

## **SECTION 2**

### **CLEARING AND SETTLEMENT FACILITIES**

#### **2.1 Use of Clearing and Settlement Facilities**

The Clearing and Settlement facilities offered by the Clearing House shall only extend to settlement of Market Contracts by Clearing Members appointed by the Clearing House in terms of these Rules.

#### **2.2 Appointment of Settlement Bank/s**

- (i) In order to facilitate the settlement of funds in relation to Market Contracts between Clearing Members of the Clearing House on each settlement date (inter - clearing member settlement), the Clearing House shall appoint one or more commercial banks, licensed under the Banking Act No. 30 of 1988 (as amended), to function as the settlement bank/s.
- (ii) A Clearing Member shall open only one account with any one of such settlement banks appointed by the Clearing House for the purpose of facilitating the inter - clearing member settlement of funds.

#### **2.3 Types of Products/Eligible Securities for Clearing and Settlement**

All Securities listed and/or traded on the CSE, which are denominated in Sri Lankan Rupees or Designated Foreign Currency/ies shall be eligible Securities for Clearing or Settlement in terms of these Rules.

#### **2.4 Availability of Facilities for Foreign Currency Settlements**

Market Contracts in Securities Designated in Foreign Currency/ies shall be cleared and settled in terms of these Rules only by Clearing Members that are Custodian Banks as defined herein.

#### **2.5 Delivery Vs Payment Settlement Mechanism**

Settlement of all Market Contracts shall be performed by the Clearing House on a Delivery Vs Payment basis in terms of these Rules.

#### **2.6 Settlement Instructions**

- 2.6.1 Settlement of Market Contracts under these Rules shall be carried out in accordance with the Settlement Instructions issued by the Clearing House.
- 2.6.2 Settlement Instructions referred to in Rule 2.6.1 shall reflect the debits and credits that have been entered into the Clearing Member's account and the net amount to be settled by each Clearing Member on a given Settlement Date.

2.6.3 The Clearing House shall communicate Settlement Instructions to all Clearing Members and appointed settlement banks by way of Settlement Schedules issued on each Trade Day.

For the avoidance of doubt;

- (i) All Excluded Crossings shall be reflected in a separate Settlement Schedule issued by the Clearing House, setting forth the gross amount to be settled by the Clearing Members under each Excluded Crossing.
- (ii) All market contracts carried out on the CSE using the All-Or-None (AON) Block facility shall be reflected in the Settlement Schedule issued by the Clearing House.

2.6.4 The Clearing House may subsequently amend or cancel any Settlement Instructions to effect any settlement of Market Contracts in terms of these Rules by way of issuing an amended Settlement Schedule to the Clearing Members and appointed settlement banks of the Clearing House by T+1.

## **2.7 Netting Arrangements for Fund Settlements**

2.7.1 A Clearing Member's obligation on any Settlement Date to make payment in respect of Market Contracts to be cleared or settled by such Clearing Member shall be set off against such Clearing Member's entitlement to receive funds on such Settlement Date for Market Contracts cleared or settled by such Clearing Member.

2.7.2 Provided however, that in the event of an Excluded Crossing, the Clearing Members clearing and settling such transaction may request the Clearing House, prior to the computation of margins by the Clearing House on the Trade Day, to exclude the settlement of funds in respect of such transaction from the set off of the payment obligations referred to in Rule 2.7.1.

The Clearing Members shall make such request to the Clearing House in the format prescribed by the Clearing House for such purpose.

Upon approval of such request by the Clearing House, all payment obligations relating to such Excluded Crossings shall be settled on a gross basis by the Clearing Member.

## **2.8 Finality of Settlement of Market Contracts**

2.8.1 The payment obligations of a Clearing Member for a given Settlement Date, as set out in the Settlement Schedule issued by the Clearing House, is discharged by and shall be final and irrevocable upon the debiting of the relevant settlement bank account of such Clearing Member maintained at the appointed settlement bank and the settlement of a Clearing Member's entitlement to receive funds on a given Settlement Date pursuant to the Settlement Schedule and shall be final and irrevocable upon the crediting of the settlement bank account of such Clearing Member maintained at the appointed settlement bank.

2.8.2 The delivery of Securities by the seller to the buyer is effected by and shall be final and irrevocable upon the debiting of the required number of relevant Securities from the seller's Client Account and the receipt of such Securities by the buyer from the seller is effected by and shall be final and irrevocable upon the crediting of such Securities into the buyer's Client Account.