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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

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PART I : SECTION (I) — GENERAL

Government Notifications

L. D. B. 15/2024

PUBLIC DEBT MANAGEMENT ACT, No. 33 OF 2024

REGULATIONS made by the President under Section 35 of the Public Debt Management Act, No. 33 of 2024 read with Sections 6(b), (c) and (j), 16 and 31 of that Act and the proviso to Subsection (3) of Article 44 of the Constitution of the Democratic Socialist Republic of Sri Lanka, on the recommendation of the Public Debt Coordination Committee.

ANURA KUMARA DISSANAYAKE,
President.

Colombo,
24th October, 2025.

Regulations

1. These regulations may be cited as the Public Debt Management Regulations No. 02 of 2025.

2. Without prejudice to the provisions of the Registered Stock and Securities Ordinance (Chapter 420) and the Local Treasury Bills Ordinance (Chapter 417) and any rules, regulations, directives, guidelines or circulars issued or appointments made thereunder by the Central Bank of Sri Lanka or any other person authorized by the Central Bank of Sri Lanka in respect of -



- (a) the issuance of Government debt securities;
- (b) the operation of the primary dealer system; and
- (c) the appointment, monitoring, supervision and regulation of primary dealers, other dealers, non - dealer bidders, or agents.

These regulations shall apply for the purpose of performing the functions and duties assigned to the Public Debt Management Office under the Act.

3. The primary dealers appointed under the provisions of the Registered Stock and Securities Ordinance (Chapter 420) and the Local Treasury Bills Ordinance (Chapter 417) shall continue to be primary dealers for the purposes of the Public Debt Management Act, No. 33 of 2024.

4. The designated non - dealer bidders appointed by the Central Bank of Sri Lanka under the Registered Stock and Securities Ordinance (Chapter 420) and the Local Treasury Bills Ordinance (Chapter 417) and holding such appointment on the date of coming into operation of these regulations shall continue to participate in Government security auctions conducted by the Public Debt Management Office.

5. Every Primary dealers shall -

- (a) have the right to deal with the Public Debt Management Office as a counterparty in the primary and secondary markets for Government debt securities;
- (b) participate in the primary market with access to primary auctions in such manner and at such levels as may be determined by the Public Debt Management Office, from time to time, and communicated to such primary dealer;
- (c) be responsible for creating and maintaining a secondary market in Government debt securities;
- (d) comply with the requirements relating to the maintenance of stocks of Government debt securities and participation in the secondary market, as may be determined by the Public Debt Management Office from time to time, and communicated to such primary dealer;
- (e) have the right to engage in transactions relating to Government debt securities for its own account or on behalf of its customers, while ensuring fair dealing, transparency in pricing and the execution and the prevention of market manipulation or abusive practices;
- (f) maintain appropriate standards of professional competence, risk management, cybersecurity, internal control and infrastructural facilities, as may be determined by the Public Debt Management Office from time to time, and communicated to such primary dealer;
- (g) act in fiduciary capacity in respect of its customers in relation to the holding, collection and payment of maturity proceeds and interest on Government debt securities, and for this purpose segregate the assets of its customers from its own assets. The assets of customers shall not form a part of the assets of the primary dealer in the event of winding up;
- (h) maintain strict confidentiality in its dealings with its customers, uphold the highest standards of market integrity and investor protection ensure that conflicts of interest are properly identified, managed, and disclosed to the Public Debt Management Office; and
- (i) conduct its business and activities in accordance with the operations manual, code of conduct and any other guidelines formulated by the Public Debt Management Office, from time to time, including adherence to customer protection standards and effective complaint resolution mechanisms.

6. The Public Debt Management Office shall periodically evaluate the performance of each primary dealer having regard to -

- (a) the effectiveness of its participation at primary auctions of Government securities;
- (b) its role in creating and maintaining a secondary market in Government securities; and
- (c) in consultation with Central Bank of Sri Lanka, its record of compliance with applicable laws, rules, regulations, directions, guidelines and the code of conduct issued from time to time.

7. (a) Where in the course of an evaluation carried out under regulation 6, the Public Debt Management Office identifies any short coming in the performance of a primary dealer, it shall inform such primary dealer of the same, and the primary dealer shall take such remedial measure as may be recommended by the Public Debt Management Office, together with additional measures it considers necessary to rectify such short comings,

(b) Failure on the part of the primary dealer to comply with such recommendations may result in the suspension or revocation of its appointment as a primary dealer by the **Minister, on the recommendation of the Public Debt Management Office.**

8. A primary dealer whose appointment has been suspended or cancelled by the Central Bank of Sri Lanka, or who is subsequently suspended or cancelled by the Minister, shall not have the right to deal with the Public Debt Management Office as a counterparty in the primary or secondary markets for Government debt securities unless such suspension is revoked or such primary dealer is reappointed by the Central Bank of Sri Lanka or by the Minister, as the case may be.

9. A primary dealer whose appointment has been suspended or cancelled may, after the expiry of such period as may be determined by the Public Debt Management Office, appeal in writing to the Minister through the Public Debt Management Office against such suspension or cancellation, stating the grounds of such appeal and the remedial measures undertaken to rectify the causes, that led to such suspension or cancellation.

10. Upon receipt of an appeal under regulation 9, the Public Debt Management Office shall consider the grounds set out therein and make recommendations to the Minister taking into account -

- (a) the corrective measures undertaken by the primary dealer;
- (b) its financial soundness;
- (c) its record of compliance and performance during the period of suspension or cancellation;
- (d) the absence of any ongoing legal or regulatory proceedings against the primary dealer or its directions;
- (e) the possible impact of reinstatement on the stability and integrity of the market;
- (f) the recommendation of the Central Bank of Sri Lanka; and
- (g) the justification provided by the primary dealer.

11. Every primary dealer, and the directors and officers of such primary dealer, shall make available to the Director General of the Public Debt Management Office, all books, accounts, registers, files and other records maintained in relation to its activities as a primary dealer, including records maintained in electronic or magnetic form and shall furnish such books, accounts, registers, files or any information as may be required for the purposes of regulation 5.

12. (a) The Director General of the Public Debt Management Office may from time to time, issue such directions or guidelines to primary dealers as may be necessary -

- (i) to ensure compliance by the primary dealers with the provisions of these regulations; and
- (ii) to ensure the proper and orderly conduct of business by primary dealers in the primary and secondary markets for Government debt securities.

(b) Without prejudice to the generality of sub regulation (a), such directions or guidelines may relate to -

- (i) the procedures to be followed by primary dealers in respect of any auction of Government securities conducted by the Public Debt Management Office, and in relation to their operations in the secondary market;
- (ii) the minimum level of and the effective level of participation to be maintained by primary dealers in primary auctions of Government securities conducted by the Public Debt Management Office;
- (iii) the conditions to be complied with by primary dealers in the collection and payment of maturity proceeds and interest on Government securities to customers;
- (iv) the maintenance of books, records and accounts by primary dealers;
- (v) the submission by primary dealers of such periodic reports or information as may be required by the Public Debt Management Office;
- (vi) the minimum level of secondary market operations to be maintained by primary dealers;
- (vii) the maintenance of adequate stocks of Government securities to meet the demand for such securities in the secondary market;
- (viii) the imposition of charges on customers ensuring transparency and fairness in pricing;
- (ix) the infrastructure and other facilities to be maintained by primary dealers for the proper discharge of their duties;
- (x) the rectification of any failure or shortcoming identified in the course of performance evaluation conducted by the Public Debt Management Office under regulation 6 or 7; and
- (xi) any other matter as may be considered necessary by the Public Debt Management Office for the development of the Government securities market, and the strengthening of the primary dealer system and the protection of customers.

13. The Minister may, from time to time, issue such guidelines to the Public Debt Management Office as may be necessary in respect of -

- (a) the procedures to be applied for the issuance of Government debt securities;
- (b) the management and regulation of the primary dealer system; and
- (c) any other matter connected therewith or incidental thereto.

14. For the purposes of these regulations, “primary dealer” means any licensed commercial bank, company, or other person applied by the Minister under Section 31 (2) of the Public Debt Management Act, No. 33 of 2024 or the Central Bank of Sri Lanka under the provisions of the Registered Stock and Securities Ordinance (Chapter 420) and the Local Treasury Bills Ordinance (Chapter 417) as a counterparty in the primary and secondary markets for Government debt securities

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