

SECURITIES LENDING AND BORROWING AGREEMENT

This Securities Lending and Borrowing Agreement (this “SBL Agreement”) is made and entered into by and between:

If the borrower/lender is an individual

[●] (holder of National Identity Card/Passport No. [●]) of [Address] (hereinafter called and referred to as the “**Client**” which term or expression as herein used shall where the context so requires or admits mean and include the said [●], his executors, administrators, heirs and permitted assigns) of the First Part;

If the borrower/lender is an incorporated company

[●], a limited liability company bearing company number [●] and having its registered office at [●] (hereinafter referred to as the “**Client**”, which term or expression as herein used shall where the context so requires or admits, mean and include the said [●], its successors and permitted assigns) of the First Part;

AND

[●], a company duly incorporated in the said Republic under the Companies Act No. 7 of 2007 bearing company number [●] and having its registered office at [●] in the Democratic Socialist Republic of Sri Lanka, being a clearing member of the CSE Clear (Private) Limited (hereinafter referred to as the “**Borrowing/Lending Clearing Member**”, which term or expression as herein used shall where the context so requires or admits, mean and include the said [●], its successors and permitted assigns) of the Second Part.

The Client and the Borrowing/Lending Clearing Member shall hereinafter be jointly referred to as the “Parties” and severally as the “Party.”

RECITALS

WHEREAS the Borrowing/Lending Clearing Member is a clearing member of the CSE Clear (Private) Limited (“CCL”) permitted to execute securities borrowing and lending transactions on the SBL Module, for and on behalf of its clients; and

WHEREAS the Client maintains a securities account with the Central Depository (CDS) and requested the services of the Borrowing/Lending Clearing Member to enter into and carry out securities borrowing and lending transactions on the SBL Module, for and on behalf of the Client; and

WHEREAS upon such request, the Borrowing/Lending Clearing Member has, in consideration of the benefits that may accrue to the Borrowing/Lending Clearing Member from a potential increase in securities transactions on the Colombo Stock Exchange resulting from securities borrowing and lending transactions and regulated short sell transactions that are facilitated by securities lending and borrowing, agreed to enter into and carry out securities borrowing and lending transactions on the SBL Module in terms of the Clearing House Rules, for and on behalf of the Client, subject to and upon the terms and the conditions hereinafter contained.

NOW THIS SBL AGREEMENT THEREFORE WITNESSETH that in consideration of each of the Parties doing, observing and performing the respective terms, conditions, covenants, stipulations and obligations contained in this SBL Agreement to be respectively done, observed and performed by each of them, the Parties hereto hereby agree as follows:

1. **Definitions and Interpretation of this SBL Agreement**

1.1. As used in this SBL Agreement, except as may otherwise be provided herein, all capitalized terms which are defined in the Clearing House Rules shall have the same meaning in this SBL Agreement as in the Clearing House Rules.

1.2. **Defined Terms.** As used in this SBL Agreement, the following terms have the respective

meanings set forth below:

Client Agreement	shall mean the agreement entered into between the Client and the Borrowing/Lending Clearing Member for the purposes of opening and maintaining a Client Account through the Borrowing/Lending Clearing Member and/or engaging the services of the Borrowing/Lending Clearing Member for the clearing and settlement of securities pursuant to trades on the exchange.
Direct Order	shall have the meaning in clause 2.2.3 of this SBL Agreement.
Pooled Order	shall have the meaning in clause 2.2.3 of this SBL Agreement.

1.3. The headings of the clauses and sub clauses of this SBL Agreement are inserted for convenience only and shall not be deemed to constitute a part thereof.

1.4. Any references, express or implied, to statutes or statutory provisions shall be construed as references to those statutes or statutory provisions as respectively amended or re-enacted or as their application is modified from time to time by other provisions (whether before or after the date hereof) and shall include any statutes or statutory provisions of which they are re-enactments (whether with or without modification) and any orders, regulations, instruments or other subordinate legislation under the relevant statute or statutory provision.

1.5. Any references, express or implied, to Clearing House Rules shall be construed as references to the Clearing House Rules as amended or re-enacted or as their application is modified from time to time (whether before or after the date hereof) and shall include any circulars, operational guidelines, procedures or orders issued by the Clearing House under the Clearing House Rules.

- 1.6. References to any document (including this SBL Agreement) are references to that document as amended, consolidated, supplemented, novated or replaced from time to time.
- 1.7. References herein to clauses, exhibits and schedules are to clauses in and the exhibits and schedules to this SBL Agreement unless the context requires otherwise and the Schedules to this SBL Agreement shall be deemed to form part of this SBL Agreement.
- 1.8. Unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing a gender include every gender.
- 1.9. For the avoidance of doubt, in the event of any inconsistency between the provisions of this SBL Agreement and the provisions of the Client Agreement (if any), this SBL Agreement shall prevail with regard to SBL Transactions. In the event of any inconsistency between the provisions of this SBL Agreement and the provisions of the Clearing House Rules, the Clearing House Rules shall prevail. In the event of any ambiguity in the terms of this SBL Agreement, the terms hereof shall be construed in a manner that is consistent with the provisions of the Clearing House Rules.

2. Appointment and authorization

- 2.1. The Client hereby engages and authorizes the Borrowing/Lending Clearing Member to execute SBL Transactions for and on behalf of the Client and to perform the specific services and obligations in connection therewith as morefully set out herein.
- 2.2. The Client may, from time to time, instruct the Borrowing/Lending Clearing Member to place orders on the SBL Module to borrow or lend Eligible Securities pursuant to SBL Transactions. Such instructions shall:
- 2.2.1. be given by the Client or by the person (s) who is authorized by the Client to place selling orders in terms of the Client Agreement (if any);

2.2.2. be in writing (electronic or otherwise), communicated verbally through recorded telecommunication lines or communicated by such other means as agreed between the parties;

2.2.3. specify if the order is to be placed as a direct order whereby the borrowing and lending of Eligible Securities (as the case maybe) are carried out directly through the Client Account (“**Direct Order**”) or as part of a larger pool order placed by the Borrowing/Lending Clearing Member on behalf of its clients whereby the borrowing and lending of Eligible Securities (as the case maybe) are carried out through a Designated Securities Account (“**Pooled Order**”); and

2.2.4. specify the terms such as the Eligible Security that is to be subject to the SBL Transaction, the quantity of Eligible Securities to be borrowed or lent, the borrowing or lending period, the Settlement Date and the borrowing rate or lending rate.

2.3. The Parties agree and acknowledge that the Direct Orders and Pooled Orders are matched and executed based on the instructions of the Client and in accordance with the rules of the Clearing House.

3. **Representations and Warranties**

3.1 The Client represents and warrants that:

3.1.1 the Client has full power, authority and capacity to enter into and perform its obligations under this SBL Agreement;

3.1.2 the Client has read, understood and is familiar with the rules relating to SBL Transactions stipulated in the Clearing House Rules and is well aware of the risks and benefits associated therewith.

- 3.1.3 the Client has, (i) with respect to the Eligible Securities in the Client Account which are the subject to a lending order and (ii) with respect to the Collateral Securities, title to such Eligible Securities and Collateral Securities, respectively and such Eligible Securities and Collateral Securities, respectively are free from any lien, charge, pledge or any encumbrances of whatsoever nature;
- 3.1.4 the Client has, (i) with respect to the Eligible Securities in the Client Account which are the subject to a lending order and (ii) with respect to the Collateral Securities, the right, power and ability to, with regard to the Eligible Securities, lend and transfer title to such Eligible Securities to a Borrower pursuant to a SBL Transaction and with regard to the Collateral Securities, sell and transfer title to such Collateral Securities in terms of clause 4.5 of this SBL Agreement;
- 3.1.5 the execution, delivery and performance of this SBL Agreement by it has been duly and validly authorized; and
- 3.1.6 the execution, delivery and performance of this SBL Agreement and the transactions contemplated by this SBL Agreement do not violate any constitutional documents (where applicable), any instrument to which the Client is a party or any order, judgment or decree of any court, governmental authority or regulatory body to which the Client is a party or by which the Client is bound.
- 3.2 The Borrowing/Lending Clearing Member represents and warrants, as of the date hereof and as at the execution of a SBL Transaction, that it is a Clearing Member appointed in terms of the Clearing House Rules and has the requisite power, authority and capacity to enter into and perform its obligations under this SBL Agreement.

4. **Collateral**

- 4.1. Where the Borrowing Clearing Member requires the Client to provide collateral to enable the Borrowing Clearing Member to meet margin requirements for a SBL Transaction of the Client as required in terms of the Clearing House Rules (including any additional margin or to replenish any shortfall in the value of the collateral), the Client shall, on a request being made by the **SBL Clearing Member**, forthwith provide the necessary collateral up to the extent required to fulfil the margin requirement. Such collateral shall be free from defect in title or encumbrances and shall be in such form specified in the Clearing House Rules.
- 4.2. The Client acknowledges and agrees that any Collateral Securities shall be held in the collateral locked balance of the Client Account and that such Collateral Securities shall not be available for trading.
- 4.3. In the event of a defect in title or existence of an encumbrance over any Collateral Securities provided to the Borrowing Clearing Member, the Client shall immediately inform the Borrowing Clearing Member and replace the defective collateral with other collateral as specified in the – Clearing House Rules
- 4.4. Where the value of the marked to market value of the collateral provided is over and above the margin required to satisfy the daily margin requirement stipulated in the Clearing House Rules, the Borrowing Clearing Member shall promptly return the excess margin by (a) in the case of cash collateral furnished by the Client, returning the cash together with any interest accrued and (b) in the case of Collateral Securities, request the Clearing House to instruct the CDS to take necessary action to unlock the relevant excess Collateral Securities and to make available the excess securities in the trading balance of such Client Account.
- 4.5. The Borrowing Clearing Member shall hereby be authorized to liquidate, as and when directed by the Clearing House, the collateral deposited by the Client to comply with the requirements of the Clearing House Rules. The authorization referred to in this clause

4.5 permits and authorises the Borrowing Clearing Member to sell any Collateral Securities furnished as collateral in relation to the SBL Transaction and provide the proceeds of such sale to the Clearing House for utilization for the purpose of meeting the requirements under the Clearing House Rules.

4.6. Upon the completion and settlement of the SBL Transaction with regard to which the collateral was provided, the Borrowing Clearing Member shall promptly (a) return any cash collateral furnished by the Client and returned by the Clearing House to the Borrowing Clearing Member in terms of the Clearing House Rules together with any interest accrued and (b) request the Clearing House to instruct the CDS to take necessary action to unlock the relevant Collateral Securities and to make available the Collateral Securities in the trading balance of the Client Account.

5. **Settlement of SBL Transactions**

5.1. The Parties acknowledge and agree that the clearing and settlement of SBL Transactions shall be in accordance with the Clearing House Rules and accordingly each shall take the respective steps necessary to ensure that the SBL Transaction shall take place and is completed in terms of the Clearing House Rules.

5.2. The Client shall, where the Client is a Lender, be entitled to the Lending Fee and the Settlement Securities on the Settlement Date, as stipulated in terms of the Clearing House Rules.

5.3. Without prejudice to the foregoing, the Client shall, where the Client is a Borrower,

5.3.1. make available the required number of Settlement Securities to settle an SBL Transaction in the cleared balance of the Client Account by [●] on the Return Date; and

5.3.2. make available the aggregate Lending Fee for the period of the SBL Transaction to the Borrowing/Lending Clearing Member as Cleared Funds by [●] on the

Settlement Date.

5.4. Where the issuer of the Settlement Securities carries out any corporate action that is relevant to or affects the Settlement Securities under an SBL Transaction prior to the settlement of such SBL Transaction,

5.4.1. the Client, as a Lender, shall be entitled to receive securities or financial compensation in lieu thereof, in the manner specified by the Clearing House; and

5.4.2. the Client, as a Borrower, shall

5.4.2.1. make available the required number of securities in the cleared balance of the Client Account by [●] on the date specified by the Clearing House; and

5.4.2.2. make available the required fund as Cleared Funds by [●] on the date specified by the Clearing House.

6. **Changes to the Borrowing/Lending Period of an SBL Transaction**

6.1. The Client may inform the Borrowing/Lending Clearing Member, in writing and in the manner prescribed by the Clearing House, that the Client,

6.1.1. where the Client is a Lender, seeks to exercise the right under the Clearing House Rules to require the Settlement Securities be delivered to the Client on a date prior to the Return Date executed in the SBL Module in terms of the Clearing House Rules;

6.1.2. where the Client is a Borrower, seeks to exercise the right under the Clearing House Rules to settle an SBL Transaction by the delivery of the Settlement

Securities to the Lender on a date prior to the Return Date executed in the SBL Module in terms of the Clearing House Rules.

6.2. Upon receipt of the notification referred to in clause 6.1, the Borrowing/Lending Clearing Member shall take the necessary steps under the Clearing House Rules to carry out the instructions of the Client as set forth in the said notification.

6.3. The notification referred to in clause 6.1 above shall

6.3.1. specify the date for early delivery or settlement of the SBL Transaction (as the case maybe) (which shall, for the avoidance of doubt, be the Return Date in respect of such SBL Transaction and the Settlement Date shall be the Market Day immediately following such date) and the number of Settlement Securities to be delivered on such date; and

6.3.2. be given by the Client to the Borrowing/Lending Clearing Member at least [one (1)] Market Day prior to the date on which the Borrowing/Lending Clearing Member is required to notify the counterparty to the SBL Transaction via the Clearing House in terms of the Clearing House Rules, of the change to the Return Date so as to enable the Borrowing/Lending Clearing Member to comply with the relevant timelines prescribed in the Clearing House Rules.

6.4. In the event of a foreclosure of an SBL Transaction in terms of the Clearing House Rules, the Borrowing/Lending Clearing Member shall promptly inform the Client of such foreclosure and the Client shall comply with the obligations set out in clause 5.3 on the dates specified by the Clearing House.

6.5. The Client may exercise the right granted under the Clearing House Rules to extend the period of an SBL Transaction by providing the Borrowing/Lending Clearing Member with due notice. Upon receipt of such notice, the Borrowing/Lending Clearing Member shall inform the counterparty Clearing Member of the SBL Transaction via the Clearing House.

7. Notwithstanding the provisions of this SBL Agreement, the Client shall be entitled to all the rights and benefits conferred on the Client from time to time by the Clearing House and the Clearing House Rules.

8. Notwithstanding the provisions of this SBL Agreement, the Borrowing/Lending Clearing Member shall not be liable for any loss or damages suffered by the Client in the event any SBL Transaction is not executed or settled as per instructions provided by the Client (including any loss of benefit accruing from a corporate action of the issuer which the Client would have received if the SBL Transaction was executed or settled), if such failure is due to any defect, malfunction or any other issue of the SBL Module.

9. **Defaulted SBL Transactions**

9.1. In the event the Client fails to meet his obligations under the Clearing House Rules, the Client shall pay the compensation and additional payments stipulated in the Clearing House Rules. The Client shall make available to the Borrowing/Lending Clearing Member the compensation and additional payments as Cleared Funds by [●] on the Settlement Date.

9.2. In the event the Client fails to make available the compensation and additional payments referred to in clause 9.1, the Borrowing/Lending Clearing Member shall, based on instructions and directions of the Clearing House, have the right to liquidate and to use the collateral and margin deposited by the Client (including by the sale of any Collateral Securities furnished as collateral) in order to fulfill the Borrowing/Lending Clearing Member's obligations as specified by the Clearing House Rules.

10. **Confidentiality**

10.1. For the purpose of this clause, “**Confidential Information**” means all information disclosed by a party (“**Disclosing Party**”) to the other party (“**Receiving Party**”), whether orally or in writing, that is designated as confidential or that reasonably should be understood to be confidential given the nature of the information and the circumstances of disclosure and shall include but not be limited to the content of this SBL Agreement, any aspect of the operational or financial status of the business of the Company and anything discussed at the negotiations of this SBL Agreement.

10.2. The Receiving Party shall treat, and shall cause its officers, directors, employees, advisors and auditors also to treat, Confidential Information as strictly confidential and shall not divulge or disclose (directly or indirectly) such information to any other person or entity (other than to its officers, directors, employees, advisors and auditors who reasonably require access to such Confidential Information for the purpose for which it was disclosed), without the prior written consent of the Disclosing Party except when:

10.2.1. such disclosure is required by law or by any order of any administrative or judicial authority which is (a) final and subject to no appeal or (b) although not final, is executory pending any appeal;

10.2.2. such information has become public through no fault of the Receiving Party; or

10.2.3. such information has been obtained separately by the Receiving Party from a third party that is not bound by any confidentiality regarding such information.

10.3. The Receiving Party shall return to the Disclosing Party or destroy all Confidential Information held by such Party in any medium at any time on the request of the Disclosing Party.

10.4. The Receiving Party shall immediately inform the Disclosing Party if the Receiving Party becomes aware or suspects that there has been a breach of this clause of the SBL Agreement.

10.5. Each Party acknowledge and agree that if the terms of this clause are breached by a Receiving Party or directors, officers, employees, consultants, representatives, agents or advisers of the Receiving Party, the Disclosing Party may suffer irreparable and immediate harm for which monetary damages alone cannot compensate and accordingly, the Disclosing Party shall be entitled to equitable reliefs (including injunctions and specific performance) in addition to other legal remedies for the enforcement of such terms.

11. **Indemnity**

Each Party ("Indemnifying Party") shall defend, indemnify, save and hold the other Party, its directors, officers and employees harmless against any and all losses, damages, costs, claims, demands, suits, liabilities and expenses suffered, incurred, sustained or arisen due to, in connection with, in consequence of and/or on account of the Indemnifying Party's fraud, gross negligence or wilful misconduct in connection with the performance of a SBL Transaction as provided for in this SBL Agreement including but not limited to non-compliance with the Clearing House Rules, and applicable law.

12. **Force Majeure Event**

12.1. In the event of any failure and/or delay in the performance or observance of any obligation by either Party arising from a cause beyond its control such as but not limited to acts of public enemy, war, hostility, insurrection, riot, civil strike, civil commotion, civil disobedience, natural disaster, act of god, such failure or delay shall not be deemed to constitute a breach of this SBL Agreement but shall merely be considered as a suspension of contract.

12.2. The Party subject to the force majeure event shall as soon as reasonably possible intimate to the other of the force majeure, the nature of the damages/breach and the steps taken to remedy the same. For the avoidance of doubt, this SBL Agreement shall

be suspended during the continuance of the force majeure event as set out in clause 12.1 above only upon notice thereof being received by the other Party not subject to the force majeure event.

13. **Term and Termination**

13.1. This SBL Agreement shall continue to be in full force and effect until the date at which this SBL Agreement is terminated.

13.2. Notwithstanding any provision to the contrary contained in this SBL Agreement or the Client Agreement (if any), this SBL Agreement may be terminated:

- (a) at any time by mutual agreement of the Parties;
- (b) by either Party by giving the other Party [thirty (30)] days' notice in writing;
- (c) in the event either Party is in breach of any other term of this SBL Agreement, and upon being notified by the other Party, the Party in breach has not remedied such breach within a period as may be specified in the said notice.

13.3. Any termination of this SBL Agreement shall be without prejudice to any rights or obligations which shall have accrued to either party prior to termination.

14. **Governing Law and Dispute Resolution**

14.1. This SBL Agreement shall be governed and construed in accordance with the laws of Sri Lanka.

14.2. In the event any, doubt, difference, dispute, controversy or claim arising out of or relating to this SBL Agreement arising from, out of or in connection with this SBL Agreement, or on the interpretation thereof or on the rights, duties, obligation or liabilities of either Party or on the operation, breach, termination or validity of this SBL

Agreement then and in every such case such dispute, controversy or claim shall be resolved by a court in Sri Lanka.

15. **General Provisions**

15.1. This SBL Agreement shall be binding on and shall enure for the benefit of each Party's successors and shall assign and the personal or legal representatives as the case may be, subject to the terms and conditions of this SBL Agreement.

15.2. Each of the Parties undertakes with each of the other Parties that it shall do or cause or procure to be done, all such acts and things and shall execute or cause or procure to be executed all such documents as may be necessary or appropriate to implement the provisions of this SBL Agreement or otherwise give full legal force and effect thereof.

15.3. No delay or omission on the part of any Party in exercising any right, power or privilege shall operate to impair such right, power or privilege or be construed as a waiver by such party of the same and no single or partial exercise or non- exercise or delay in exercising any right, power or privilege by any Party shall in any circumstances preclude any other or further exercise by such Party of such right power or privilege or the exercise of any other right, power or privilege by such Party.

15.4. This SBL Agreement may be executed in counterparts and by different Parties on separate counterparts which when taken together shall be deemed to constitute one agreement, provided that any counterpart so signed shall thereafter be exchanged for execution by the other Parties with a view to ensuring that each Party shall have a counterpart of this SBL Agreement duly executed by the other Parties.

15.5. Each provision contained in this SBL Agreement shall be read and construed independently of the other provisions herein contained so that if one or more provisions are held to be invalid due to any reason whatsoever then the remaining provisions shall be valid to the extent that they are not held to be so invalid.

15.6. Time, whenever mentioned in this SBL Agreement, shall be of the essence of this SBL Agreement.

15.7. This SBL Agreement is based on the standard form Securities Lending and Borrowing Agreement prescribed by the Clearing House in terms of the Clearing House Rules and constitutes the entire understanding between the Parties and supersedes all previous agreements and undertakings. No variations hereof shall be effective unless made in writing and signed by all the Parties, provided however that where the Clearing House prescribes any changes to the content of the standard form Securities Lending and Borrowing Agreement either in *toto* or in part, the Borrowing/Lending Clearing Member shall communicate such changes to the Client in writing and such changes shall be deemed to be incorporated into this SBL Agreement, *ipso facto*, upon the receipt by the Client of the said written communication.

Notice of changes to the standard form Securities Lending and Borrowing Agreement sent (i) by post is deemed to have been received by the Client within [three (3)] working days of the posting; or (ii) by facsimile or other electronic means is deemed to have been received in the day following the transmission of the facsimile or other electronic means, of a properly addressed letter containing the change.

15.8. Neither Party shall assign all or any part of its rights, benefits or delegate any of its obligations under this SBL Agreement to any person, except with the prior written consent of other Party.

IN WITNESS WHEREOF, the parties hereto have caused this SBL Agreement to be executed in duplicate in the manner hereinafter mentioned on the dates specified below.

[Signature page to follow]

Specimen Agreement

If borrower/lender is an individual

Signed by [●])
at [●] on this [●] day of [●], 20[●] in the presence of)

Witnesses:

- 1.
- 2.

If borrower/lender is an incorporated company

Signed by [●], director and [●] director of [●])
at [●] on this [●] day of [●], 20[●] in the presence of)

Witnesses:

- 1.
- 2.

For Borrowing/Lending Clearing Member

Signed by [●], director and [●] director of [●])
at [●] on this [●] day of [●], 20[●] in the presence of)

Witnesses:

- 1.
- 2.