

CSE CLEAR (PVT) LTD.



Clearing House Rules

(Effective from [to be notified])

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INTERPRETATION

(i) DEFINITIONS

The following expressions shall bear the following meanings unless the context otherwise requires:

Account Holder

means any person who holds a Client Account in the CDS.

Board of Directors

means the Board of Directors of the Clearing House.

Buy-In Board Settlement Date

means the date on which the settlement of a Trade on the Buy-in Board of the CSE shall take place in accordance with these Rules.

CBSL

means the Central Bank of Sri Lanka.

CCP Settled Trades

means Trades to be cleared and settled by the Clearing House in the capacity of a Central Counterparty as specifically provided for in these Rules.

CDS

means the Central Depository Systems (Private) Limited, which acts as a licensed Central Depository in terms of the SEC Act.

CDS Rules

means the rules issued by the CDS, in its capacity as a Central Depository.

Central Counterparty

means a central counterparty as defined in the SEC Act.

Cleared Balance

means the portfolio of Securities held in a Client Account, which are free from lien or any other encumbrances and have been cleared and settled in terms of these Rules.

Cleared Funds

means funds that are realized and available for drawing in the respective settlement bank.

Clearing Facility

means a Clearing Facility as defined in the SEC Act.

Clearing House

means CSE Clear (Private) Limited, which acts as a licensed Clearing House in terms of the SEC Act.

Clearing or Settlement

means clearing or settlement as defined in the SEC Act.

Clearing Member

means a Clearing Member as defined in the SEC Act and admitted as a Clearing Member of the Clearing House in terms of these Rules and who may act as (i) a Self Clearing Member, or a Professional Clearing Member and/or, (ii) a Limited Clearing Member.

Clearing Member Agreement

means an agreement entered into between the Clearing House and a Clearing Member setting forth the terms and conditions subject to which the Clearing Member shall be admitted and thereupon function as a Clearing Member, based on the standard form Clearing Member Agreement prescribed by the Clearing House in terms of these Rules.

Client

means, a client of a Clearing Member in respect of a particular Trade to be cleared and settled by such Clearing Member, who shall;

(a) in respect of a Non-CCP Settled Trade, be the buyer or the seller, as the case may be, of Securities under such Trade;

(b) in respect of a CCP Settled Trade executed by a Self Clearing Member or a Professional Clearing Member as a Trading Participant, be the buyer or the seller, as the case may be, of Securities under such Trade; and

(c) in respect of a CCP Settled Trade executed as a Trading Participant by a Limited Clearing Member that has entered into an agreement with a Professional Clearing Member in terms of Rule 7.2.2 of these Rules, be such Limited Clearing Member.

Client Account

means an account opened by a Depository Participant on behalf of a person in the CDS in accordance with Section 3 of the CDS Rules.

Commencement Date

means the date of commencement of provision of clearing and settlement services by CSE Clear (Private) Limited as a Licensed Clearing House, which date shall be specified in a notification to be issued by [CSE Clear (Private) Limited].

CSE

means the Colombo Stock Exchange.

Custodian Bank

means a Bank licensed under the Banking Act No. 30 of 1988, as amended, providing custodial services and admitted by the CDS as a Depository Participant in terms of the CDS Rules.

Custodian Bank Clearing Member

means a Clearing Member that is a Custodian Bank.

Custodian Trade

means a Trade carried out by an Account Holder registered through a Custodian Bank.

Default Proceedings

means Default Proceedings as defined in the SEC Act, which are initiated by the Clearing House in the process of clearing and settling the Market Contracts in terms of these Rules.

Default Rules

means Default Rules as defined in the SEC Act, which are specified in **Sections 10, 13 and 14** of these Rules.

Defaulter

means a Defaulter as defined in the SEC Act, which is a Clearing Member that is subject to Default Proceedings under these Rules.

Designated Foreign Currency(s)

means the foreign currencies specified by the CBSL as permitted foreign currencies in terms of the Banking Act No. 30 of 1988, as amended, for the purpose of engaging in foreign exchange transactions.

Excluded Crossing

means a Trade executed on the Crossing Board/Window of the CSE, ***which is referred to and defined in Rule 2.8.2 of these Rules and settled in accordance with Section 15 of these Rules.***

Government Securities

means instruments issued by the Government of Sri Lanka signifying a debt that is repayable by the issuer including treasury bills and treasury bonds and repurchase agreements in that regard.

Licensed Clearing House

means a corporate entity licensed by the SEC to clear and settle securities transactions which take place on the CSE and includes CSE Clear (Private) Limited.

Limited Clearing Member

means a Clearing Member licensed by the Clearing House to clear and settle Non-CCP Settled Trades.

Limited Clearing Member Client

means a Limited Clearing Member which (i) is not admitted as a Self Clearing Member or a Professional Clearing Member in respect of CCP Settled Trades and, (ii) has engaged the services of a Professional Clearing Member to clear and settle such CCP Settled Trades carried out by it.

Listed Entity

means a Public Limited Company listed in terms of the Listing Rules of the CSE.

Market Collateral

means Market Collateral as defined in the SEC Act.

Market Contract

means a Market Contract as defined in the SEC Act.

Market Day

means any day on which the CSE is open for trading.

Non-CCP Settled Trades

means Trades cleared and settled by the Clearing House in terms of these Rules, which are identified in Rule 2.3 as Trades that shall not be cleared and settled by the Clearing House as a Central Counterparty.

Pending Buy Trades

means any Market Contract for purchase of securities which has been executed and is pending settlement.

Pending Sell Trades

means any Market Contract for sale of securities which has been executed and is pending settlement.

Professional Clearing Member

means a Clearing Member as defined in the SEC Act and admitted by the Clearing House to clear and settle (i) all CCP Settled Trades carried out by it as a Trading Participant or affirmed by it as a Custodian Bank and, (ii) all CCP Settled Trades carried out by a Limited Clearing Member.

Rules

means these rules issued by the CSE Clear (Private) Limited in its capacity as a Licensed Clearing House:-

SBL Module

Shall have the same meaning as set out in Section 16 of these Rules.

SBL Transaction

Shall have the same meaning as set out in Section 16 of these Rules.

SEC

means the Securities and Exchange Commission of Sri Lanka incorporated under the SEC Act.

SEC Act

means the Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021.

Securities

means Securities as defined in the SEC Act and recognized by the Clearing House as eligible Securities for Clearing or Settlement in terms of these Rules.

Self Clearing Member

means, a Clearing Member as defined in the SEC Act and admitted by the Clearing House to only clear and settle all CCP Trades carried out by it as a Trading Participant or affirmed by it as a Custodian Bank.

Settlement

means the settlement of Market Contracts in accordance with these Rules.

Settlement Date

means the date on which the settlement of a Market Contract shall take place in accordance with these Rules.

Settlement Schedule

means the schedule issued by the Clearing House on each Trade Day to a Clearing Member, reflecting the amounts to be payable or receivable (as the case may be) by such Clearing Member to the Clearing House on the Settlement Date.

Short Position

means in respect of a Market Contract for a Short Sale Transaction executed in terms of section 16 of the Trading Rules of the CSE, a position where the aggregate of the Cleared Balance of the relevant Securities in a Client Account and the number of Securities purchased under Pending Buy Trades in relation to such Client Account is, as at the end of the Trade Day, less than the aggregate of the Securities sold under such Short Sale Transaction and the number of Securities sold under Pending Sell Trades in relation to such Client Account.

Short Sale Transaction

shall have the same meaning as set out in the Trading Rules of the CSE.

Stock Broker

means a Stock Broker as defined in the SEC Act and admitted as a Trading Participant of the CSE.

Stock Broker Clearing Member

means a Clearing Member that is a Stock Broker.

Stock Dealer

means a Stock Dealer as defined in the SEC Act and admitted as a Trading Participant of the CSE.

Trade

means a transaction for the purchase or sale of Securities executed on the CSE, which is to be cleared or settled by the Clearing House, being a Market Contract for purposes of the SEC Act.

Trade Day

means in respect of a particular Trade, the Market Day on which the Trade is executed.

Trading Participant

means a Trading Participant as defined in the SEC Act and admitted as a Trading Participant by the CSE in terms of the Trading Participant Rules.

(ii) INTERPRETATION OF RULES

Headings are provided for ease of reference only and shall not affect the interpretation or construction of the provisions of these Rules.

Unless expressly provided to the contrary, the interpretation of these Rules shall be in conformity with the definitions set out above and in terms of the provisions of the SEC Act and the Rules, Regulations and Directives made thereunder. In the event of any ambiguity, the Board of Directors of the Clearing House or any Committee thereof, or their designee(s) shall have authority to interpret these Rules. Interpretations of the Board of Directors or any Committee thereof, or their designee(s) shall be final and binding subject to an appeal to the SEC provided that such appeal is made within seven (07) days of the interpretation being communicated to the aggrieved party.

If there is any conflict between any of the provisions of these Rules, the Circulars, Operational guidelines and procedures, these Rules shall prevail.