the day on which a Treasury Bill falls due is a day on which the Central Bank is not open for business, payment shall be made in accordance with such procedures as may be prescribed.

3. The following new sections are hereby inserted immediately after section 7 of the principal enactment, and shall have effect as sections 7A, 7B and 7C of that enactment :— Insertion of new sections 7A, 7B and 7C in the principal enactment.

“Central Bank to supervise or to monitor the transactions of primary dealers and non dealer bidders. **7A.** Without prejudice to anything contained in this Ordinance particularly the provisions of sections 8, 9, 10 and 11, the Central Bank shall regulate, supervise and monitor the primary dealers and the designated non dealer bidders with respect to their transactions in Treasury Bills issued in the form of written certificates.

Issue of Scripless Treasury Bills **7B.** The Minister may, by notification published in the Gazette and in two local newspapers in Sinhala, Tamil and English, notify the public of a day, from which, Treasury Bills may be issued in the form of Scripless Treasury Bills.

Conversion
of Treasury
Bills issued in
the form of
written
certificates.

7C. (1) The Central Bank may by notification published in the Gazette and in two local newspapers in Sinhala, Tamil and English, require the holders of Treasury Bills issued in the form of written certificates having a specified date of maturity, if they so desire, to surrender such Bills for conversion into Scripless Treasury Bills in accordance with such procedure as may be prescribed. Such Treasury Bills shall upon conversion into Scripless Treasury Bills be deemed to be Scripless Treasury Bills issued under this Ordinance.

(2) Nothing contained in subsection (1) shall be construed as affecting or discharging the liability of the Government under this Ordinance in respect of a Treasury Bill which is not converted into a Scripless Treasury Bill as provided for in subsection (1)."

Amendment of
section 8 of the
principal
enactment.

4. Section 8 of the principal enactment is hereby amended in subsection (2) as follows :—

(1) by the repeal of paragraph (b) of that subsection and the substitution therefor of the following paragraph :—

“(b) the period within which the maturity proceeds paid on Scripless Treasury Bills in such accounts shall be paid to customers or persons entitled thereto;”;

(2) in paragraph (e) of that subsection by the substitution for the words “pledged or encumbered.”; of the words “pledged or encumbered;” and

(3) by the addition immediately after paragraph (e) of that subsection of the following new paragraph :—

“(f) the furnishing of information to the Central Bank, the manner, means and periods at which such information shall be furnished to the Central Bank.”.

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

Replacement of
section 9 of the
principal
enactment.

‘Direct
Participants.

9. (1) The Central Bank, may in writing appoint any primary dealer or other person to be a direct participant who shall be entitled to maintain accounts in respect of Scripless Treasury Bills as are specified in subsection (2).

(2) A direct participant shall maintain in a depository referred to in the Monetary Law Act, Securities Accounts to hold Scripless Treasury Bills and other scripless securities to which such direct participant has title and to record the interest of such direct participant in Scripless Treasury Bills and other Scripless securities in accordance with the rules and regulations made under the Monetary Law Act.

(3) The Central Bank shall pay to a direct participant the maturity proceeds on Scripless Treasury Bills in respect of which such direct participant is recorded as owner in accounts maintained by a direct participant under subsection (2) on the day such maturity proceeds become payable.

(4) The Central Bank may inspect and take copies of any books, records or accounts maintained by a direct participant relating to or affecting any Scripless Treasury Bills held in its own account or in the case of a dealer direct participant, with respect to its own account as well as those held in customers’ accounts. 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 document 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 issue of Scripless Treasury Bills.

The provisions of this section shall apply to any book, record, accounts and correspondence maintained in an electronic form.

(5) In the event of the Government incurring any liability or making payment of any maturity proceeds with respect to a Scripless Treasury Bill and where 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.

(6) For the purpose of this section “default” includes —

- (a) any negligence or failure on the part of a direct participant or a dealer direct participant in carrying out of any function or the discharging of any duty assigned to or imposed on, him, by this Ordinance or by any other written law in relation to any matter dealt with by this Ordinance ;and
- (b) any act or omission on the part of direct participant or dealer direct participant which constitutes an offence under this Ordinance or 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 dealer direct participant.’.

6. Section 10 of the principal enactment is hereby amended by the repeal of subsections (2), (3), (4), (5), (6), (7), (8) and (9) of that section and the substitution therefor of the following subsections :—

Amendment of
section 10 of the
principal
enactment.

“(2) A dealer direct participant shall, in addition to maintaining accounts required to be maintained under subsection (2) of section 9, maintain in a depositary referred to in the Monetary Law Act, accounts in respect of each of its customers to hold Scripless Treasury Bills and other scripless securities to which each such customer has title and to record the interests of each such customer in Scripless Treasury Bills and other scripless securities in accordance with the regulations and rules made under the Monetary Law Act.

(3) The Central Bank shall pay to a dealer direct participant, in addition to the payments referred to in subsection (3) of section 9, the maturity proceeds on Scripless Treasury Bills in respect of which a customer or such dealer direct participant is recorded as owner in accounts maintained by such dealer direct participant under subsection (2), on the day such maturity proceeds become payable.

(4) No person other than a dealer direct participant may transact in Scripless Treasury Bills on behalf of any other person. Any person other than a direct participant and the Central Bank desiring either to make a transfer or to take a transfer of Scripless Treasury Bills shall do so only through a dealer direct participant.

(5) A dealer direct participant shall maintain books and records to enable it to perform and discharge its duties and functions under this Ordinance and to discharge its obligations to its customers and shall comply with directions, if any, issued by the Central Bank for such purpose.

(6) Upon receipt by a dealer direct participant of any amount by way of payment from the Central Bank in terms of subsection (3) in respect of Scripless Treasury Bills held in a customer account, the dealer direct participant shall pay such amount, within the time specified in any direction issued by the Central Bank, to the customer or to any other party entitled to such payment by law or in terms of a written agreement to which the dealer direct participant and the customer are party.

(7) If a dealer direct participant is unable, for any reason to effect payment to a customer or to a party entitled to payment in terms of subsection (6), within the time specified in any directions issued by the Central Bank, the dealer direct participant shall within such period as may be specified in such directions, transfer the sum remaining unpaid to a prescribed account of the Central Bank and shall provide the Central Bank with such information as may be required by the Central Bank with regard to the payment and the customer or other party, as the case may be.

(8) The sums of money transferred to a prescribed account of the Central Bank in terms of subsection (7) shall be paid to persons entitled thereto and any monies lying unclaimed shall be dealt with or disposed of by the Central Bank in such manner as is prescribed by regulations made for such purpose.

(9) A dealer direct participant shall, except to the extent required for the proper conduct of its business and administration, maintain confidentiality in respect of accounts maintained for a customer and any matter connected therewith and shall not disclose to any person except to the Central Bank, any information relating to an account of a customer unless authorized to do so in writing by the customer, or except where it is required to do so under any law or by an Order of Court.”.

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

Replacement of
section 11 of the
principal
enactment.

“Transfer of
Scripless
Treasury
Bills.

11. (1) Where a transfer of title to a Scripless Treasury Bill is made by a dealer direct participant from or into an account maintained for a customer under subsection (2) of section 10, or an interest of any customer in a Scripless Treasury Bill is recorded or any amendment or variation is made in respect of any such interest in any Scripless Treasury Bill in such account, such dealer direct participant shall issue to such customer a confirmation in accordance with such directions as may from time to time be issued by the Central Bank.

(2) The provisions of subsection (1) shall not be construed as derogating from any obligation imposed under the Monetary Law Act on the provider of depository facilities for Scripless Securities, to issue statements or confirmations in respect of accounts maintained in such depository and in the event of any conflict or inconsistency between a statement or confirmation so issued by the depository and the statement or confirmation issued under subsection (1), the statement or confirmation issued by the depository, shall prevail.

(3) Subject to the provisions of any applicable written law, 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.

(4) The confirmation referred to in subsection (1) shall not be capable of being negotiated and shall be used solely as evidence of dealings between such dealer direct participant and the customer in respect of Scripless Treasury Bills to which it relates.

(5) The Central Bank may permit any notification, confirmation, acknowledgment or receipt required under this section to be issued in a 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 from time to time, by the Central Bank in that behalf.

(6) An electronic record of a Scripless Treasury Bill or any notification, confirmation, acknowledgment, receipt or other document or record issued or maintained for the purposes of this Ordinance in an electronic form, shall not be denied legal effect, validity or enforceability solely on the grounds that such Scripless Treasury Bill is maintained in an electronic form or that such notification confirmation, acknowledgment, receipt or other document or record is issued or maintained in electronic form and such notification confirmation, acknowledgment, receipt or other document may be tendered in evidence in proceedings before any court or tribunal in accordance with Part II and Part III of the Evidence (Special Provisions) Act, No. 14 of 1995 or any other law for the time being in force in relation to the tendering of computer evidence before any court or tribunal.”.

Amendment of
section 14 of the
principal
enactment.

8. Section 14 of the principal enactment is hereby amended in subsection (2) of that section by the repeal of subsection (2) thereof and by the substitution therefor of the following subsection :—

“(2) Any person guilty of an offence under this Ordinance shall be liable on conviction after summary trial before a Magistrate, to imprisonment for a term not exceeding five years or to a fine not exceeding ten million rupees or where the offence has resulted in monetary loss or monetary gain or a loss or gain which

is quantifiable in monetary terms to any person, to a fine equivalent to twice the value of such loss or gain or to both such imprisonment and fine.”.

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

“Transactions
in Scripless
Securities.

15A. The Scripless Treasury Bills issued under this Ordinance shall be transferred pledged, encumbered, lent, borrowed or otherwise transacted in, as provided by regulations and any transfer, pledge, encumbrance, loan, borrowing or any other transaction effected accordingly shall be valid and effectual notwithstanding any other written law relating to transactions in Treasury Bills issued in the form of written certificates.

Compounding
of offences.

15B. (1) The Central Bank may with the consent of Court having regard to the circumstances in which an offence under this Ordinance was committed, compound such offence for a sum of money not exceeding rupees five million or where the offence has resulted in monetary loss or monetary gain or a loss or gain which is quantifiable in monetary terms to any person for a sum of money equivalent to one and a half times the value of such loss or gain.

(2) The compounding of an offence under this section shall have the effect of an acquittal.”.

10. Section 17 of the principal enactment is hereby amended as follows :—

- (1) by the substitution for the definition of the expression “customer” of the following new definition :—

“ “customer” in relation to a dealer direct participant means any person who purchases or sells or otherwise acquires or disposes of Scripless

Insertion of
section 15A and
15B in the
principal
enactment.

Amendment of
section 17 of the
principal
enactment.

Treasury Bills 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 bill or interest and shall include where the context so permits a legal representative of such customer or of the estate of such customer;’;

- (2) by the addition immediately after the definition of the expression “interdealer broker” of the following new definition :—

‘ “Monetary Law Act” means the Monetary Law Act, (Chapter 422) as amended from time to time and shall include any enactment that replaces such Act in relation to the matters contained therein and where any section is specifically referred to in this Ordinance the reference shall be taken to include corresponding sections in the subsequent enactment ; ’;

‘ “securities account” shall have the same meaning as in the Monetary Law Act (Chapter 422).’.

Sinhala text to prevail in case of inconsistency.

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

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