



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

**REGISTERED STOCK AND SECURITIES
(AMENDMENT) ACT, No. 2 OF 2004**

[Certified on 6th January, 2004]

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*Registered Stock and Securities (Amendment)
Act, No. 2 of 2004*

[Certified on 6th January, 2004]

L.D.—O. 44/2003

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. 2 of 2004. Short title.

2. (1) Section 5A of the Registered Stock and Securities Ordinance (Chapter 420) (hereinafter referred to as the “principal enactment”) is hereby amended as follows :— Amendment of section 5A of the Registered Stock and Securities Ordinance (Chapter 420).

(1) by the re-numbering of that section as subsection (1) of that section ; and

(2) by the addition immediately after the re-numbered subsection (1), of the following new subsection :—

“(2) Without prejudice to anything contained in this Ordinance particularly the provisions of sections 21C, 21D, 21E, and 21F, the Central Bank shall regulate, supervise and monitor the primary dealers and the designated non-dealer bidders with respect to their transactions in Treasury Bonds issued in the form of witten certificates.”.

3. Section 21A of the principal enactment is hereby repealed and the following section substituted therefor :— Replacement of section 21A of the principal enactment.

“Treasury Bonds. 21A. (1) Every Treasury Bond shall, on being 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 made in terms of section 4 or in pursuance of an option reserved in such Order to redeem such Bond :

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

(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.”.

Amendment of section 21c of the principal enactment.

4. Section 21c of the principal enactment is hereby amended as follows :—

(1) in subsection (3) of that section —

(a) by the repeal of paragraph (b) thereof and the substitution therefor of the following paragraph :—

“(b) the period within which any sum due as principal, interest or redemption proceeds if any, paid on scripless treasury bonds in such accounts should be paid to customers or persons entitled thereto.”;

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

(c) 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.”;

- (2) by the addition immediately after subsection (3) of that section of the following new subsections :—

“(4) The Central Bank may by Notification published in the Gazette and in two local newspapers in the Sinhala, Tamil and English languages, require the holder of Treasury Bonds issued in the form of written certificates of a series to be specified in such Notification, if they so desire to surrender such bonds for conversion into Scripless Treasury Bonds in accordance with such procedure as may be prescribed. Such Treasury Bonds shall upon conversion into Scripless Treasury Bonds be deemed to be Scripless Treasury Bonds issued under this Ordinance.

(5) Nothing contained in subsection (4) shall be construed as affecting or discharging the liability of the Government under this Ordinance to make payment on a Treasury Bond issued in the form of a written certificate belonging to a series specified in a Notification published under that subsection which has not been converted into a Scripless Treasury Bond in terms of such subsection.”.

5. Section 21D of the principal enactment is hereby repealed and the following section substituted therefor :—

Amendment of section 21D of the principal enactment.

“Direct participants.

21D. (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 Bonds as 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 Bonds and other scripless securities to which such direct participant has title and to record

the interests of such direct participant in scripless treasury bonds and other scripless securities in accordance with such rules and regulations made under the Monetary Law Act.

(3) The Central Bank shall pay to a direct participant the sum due as the principal, interest and redemption proceeds, if any, on Scripless Treasury Bonds in respect of which such direct participant is recorded as owner in accounts maintained by such direct participant under subsection (2), on the day the sum due as principal, interest, or redemption proceeds, if any, 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 Bonds, 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 or dealer 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 Bonds. The provisions of this subsection shall apply to any books, records, accounts and correspondence maintained in an electronic form.

(5) In the event of the Government incurring any liability or making payment of any sum due as principal, interest or redemption

proceeds with regard to Scripless Treasury Bonds, 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.

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 or by any other law in relation to any matter dealt with 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 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.'

Amendment of
section 21E of
the principal
enactment.

6. Section 21E 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 :—

“(2) A dealer direct participant shall, in addition to maintaining the accounts required to be maintained under subsection (2) of section 21D, maintain in a depository referred to in the Monetary Law Act, accounts in respect of each of its customers to hold Scripless Treasury Bonds and other scripless securities to which each such customer has title and to record interests of each such customer in Scripless Treasury Bonds and other scripless securities in accordance with such rules and regulations 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 21D, the sum due as principal, interest, and redemption proceeds, if any, on Scripless Treasury Bonds in respect of which a customer of such dealer direct participant is recorded as owner in accounts maintained by such dealer direct participant under subsection (2), on the day the sum due as principal interest or redemption proceeds if any, become payable.

(4) No person other than a dealer direct participant may transact in Scripless Treasury Bonds 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 Bonds, 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 Bonds 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 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 may be prescribed by regulations.

(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 other than to the Central Bank, any information relating to an account of a customer unless authorised 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.

(10) 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.”.

Replacement of section 21F of the principal enactment.

7. Section 21F of the principal enactment is hereby repealed and the following section substituted therefor :—

“Transfer of Scripless Treasury Bonds.

21F. (1) Where a transfer of title to a Scripless Treasury Bond is made by a dealer direct participant from or into an account maintained for a customer under subsection (4) of section 21E or an interest of any customer in a Scripless Treasury Bond is recorded or any amendment or variation is made in respect of any such interest in any Scripless Treasury Bond 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) The confirmation referred to in subsection (1) shall not be capable of being negotiated and shall be used solely as evidence of dealings between the dealer direct participant who issued it and the customer in respect of the Scripless Treasury Bond to which it relates.

(4) 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 by the Central Bank.

(5) An electronic record of a Scripless Treasury Bond, or any confirmation, notice, 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 ground that such scripless treasury bond is maintained in an electronic form or that such confirmation, notice, acknowledgement receipt or other document or record is issued or maintained in electronic form and such confirmation, notice, acknowledgment, receipt or other document may be tendered in evidence in proceedings before any court or tribunal in accordance with

Parts II and 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 51 of the principal enactment.

8. Section 51 of the principal enactment is hereby amended by the insertion immediately after subsection (1) of that section of the following new subsection :-

“(1A) The provisions of subsection (1) shall not preclude the Registrar or the Central Bank from recognizing Treasury Bonds held in trust for customers by primary dealers or other authorized persons in accordance with directions issued from time to time by the Central Bank.”.

Amendment of section 55 of the principal enactment.

9. Section 55 of the principal enactment is hereby amended by the insertion immediately after subsection (2) of that section of the following new subsection :-

“(2A) The Scripless Treasury Bonds 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 law relating to such transactions in Treasury Bonds issued in the form of written certificates.”.

Amendment of section 56A of the principal enactment.

10. Section 56A of the principal enactment is hereby amended by the repeal of subsection (2) of that section and the substitution therefor of the following subsections :-

“(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.

(3) The Central Bank may, with the consent of Court, having regard to the circumstances in which an offence under this Act 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.

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

11. Section 58 of the principal enactment is hereby amended as follows :-

Amendment of the section 58 of the principal enactment.

- (1) by the substitution for the definition of the expression customer of the following definition-

“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 bond or interest and shall include where the context so permits a legal representative of such customer or of the estate of such customer ;’;

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- (2) by the addition immediately after the definition of the expression ‘interdealer broker’ of the following new definitions-

“‘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 the 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.

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

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