

PART III

PART III

MAJOR ADMINISTRATIVE MEASURES ADOPTED BY THE MONETARY BOARD IN 2010

OPERATING INSTRUCTIONS, CIRCULARS, DIRECTIONS AND NOTICES

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Bank Supervision Department
15 January 2010

OPERATING INSTRUCTIONS

THE SCHEME OF PAYMENT OF 20% BONUS FOR SENIOR CITIZENS ON THEIR RUPEE DEPOSITS IN LICENSED BANKS

1. The Scheme

Interest rates structure in the economy has gradually come to a lower plateau with the easing of monetary policy stance. Subsequently, interest rates paid on deposits have also declined. It is, therefore, necessary to give a special consideration to the senior citizens who have invested their savings with licensed banks and are depending on interest income to meet their day to day living expenses. In view of the foregoing, the Government of Sri Lanka decided to pay 20% bonus interest on interest paid on rupee deposits of senior citizens with licensed banks with effect from 01.01.2010.

2. The Operating Framework

The following operating framework has been worked out by the Central Bank of Sri Lanka for the payment of bonus interest on behalf of the Government of Sri Lanka.

- (a). **Implementation** - The framework for payment of bonus interest under the scheme will be operated by the Bank Supervision Department of the Central Bank of Sri Lanka.
- (b). **Eligibility** - All Sri Lankan citizens of above 60 years of age are eligible to receive the bonus interest for their rupee savings and fixed deposits held in licensed banks. (Rupee deposits in the form of certificates of deposits and savings certificates will not qualify for this purpose.)
- (c). **Qualified Account Categories** - The bonus interest will be paid on the interest accrued on the following categories of rupee savings and fixed deposit accounts of senior citizens.
 - (i) Existing or new individual and joint deposit accounts of senior citizens,
 - (ii) Existing or new joint deposit account/s of a senior citizen with the spouse, and
 - (iii) Joint deposit accounts of senior citizens with individual/s of below 60 years of age (other than the spouse) that have been in operation before 01.01.2010. (New accounts of this nature will not be considered under the scheme)

Note: Licensed Banks are required to inform the details of interests accrued on the above accounts to the Director of Bank Supervision in the Format given in Annex 1 within 5 days from the end of the preceding month.

- (d). **Quantum of Bonus Interest** - Bonus interest shall be equal to 20 per centum of the interest that accrues monthly per account per senior citizen, after 01.01.2010 against rupee deposit accounts of senior citizens stated in (b) above.
- (e). **Maximum Payment** - Maximum bonus interest payment per senior citizen under this scheme is limited to Rs. 120,000 per annum.

- (f). **Determination of the Bonus Interest** - The bonus interest earned by senior citizens under this scheme will be calculated by the Bank Supervision Department on the basis of information submitted by licensed banks (In the Format given in Annex 1) and will be paid to the nominated accounts of senior citizens in the following month.
- (g). **Requirements of the Licensed Banks** - Licensed banks shall require to nominating a rupee deposit account, preferably a savings account, and inform the details of such account (i.e. the bank and account number) to the Director of Bank Supervision of the Central Bank of Sri Lanka to pay in the applicable bonus interest. In cases where two or more licensed banks report more than one account against one senior citizen (NIC number) for this purpose, the Bank Supervision Department at its discretion shall select one account in a licensed bank and pay the due bonus interest to that account.
- (h). **Responsibilities of the Bank Supervision Department** -
- (i). Monthly bonus interest amount and the rupee deposit account number to be credited with, in favour of each depositor under this scheme will be informed by the Director of Bank Supervision to each licensed bank within 14 days of the end of a calendar month.
 - (ii). The Director of Bank Supervision at the time of dissemination of information as stated in (h) above will credit the clearing account of the respective licensed bank in the Central Bank of Sri Lanka with the amount of bonus interest for the particular month to be paid under this scheme.
- (i). **Credit of interest to the Account** - Accordingly, the monthly payment of bonus interest shall be credited by licensed banks in the following month on the basis of information so informed by the Director of Bank Supervision as stated in (h) above to the account mentioned/decided under (g) above.
- (j). **Requirements of the Senior Citizens** - Banks shall obtain declarations from their existing customers who are senior citizens eligible to receive bonus interest under this scheme and from all new such depositors, at the time of opening new qualifying deposit/s, in order to repay any bonus interest received by a senior citizen in excess of the maximum limit of Rs. 120,000 per annum.
- (k). **Action on Abuse** - In case of willful misuse of this scheme, CBSL, at its discretion would decide such depositor/s as unqualified to receive bonus interest under the scheme and require such depositors to repay bonus interest so received under this scheme up to that date.
- (l). **Records Maintenance** - Licensed banks shall maintain records on the payment of bonus interest for Examiners of Bank Supervision Department to peruse at any time.

Framework for the payment of proposed 20 per centum of Bonus Interest to Senior Citizens on interest on rupee deposits of licensed banks

Data Reporting Format - 1 for LCBs and LSBs

1. Account and Interest Details

- 1.1. All monthly interest accruals shall be reported in the following format in a text file.
- 1.2. National Identity Card Number is a must.
- 1.3. If the account type is 'Fixed Deposit' it is mandatory to send the number of associated savings account or any other savings or current account of the customer in the following file. In this case AccType is 3 and InterestPaid is 0.

Note : The length of the following fields are based on the SLIPS file format.
BankCode, BranchCode, AccNumber and Customer Name

Field Name	Data Type	Mandatory	Comment
BankCode	Number(4)	YES	Bank Code used for Cheque Clearing(7NNN)
BranchCode	Number(3)	YES	Branch code in which the Account was opened.
BranchName	Text(40)	YES	Branch Name in which the account was opened.
AccNumber	Text(12)	YES	Account Number
CustomerName	Text(20)	YES	
NIC	Text(10)	YES	National Identity Card Number of the customer.
AccType	Number(2)	YES	Type of Acc 1. Fixed Deposits 2. Savings 3. Current Account
Period	Number(6)	YES	Period to which the Account is Paid. Eg. Indicate December 2009 as 200912
Interest Accrued	Number(12,2)	YES	Amount of Interest accrued for this account.
Nominated	Text(1)	YES	Enter 'Y' or 'N' If 'Y' then this account is used to credit the bonus interest. 'Y' should be indicated only with savings Account.

- 1.4. Instructions for the preparation of the text file are as follows:
 - All the fields should be separated by using 'Pipe'(|) sign
 - End each line with a carriage return.
 - First row should contain above field names and be separated with the pipe sign.

Ref. : 02/04/008/0002/002

Bank Supervision Department
25 February 2010

To: Chief Executive Officers of all Licensed Banks

Dear Sir/Madam,

MANDATORY LENDING TO THE AGRICULTURE SECTOR

Further to our letter No: 02/04/008/0002/002 dated 13 July 2009 on the above subject, we write to inform you of the following:

- 1) The Monetary Board has decided to:
 - a) create a refinance fund to be operated by the Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL) for lending to the Agriculture Sector through banks;
 - b) require banks that are non-compliant with the 10% lending requirement to the Agriculture Sector since end 2009 to contribute any shortfall to this refinance fund; and
 - c) pay a rate of return of 2% per annum to the contributing banks after commencing lending through other banks.
- 2) A refinance fund "Special Loan Scheme for Agriculture Sector Development - Account No: 32 0000 900" has been created in the CBSL.
- 3) Accordingly, all licensed banks are required to:
 - a) credit funds to the above account to cover any shortfall of the agriculture lending requirement of 10% by end 2009 within 7 days from the date of this letter; and
 - b) assess the position on lending to agriculture sector quarterly and credit funds equivalent to the short fall of the requirement of 10% to the above account within 15 days from the end of each quarter.

Yours faithfully,

(Mrs) T M J Y P Fernando
Actg. Director of Bank Supervision

Ref. : 02/17/800/0006/01

Bank Supervision Department
11 March 2010

Directions to Licensed Commercial Banks appointed as Authorised Dealers

Dear Sir/Madam,

PREPAYMENT OF IMPORT BILLS

Licensed commercial banks appointed as authorised dealers are hereby informed that the Operating Instructions issued under Ref. No.02/17/800/0006/01 dated 31/10/2008 on the above subject are hereby withdrawn.

Yours faithfully,

P H O Chandrawansa
Controller of Exchange

(Mrs) T M J Y P Fernando
Director of Bank Supervision

Ref. : 02/17/800/0007/001

Bank Supervision Department
19 March 2010

To: CEOs of Licensed Commercial Banks

Dear Sir/Madam,

**DECISION OF THE CABINET OF MINISTERS ON
RESERVATION OF GOVERNMENT SECTOR IMPORT CARGO
FOR THE CEYLON SHIPPING CORPORATION LTD. - PUBLIC FINANCE
CIRCULAR NO. 415 DATED 6 MAY 2005**

The Ministry of Ports and Aviation by their letter dated 10 March 2010 on the above subject has advised us to inform the licensed commercial banks of the decision taken by the Cabinet of Ministers dated 3 February 2010, as follows:

“All cargo imported by Government institutions, including Government Owned Companies, should be carried through the Ceylon Shipping Corporation Ltd., as stipulated in Public Finance Circular No. 415 of 6 May 2005.”

Yours faithfully,

(Mrs) T M J Y P Fernando
Director of Bank Supervision

Ref. : 02/17/600/0014/003

Bank Supervision Department
14 May 2010

To : Chief Executive Officers of Licensed Commercial Banks

Dear Sir/Madam,

DECLARATION TO BE SUBMITTED BY PERSONS ENGAGED IN FOREIGN EXCHANGE BUSINESS

As announced at the monthly meeting of the Chief Executive Officers held on 29 April 2010, it is observed that the Declarations of persons engaged in foreign exchange business furnished by certain licensed commercial banks are not complete and consistent with the requirements of Direction No. 3 of 2009, on Risk Management relating to Foreign Exchange Business. We, therefore, attach herewith a format of the Declaration to be submitted by persons engaged in foreign exchange business. Banks which have already submitted Declarations largely in line with this format are not required to re-submit Declarations.

Yours faithfully,

(Mrs) T M J Y P Fernando
Director of Bank Supervision

Encl.

Copy to The Secretary General
Sri Lanka Banks' Association (Guarantee) Ltd.**To : Director of Bank Supervision****Name of Bank:**

**Declaration to be submitted by the Persons engaged in Foreign Exchange Business
in terms of Banking Act Direction No. 3 of 2009
on Risk Management relating to Foreign Exchange Business of
Licensed Commercial Banks**

I,.....(full name) holder of National Identity Card
no./Passport No of.....
..... (address) being a (Buddhist/Hindu do hereby solemnly, sincerely and truly declare and affirm/
Christian/Catholic/Muslim make oath and state) as follows :

1. I am the (designation) of
.....(name of bank) which is a licensed commercial bank under the Banking Act No 30 of 1988.

2. I possess the following academic and/or professional qualification/s in terms of 10.2(i) of the Banking Act, Direction No. 3 of 2009 on risk management relating to foreign exchange business of licensed commercial banks: /[I engaged in foreign exchange business as at 01 September 2009 and will obtain the relevant qualifications as specified in 10(2)(i) of the aforementioned Banking Act, Direction on or before 31 August 2012.]
3. I am in possession of the following qualifications/ in addition to (2) above:
.....
.....
4. The effective experience that I possess in banking, finance, business or administration or of any other relevant discipline is as follows:
.....
.....
5. I shall undergo continuous training through participation in training programmes that are appropriate and sufficient for the functions or activities they are involved in/are expected to be involved in, and conducted by appropriate professional, academic or educational institutions.
6. I have not been found guilty by any regulatory or supervisory authority, professional association, any Commission of Inquiry, tribunal or other body established by law in Sri Lanka or abroad, to the effect that I have committed or have been connected with the commission of, any act which involves fraud, deceit, dishonesty or any other improper conduct.
7. I have not been found guilty, after being subject to an investigation or inquiry consequent upon being served with notice of a charge involving fraud, deceit, dishonesty or other similar criminal activity or improper conduct, by any regulatory authority, supervisory authority, professional association, any Commission of Inquiry, tribunal or other body established by law, in Sri Lanka or abroad.
8. I have not been convicted by any Court in Sri Lanka or abroad in respect of a crime committed in connection with financial management or of any offence involving moral turpitude.
9. I am not an undischarged insolvent nor have I been declared a bankrupt in Sri Lanka or abroad.
10. I have not failed, to satisfy any judgment or order of any Court whether in Sri Lanka or abroad, or to repay a debt.
11. I have not been declared to be of unsound mind by a Court of competent jurisdiction in Sri Lanka or abroad.
12. I have not been removed or suspended by an order of a regulatory or supervisory authority from serving in a licensed bank or any other financial institution in Sri Lanka or abroad.

Declaration to be filled by the person engaged in foreign exchange business

I am the [affirmant/deponent] above named and I confirm that the information contained herein are to the best of my knowledge and belief, true and complete and also I undertake to inform of any change of any of the above information, within a period not exceeding one week from such change.

Date:

Signature

Name:

To be filled by the Chief Executive Officer

Any other explanation/information in regard to the information furnished above and other information considered relevant for assessing the suitability of the person engaged in the foreign exchange business.

Date:

Signature of the Chief Executive Officer

Name:

Directions issued by the Monetary Board of the Central Bank of Sri Lanka in terms of Section 46(1) of the Banking Act, No. 30 of 1988, as amended.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board/
 Governor of the Central Bank of Sri Lanka**

Colombo
 26 May 2010

**BANKING ACT DIRECTION NO. 1 OF 2010
 AMENDMENTS TO DIRECTIONS ON CLASSIFICATION OF LOANS AND ADVANCES,
 INCOME RECOGNITION AND PROVISIONING
 FOR LICENSED COMMERCIAL BANKS IN SRI LANKA**

In the exercise of the powers conferred by Sections 46(1) and 46A of the Banking Act, No. 30 of 1988, last amended by the Banking Act, No. 46 of 2006, the Monetary Board hereby issues the following Direction amending Direction No. 3 of 2008 dated 8 May 2008, issued by the Monetary Board of the Central Bank of Sri Lanka. This Direction may be cited as the Banking Act Direction No. 1 of 2010.

1. The following new Direction shall be introduced immediately after Direction No. 4(8) of Banking Act, Direction No. 3 of 2008.

4(8)(l) Banks may grant credit facilities for repayment of NPLs in the name of the same borrower or any other party without requiring the new facility to be classified as NPL subject to the following conditions:

- (i) Part of the new credit facility is used for:
- (a) revival of the business provided that such business is viable or,
 - (b) expand the business or
 - (c) undertake new viable business.

- (ii) Banks shall:
- (a) maintain a capital adequacy ratio (CAR) of 11% or assign an additional 10% risk weight to the requirement under the Direction on maintenance of CAR on the new loans, provided that the CAR is more than 10%,
 - (b) decide on an appropriate maximum threshold for such new facility per customer and inform the Director of Bank Supervision along with the basis for such decision,
 - (c) satisfy itself on the capacity to mitigate credit risk,
 - (d) grant such loans as one time loans and exemptions shall not be granted thereafter, and
 - (e) maintain and report details of loans granted to existing non-performing customers in accordance with the reporting format at Annex A on or before the 15th day of the month following the month to which the information relates.
- (iii) This exemption will be valid until 30 June 2011.

Annex A

Statement of Loans Granted in Settlement of Non-Performing Loans (NPL)

Banks are required to maintain and report details of loans granted to existing non-performing customers in terms of Banking Act Direction, No. 1 of 2010, on a monthly basis to Director of Bank Supervision in the following manner.

Name of bank:

Statement for the month of:

Serial No.	Date of loan granted	Name of Borrower of new loan	Purpose of loan			Economic Sector of NPL as per Return on sector wise credit exposures	Total Amount of New Loans *
			(i) Settlement of NPL		(iii) Revival/expand the business/undertake new viable business*		
			in the name of the same borrower*	in the name of another borrower, if so name of the borrower**			
Total							

The related web-based return will be implemented shortly.

*Amount to be stated in Rs. thousand

**Amount in Rs. thousand and name to be stated

Directions issued by the Monetary Board of the Central Bank of Sri Lanka in terms of Section 76J(1) of the Banking Act, No. 30 of 1988, as amended.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board/
Governor of the Central Bank of Sri Lanka**

Colombo
26 May 2010

**BANKING ACT DIRECTION NO. 2 OF 2010
AMENDMENTS TO DIRECTIONS ON CLASSIFICATION OF LOANS AND ADVANCES,
INCOME RECOGNITION AND PROVISIONING FOR,
LICENSED SPECIALISED BANKS IN SRI LANKA**

In the exercise of the powers conferred by Section 76J(1) of the Banking Act, No. 30 of 1988, last amended by the Banking Act, No. 46 of 2006, the Monetary Board hereby issues the following Direction amending Direction No. 4 of 2008 dated 8 May 2008, issued by the Monetary Board of the Central Bank of Sri Lanka. This Direction may be cited as the Banking Act, Direction No. 2 of 2010.

1. The following new Direction shall be introduced immediately after Direction No. 4(8) of Banking Act, Direction No. 4 of 2008.
 - 4(8)(I) Banks may grant credit facilities for repayment of NPLs in the name of the same borrower or any other party without requiring the new facility to be classified as NPL subject to the following conditions:
 - (i) Part of the new credit facility is used for:
 - (a) revival of the business provided that such business is viable or,
 - (b) expand the business or
 - (c) undertake new viable business.
 - (ii) Banks shall:
 - (a) maintain a capital adequacy ratio (CAR) of 11% or assign an additional 10% risk weight to the requirement under the Direction on maintenance of CAR on the new loans, provided that the CAR is more than 10%,
 - (b) decide on an appropriate maximum threshold for such new facility per customer and inform the Director of Bank Supervision along with the basis for such decision,
 - (c) satisfy itself on the capacity to mitigate credit risk,
 - (d) grant such loans as one time loans and exemptions shall not be granted thereafter, and
 - (e) maintain and report details of loans granted to existing non-performing customers in accordance with the reporting format at Annex A on or before the 15th day of the month following the month to which the information relates.
 - (iii) This exemption will be valid until 30 June 2011.

Annex A

Statement of Loans Granted in Settlement of Non-Performing Loans (NPL)

Banks are required to maintain and report details of loans granted to existing non-performing customers in terms of Banking Act Direction, No. 2 of 2010, on a monthly basis to Director of Bank Supervision in the following manner.

Name of bank:

Statement for the month of:

Serial No.	Date of loan granted	Name of Borrower of new loan	Purpose of loan			Economic Sector of NPL as per Return on sector wise credit exposures	Total Amount of New Loans *
			(i) Settlement of NPL		(iii) Revival/expand the business/undertake new viable business*		
			in the name of the same borrower*	in the name of another borrower, if so name of the borrower**			
Total							

The related web-based return will be implemented shortly.

*Amount to be stated in Rs. thousand

**Amount in Rs. thousand and name to be stated

Ref. : 02/17/402/0073/002

Bank Supervision Department
29 July 2010

To: Chief Executive Officers of Licensed Commercial Banks

Dear Sir/Madam,

ENHANCEMENT OF MINIMUM CAPITAL REQUIREMENT OF BANKS

We refer to our Circular No. 02/17/402/0073/001 dated 12 April 2005 on the above subject and write to inform you that as announced at the meeting held on 24 November 2009, the Monetary Board of the Central Bank of Sri Lanka has decided to require all licensed commercial banks to increase their capital as follows in the interest of a strong and sound banking system:

- (a) Rs. 3 bn by 31 December 2011
- (b) Rs. 4 bn by 31 December 2013
- (c) Rs. 5 bn by 31 December 2015

Capital for this purpose shall mean the Core Capital as defined in terms of item No. 6.2.2.2 in the Guidelines that were annexed as Schedule I to the Banking Act Direction No. 9 of 2007 dated 26 December 2007 on Maintenance of Capital Adequacy Ratio.

Yours faithfully,

(Mrs) T M J Y P Fernando
Director of Bank Supervision

Ref. : 02/17/402/0073/002

Bank Supervision Department
29 July 2010

To: Chief Executive Officers of Licensed Specialised Banks

Dear Sir/Madam,

ENHANCEMENT OF MINIMUM CAPITAL REQUIREMENT OF BANKS

We refer to our Circular No. 02/17/402/0073/001 dated 12 April 2005 on the above subject and write to inform you that as announced at the meeting held on 24 November 2009, the Monetary Board of the Central Bank of Sri Lanka has decided to require licensed specialised banks to increase their capital as follows in the interest of a strong and sound banking system:

- (a) Rs. 2 bn by 31 December 2011
- (b) Rs. 2.5 bn by 31 December 2013
- (c) Rs. 3 bn by 31 December 2015

Capital for this purpose shall mean the Core Capital as defined in terms of item No. 6.2.2.2 in the Guidelines that were annexed as Schedule I to the Banking Act, Direction No. 10 of 2007 dated 26 December 2007 on Maintenance of Capital Adequacy Ratio.

Yours faithfully,

(Mrs) T M J Y P Fernando
Director of Bank Supervision

Ref. : 02/17/600/0017/001

Bank Supervision Department
27 August 2010

To : CEO of All Licensed Banks

Dear Sir/ Madam,

APPOINTMENT OF DIRECTORS

Reference our letter No. 02/04/002/0012/002 dated 31 March 2005 on the above subject.

We enclose herewith a revised declaration, which incorporates additional information, to enable the licensed banks to ascertain compliance with the provisions of the Direction on Corporate Governance by Directors of banks.

Please replace Annex 2 of the letter under reference with the revised declaration effective from 01.09.2010.

Yours faithfully,

(Mrs) T M J Y P Fernando
Director of Bank Supervision

c.c. - Mr Upali De Silva
Secretary General – Sri Lanka Banks' Association
Level 8, Ceylinco House
No 69, Janadhipathi Mawatha
Colombo 01

Annex 2

Name of Bank:

**Declaration to be submitted in terms of Section 42 of the Banking Act by persons
proposed to be appointed/elected/nominated as a Director of a Licensed Bank
(with enclosures as appropriate as of)**

1. **Personal Details**
 - 1.1 Full name:
 - 1.2 NIC/ Passport number:
 - 1.3 Date of birth:
 - 1.4 Age:
 - 1.5 Permanent address:
 - 1.6 Present address:
 - 1.7 Occupation:

2. Appointment as a Director of the Bank

- 2.1 Date of initial appointment as a Director to the Board of Directors of the bank.
- 2.2 Nature of the appointment (Executive Director/Independent Director/Non-independent Director/Non-executive Director/Alternate Director).

3. Personal Details of Close Relations¹ in terms of Section 86 of the Banking Act

- 3.1 Full name of spouse:
- 3.2 NIC/ Passport number:
- 3.3 Names of dependant children:

	Full name	NIC/ Passport number
3.3.1		
3.3.2		

4. Background and Experience

- 4.1 Name/s of Licensed Bank/s, its subsidiaries² in terms of the Banking Act and associates if any, in which he/she is or has been a member of the Board of Directors:

Name of the institution	Period of office

- 4.2 Names of entities in which he/she presently is a Director:

4.2.1 Names of specified business entities in terms of the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
(a)
(b)
(c)
(d)
4.2.2 Names of other institutions/ entities
(a)
(b)
(c)
(d)

- 4.3 Name/s of Licensed Bank/s, its subsidiaries² and associates if any, in which he/she is or has been employed as an officer performing executive functions:

¹ "Close Relations" Shall mean the sponse or financially dependant children

² "subsidiary" as defined by Section 17 (3) of the Banking Act.

Name of the institution	Position/ designation	Period of office

5. Shareholdings in Banks and their Related Companies

5.1 Direct or indirect share ownerships in licensed banks, their subsidiaries² and associates if any, presently held:

Name of the institution	No. of shares		Percentage holding	
	Direct	Indirect	Direct	Indirect

6. Business Transactions³

6.1 Any business transaction the Director/ proposed Director currently has/ had with the licensed banks, their subsidiaries² and associates if any, and finance and leasing companies registered with Central Bank of Sri Lanka during the last two years immediately preceding the appointment as Director.

Name of the institution	Date of transaction	Amount as at		Classification (performing/ non-performing)	Type and value of collateral (Rs. mn)	% of Bank's regulatory capital
		Limit	Out-standing			
Accommodations						
Borrowings						
Investments						
Deposits						

6.2 Any business transaction the Director/ proposed Director currently has/ had during the last two years immediately preceding the appointment as Director, with "related parties" as defined by Section 3(7)(i) of the Banking Act Direction No 11 and 12 of 2007 on Corporate Governance for Licensed Banks in Sri Lanka.

² "subsidiary" as defined by Section 17 (3) of the Banking Act.

³ "Business Transaction" shall mean any accommodations, borrowings, investments and deposits

Name of the institution	Date of transaction	Amount as at		Classification (performing/non-performing)	Type and value of collateral (Rs. mn)	% of Bank's regulatory capital
		Limit	Out-standing			
Accommodations						
Borrowings						
Investments						
Deposits						

7. Appointment, Shareholdings and Business Transactions of Close Relations

7.1 Any close relation presently appointed as a Director or Chief Executive Officer or a member of the key management of licensed bank/s their subsidiaries and associates if any.

Name of the bank	Full name of the close relation	Position held

7.2 Direct or indirect share ownership in licensed banks, its subsidiaries and associates if any, presently held by any close relation.

Name of the institution	Full name of the close relation	No. of Shares		Percentage holding	
		Direct	Indirect	Direct	Indirect

7.3 Any business transaction, the close relation currently has or had with licensed banks its subsidiaries and associates if any during the last two years immediately preceding the appointment as Director.

Name of the institution	Full name of the close relation	Nature of business transaction	Date of transaction	Limit as at	Out-standing as at	Type and value of collateral (Rs. mn)	% of Bank's regulatory capital
				(Rs. mn)	(Rs. mn)		

8. Any other explanation/information in regard to the information furnished above and other information considered relevant for assessing the suitability of the Director/ proposed Director.

Declaration:

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the bank fully informed, as soon as possible, of all events, which take place subsequently, which is relevant to the information provided above.

I state that I am not prevented by the Articles of Association of the Company and or by any other Statute from being appointed to the above post.

Date:**Signature of Director/ Proposed Director**

To be filled by company secretary

1. Any other explanation/information in regard to the information furnished above and other information considered relevant for assessing the suitability of the Director/ proposed Director
2. Submitted to the Board of Directors of the Bank

Date:**Signature of Company Secretary
and the official stamp**

Ref. : 02/17/600/002/001Bank Supervision Department
21 September 2010

To: Chief Executive Officers of Licensed Commercial Banks and Licensed Specialised Banks

Dear Sir/Madam,

REDUCTION OF INTEREST RATES ON LOANS AND ADVANCES

Since February 2009, the Central Bank has eased its monetary policy stance by reducing the policy rates, viz., the Repurchase rate and the Reverse Repurchase rate by 325 basis points and 300 basis points, respectively. In response, the market interest rates have also adjusted downwards. The banks' lending rates have also declined with a time lag, but are yet to show full downward adjustment. At the same time, the current macro economic performance and stability warrant a reduction in the risk premia added to lending rates, thus leading to the spread between lending rates and deposit rates of banks reducing further.

In view of the foregoing, the Monetary Board is of the view that banks should reduce lending rates to at least the following levels by end of October 2010:

- (i) Interest rates on housing loans to 14 per cent per annum.
- (ii) Interest rates on credit card advances to 24 per cent per annum.
- (iii) Interest rates on other loans and advances to be adjusted downwards by around a further 1-2 per cent per annum.

Accordingly, you are requested to take appropriate measures to implement the above.

Yours faithfully,

(Mrs) T M J Y P Fernando
Director of Bank Supervision

Directions issued by the Monetary Board in terms of Section 46(1) of the Banking Act, No. 30 of 1988, as amended.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board/
Governor of the Central Bank of Sri Lanka**

Colombo
27 September 2010

**BANKING ACT DIRECTION NO. 3 OF 2010
AMENDMENTS TO DIRECTIONS ON CLASSIFICATION OF LOANS AND ADVANCES,
INCOME RECOGNITION AND PROVISIONING
FOR LICENSED COMMERCIAL BANKS IN SRI LANKA**

In the exercise of the powers conferred by Sections 46(1) and 46A of the Banking Act, No. 30 of 1988, last amended by the Banking Act, No. 46 of 2006, the Monetary Board hereby issues the following Directions replacing Directions No. 6(1)(l) of the Banking Act Direction No. 3 of 2008 dated 8 May 2008 issued by the Monetary Board.

6(1)(l) General Provisions

Banks shall maintain general provisions in the following manner:

- (i) Commencing 1 January 2012, 0.5% of total outstanding of on-balance sheet PLAs as referred to in Direction 3(4) above and total outstanding of special mention on-balance sheet credit facilities as referred to in Direction 4(6)(l) above net of interest in suspense that has been debited to the respective accounts.
- (ii) For this purpose banks shall reduce the existing general provision requirement of 1% to 0.5% at a rate of 0.1% per quarter during the five quarters commencing 1 October 2010.
- (iii) Banks are exempted from maintaining a general provision in respect of credit facilities secured by cash deposits, gold or Government Securities with the same bank. Banks shall, for this purpose, meet the following conditions to be eligible for the exemption:
 - (a) Bank shall have the right to take legal possession of such securities, in the event of default, insolvency or bankruptcy of borrowers.
 - (b) All documentation used in such collateralised transactions shall be binding on all parties and be legally enforceable in all relevant jurisdictions.

Directions issued by the Monetary Board in terms of Section 76J(1) of the Banking Act, No. 30 of 1988, as amended.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board/
Governor of the Central Bank of Sri Lanka**

Colombo
27 September 2010

**BANKING ACT DIRECTION NO. 4 OF 2010
AMENDMENTS TO DIRECTIONS ON CLASSIFICATION OF LOANS AND ADVANCES,
INCOME RECOGNITION AND PROVISIONING
FOR LICENSED SPECIALISED BANKS IN SRI LANKA**

In the exercise of the powers conferred by Section 76J(1) of the Banking Act, No. 30 of 1988, last amended by the Banking Act, No. 46 of 2006, the Monetary Board hereby issues the following Direction replacing Directions No. 6(1)(l) of the Banking Act Direction No. 4 of 2008 dated 8 May 2008 issued by the Monetary Board.

6(1)(l) General Provisions

Banks shall maintain general provisions in the following manner:

- (i) Commencing 1 January 2012, 0.5% of total outstanding of on-balance sheet PLAs as referred to in Direction 3(4) above and total outstanding of special mention on-balance sheet credit facilities as referred to in Direction 4(6)(l) above net of interest in suspense that has been debited to the respective accounts.
- (ii) For this purpose banks shall reduce the existing general provision requirement of 1% to 0.5% at a rate of 0.1% per quarter during the five quarters commencing 1 October 2010.
- (iii) Banks are exempted from maintaining a general provision in respect of credit facilities secured by cash deposits, gold or Government Securities with the same bank. Banks shall, for this purpose, meet the following conditions to be eligible for the exemption:
 - (a) Bank shall have the right to take legal possession of such securities in the event of default, insolvency or bankruptcy of borrowers.
 - (b) All documentation used in such collateralised transactions shall be binding on all parties and be legally enforceable in all relevant jurisdictions.

Directions issued by the Monetary Board in terms of Section 46(1) of the Banking Act, No. 30 of 1988, as amended.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board/
Governor of the Central Bank of Sri Lanka**

Colombo
27 September 2010

**BANKING ACT DIRECTIONS NO. 5 OF 2010
INSURANCE OF DEPOSIT LIABILITIES**

In the exercise of the powers conferred by Section 46(1) of the Banking Act, No. 30 of 1988, last amended by the Banking Act No. 46 of 2006, the Monetary Board hereby issues these Directions to licensed commercial banks to be effective from 1 October, 2010.

- 1. Citation** 1.1 These Directions shall be cited as the Banking Act Directions No. 5 of 2010 on Insurance of Deposit Liabilities.
- 2. Enabling statutory provisions** 2.1 In terms of Section 46(1) of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board may issue directions to licensed commercial banks regarding the manner in which any aspect of the business of such bank or banks is to be conducted.
- 3. The objective of Directions** 3.1 In terms of statutory provisions and best practices in banking, accepting deposits is a core business that requires effective risk management measures as it critically depends on the public confidence in banks. As such, insurance of deposits is a well-accepted safety net measure that will protect and promote the public confidence and stability of the banking system.
- 4. Insurance of deposits** 4.1 As such, all licensed commercial banks shall insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No. 1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1 October, 2010.
4.2 All licensed commercial banks shall also disclose to the public, in their advertisements soliciting deposits, the fact that eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance Scheme implemented by the Monetary Board on payment of the applicable premium for compensation up to a maximum of Rs. 200,000 per depositor.

Directions issued by the Monetary Board in terms of Section 76J(1) of the Banking Act, No. 30 of 1988, as amended.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board/
Governor of the Central Bank of Sri Lanka**

Colombo
27 September 2010

BANKING ACT DIRECTIONS NO. 6 OF 2010 INSURANCE OF DEPOSIT LIABILITIES

In the exercise of the powers conferred by Section 76J(1) of the Banking Act, No. 30 of 1988, last amended by the Banking Act No. 46 of 2006, the Monetary Board hereby issues these Directions to licensed specialised banks to be effective from 1 October, 2010.

- 1. Citation** 1.1 These Directions shall be cited as the Banking Act Directions No. 6 of 2010 on Insurance of Deposit Liabilities.
- 2. Enabling statutory provisions** 2.1 In terms of Section 76J(1) of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board may issue directions to licensed specialised banks regarding the manner in which any aspect of the business of such bank or banks is to be conducted.
- 3. The objective of Directions** 3.1 In terms of statutory provisions and best practices in banking, accepting deposits is a core business that requires effective risk management measures as it critically depends on the public confidence in banks. As such, insurance of deposits is a well-accepted safety net measure that will protect and promote the public confidence and stability of the banking system.
- 4. Insurance of deposits**
 - 4.1 As such, all licensed specialised banks shall insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No. 1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1 October, 2010.
 - 4.2 All licensed specialised banks shall also disclose to the public, in their advertisements soliciting deposits, the fact that eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance Scheme implemented by the Monetary Board on payment of the applicable premium for compensation up to a maximum of Rs. 200,000 per depositor.

Directions issued by the Monetary Board in terms of Section 46(1) of the Banking Act, No. 30 of 1988, as amended.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board/
Governor of the Central Bank of Sri Lanka**

Colombo
2 November 2010

**BANKING ACT DIRECTIONS NO. 7 OF 2010
OUTSOURCING OF BUSINESS OPERATIONS OF LICENSED COMMERCIAL BANKS**

In the exercise of the powers conferred by Section 46(1) of the Banking Act, No. 30 of 1988, last amended by the Banking (Amendment) Act, No. 46 of 2006, the Monetary Board hereby issues Directions on outsourcing as follows:

- 1. Citation**
 - 1.1 These Directions may be cited as the Banking Act Direction No. 7 of 2010. The Sections referred to in these Directions will be those of the Banking Act, No 30 of 1988, last amended by the Banking (Amendment) Act, No. 46 of 2006.
- 2. Empowerment under Section 46(1) of the Banking Act**
 - 2.1 In terms of Section 46(1) of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to Licensed Commercial Banks (LCBs) regarding the manner in which any aspect of the business of such banks is to be conducted. Accordingly, these Directions are intended to facilitate banks to manage the risks that could arise from outsourcing of business operations by LCBs.
- 3. Outsourcing – definition and applicability**
 - 3.1 An ‘outsourcing arrangement’ is an agreement between a LCB and a ‘service provider’, whereby the service provider performs an activity, function or process connected with operations of a LCB.
 - 3.2 Outsourcing arrangements should be entered into only with external service providers who have specialised resources and skills to perform the related activities.
 - 3.3 Outsourcing arrangements should not be entered into with a service provider of which the majority is owned by employees and/or close relatives of employees of the LCB.
 - 3.4 These directions do not apply to outsourced activities that are not directly related to provision of financial services such as usage of courier, catering of staff, housekeeping and janitorial services, and security of premises but excluding any Information Technology (IT) related activities.

- 4. Activities that can be outsourced**
- 4.1 LCBs can outsource its operations other than those listed below.
- Acceptance of Deposits
 - Assets and Liabilities management
 - Compliance
 - Customer due diligence and KYC
 - Treasury functions
 - Risk Management
 - All loans sanctioning except facilities based on pre-approved (i.e., Board approved) criteria.
 - Internal audit where the size of the bank and the extent of the risks do not justify the internal audit function to operate with a full time internal audit staff or the bank does not have expertise in the specialized areas such as Information System (IS) audits - An auditor in the panel of external auditors approved by Central Bank of Sri Lanka (CBSL) other than its own external auditor should be the service provider.
- 5. Outsourcing Policy**
- 5.1 A LCB should have a comprehensive policy to guide the assessment of whether and how its operations can be appropriately outsourced. The policy should contain at least the following:
- a) The overall responsibility of the board of directors or audit committee and senior management for the outsourcing of activities and the policy formulation.
 - b) A framework for identification and effective management of risks that could arise from outsourcing of activities.
 - c) Cost-benefit analysis on each activity or function or process to be outsourced.
 - d) Tender procedures to be followed for the procurement of outsourced services.
 - e) Setting up of the monitoring and control unit in the event of several outsourcing arrangements.
 - f) A framework to conduct KYC and due diligence process on the service provider.
 - g) A procedure to assess the service provider's capacity, capability and mode/basis of payment to perform the obligations under the outsourcing arrangement.
 - h) A format of the legally binding contract/agreement for outsourcing arrangement which should include at least the following:
 - Service standards,
 - Rights, responsibilities and expectations of all parties,
 - Dispute resolution mechanism,
 - Confidentiality and security of information,
 - Termination of contract,
 - Sub – contracting if involved, and
 - Business continuity management.
 - i) A specific contingency plan to bring the outsourced activity back in-house in an emergency situation which could arise due to service provider's

- inability to provide, and the costs, time and resources that would be involved.
- j) A framework for cross-border outsourcing, taking into account the differences in country environments.
 - k) Limits on maximum exposure to a single service provider both in terms of value and the number of contracts.
- 6. Business Continuity Management**
- 6.1 The LCB should ensure that the bank's Business Continuity Plan (BCP) contains all relevant operations including outsourcing arrangements.
 - 6.2 The LCB should ensure that the service provider has a satisfactory BCP and regular tests on its BCP.
- 7. Monitoring & Control**
- 7.1 All outsourcing arrangements should be handled by specifically designated unit/division at head office.
 - 7.2 The monitoring unit should handle complaints, maintain records of such complaints, carry out periodic supervision over outsourced activities.
 - 7.3 The LCB should establish a proper management information system that would on a regular basis provide information such as the type of outsourced service activity, costs, volume, deliverables and expiry or renewal dates of the contracts, the complaints, and the financial and operational condition of the service providers.
- 8. Outsourcing activities relating to Marketing & Recovery**
- 8.1 LCBs should ensure that marketing and recovery personnel employed by the service providers are properly trained to handle their responsibilities with care and prudence.
 - 8.2 LCBs shall be responsible for making transactions reports and suspicious transactions reports to the Financial Intelligence Unit (FIU) in respect of their customers handled by the service provider.
- 9. Other Requirements**
- 9.1 Effective from 01.01.2011, LCB shall inform the proposed outsourcing arrangements during a particular calendar year to CBSL by 31 January of that year for concurrence.
- 10. Assessment of existing arrangements**
- 10.1 All Banks are required to conduct a self assessment of their existing outsourcing arrangements and bring them in line with these Directions by 30.06.2011 and report to the Bank Supervision Department.
- 11. Transitional arrangement**
- 11.1 Compliance with these Directions shall commence from 01.01.2011 onwards and all LCBs that have made outsourcing arrangements at present are requested to submit a list containing the details of such outsourced activities by or before 31.12.2010.
- 12. Reporting Format**
- 12.1 The banks shall use the annexed format for their reporting requirements at 9(1) and 11(1) to CBSL.

Business Operations that are/to be Outsourced as at/during the year

Name of the Bank:

	Activity/ Function/ Process Outsourced/ to be Outsourced	Name of the Service Provider	Address	Date of Commencement	Period	No. of persons involved/ authorised	Deliverables/ Services	Cost (per annum)
1.								
2.								
3.								
4.								

Directions issued by the Monetary Board in terms of Section 76J(1) of the Banking Act, No. 30 of 1988, as amended.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board/
 Governor of the Central Bank of Sri Lanka**

Colombo
 2 November 2010

**BANKING ACT DIRECTIONS No. 8 of 2010
 OUTSOURCING OF BUSINESS OPERATIONS OF LICENSED SPECIALISED BANKS**

In the exercise of the powers conferred by Section 76J(1) of the Banking Act, No. 30 of 1988, last amended by the Banking (Amendment) Act, No. 46 of 2006, the Monetary Board hereby issues Directions on outsourcing as follows:

1. **Citation**
 - 1.1 These Directions may be cited as the Banking Act Direction No. 8 of 2010. The Sections referred to in these Directions will be those of the Banking Act, No 30 of 1988, last amended by the Banking (Amendment) Act, No. 46 of 2006.
2. **Empowerment under Section 76J(1) of the Banking Act**
 - 2.1 In terms of Section 76J(1) of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to Licensed Specialised Banks (LSBs) regarding the manner in which any aspect of the business of such banks is to be conducted. Accordingly, these Directions are intended to facilitate banks to manage the risks that could arise from outsourcing of business operations by LSBs.

- 3. Outsourcing – definition and applicability**
- 3.1 An ‘outsourcing arrangement’ is an agreement between a LSB and a ‘service provider’, whereby the service provider performs an activity, function or process connected with operations of a LSB.
- 3.2 Outsourcing arrangements should be entered into only with external service providers who have specialised resources and skills to perform the related activities.
- 3.3 Outsourcing arrangements should not be entered into with a service provider of which the majority is owned by employees and/or close relatives of employees of the LSB.
- 3.4 These directions do not apply to outsourced activities that are not directly related to provision of financial services such as usage of courier, catering of staff, housekeeping and janitorial services, and security of premises but excluding any Information Technology (IT) related activities.
- 4. Activities that can be outsourced**
- 4.1 LSBs can outsource its operations other than those listed below.
- Acceptance of Deposits
 - Assets and Liabilities management
 - Compliance
 - Customer due diligence and KYC
 - Treasury functions
 - Risk Management
 - All loans sanctioning except facilities based on pre-approved (i.e., Board approved) criteria.
 - Internal audit where the size of the bank and the extent of the risks do not justify the internal audit function to operate with a full time internal audit staff or the bank does not have expertise in the specialized areas such as Information System (IS) audits - An auditor in the panel of external auditors approved by Central Bank of Sri Lanka (CBSL) other than its own external auditor should be the service provider.
- 5. Outsourcing Policy**
- 5.1 A LSB should have a comprehensive policy to guide the assessment of whether and how its operations can be appropriately outsourced. The policy should contain at least the following:
- a) The overall responsibility of the board of directors or audit committee and senior management for the outsourcing of activities and the policy formulation.
 - b) A framework for identification and effective management of risks that could arise from outsourcing of activities.
 - c) Cost-benefit analysis on each activity or function or process to be outsourced.
 - d) Tender procedures to be followed for the procurement of outsourced services.
 - e) Setting up of the monitoring and control unit in the event of several outsourcing arrangements.

- f) A framework to conduct KYC and due diligence process on the service provider.
- g) A procedure to assess the service provider's capacity, capability and mode/basis of payment to perform the obligations under the outsourcing arrangement.
- h) A format of the legally binding contract/agreement for outsourcing arrangement which should include at least the following:
- Service standards,
 - Rights, responsibilities and expectations of all parties,
 - Dispute resolution mechanism,
 - Confidentiality and security of information,
 - Termination of contract,
 - Sub – contracting if involved, and
 - Business continuity management.
- i) A specific contingency plan to bring the outsourced activity back in-house in an emergency situation which could arise due to service provider's inability to provide, and the costs, time and resources that would be involved.
- j) A framework for cross-border outsourcing, taking into account the differences in country environments.
- k) Limits on maximum exposure to a single service provider both in terms of value and the number of contracts.
- 6. Business Continuity Management**
- 6.1 The LSB should ensure that the bank's Business Continuity Plan (BCP) contains all relevant operations including outsourcing arrangements.
- 6.2 The LSB should ensure that the service provider has a satisfactory BCP and regular tests on its BCP.
- 7. Monitoring & Control**
- 7.1 All outsourcing arrangements should be handled by specifically designated unit/division at head office.
- 7.2 The monitoring unit should handle complaints, maintain records of such complaints, carry out periodic supervision over outsourced activities.
- 7.3 The LSB should establish a proper management information system that would on a regular basis provide information such as the type of outsourced service activity, costs, volume, deliverables and expiry or renewal dates of the contracts, the complaints, and the financial and operational condition of the service providers.
- 8. Outsourcing activities relating to Marketing & Recovery**
- 8.1 LSBs should ensure that marketing and recovery personnel employed by the service providers are properly trained to handle their responsibilities with care and prudence.

- 8.2 LSBs shall be responsible for making transactions reports and suspicious transactions reports to the Financial Intelligence Unit (FIU) in respect of their customers handled by the service provider.
- 9. Other Requirements** 9.1 Effective from 01.01.2011, LSB shall inform the proposed outsourcing arrangements during a particular calendar year to CBSL by 31 January of that year for concurrence.
- 10. Assessment of existing arrangements** 10.1 All Banks are required to conduct a self assessment of their existing outsourcing arrangements and bring them in line with these Directions by 30.06.2011 and report to the Bank Supervision Department.
- 11. Transitional arrangement** 11.1 Compliance with these Directions shall commence from 01.01.2011 onwards and all LSBs that have made outsourcing arrangements at present are requested to submit a list containing the details of such outsourced activities by or before 31.12.2010.
- 12. Reporting Format** 12.1 The banks shall use the annexed format for their reporting requirements at 9(1) and 11(1) to CBSL.

Annex

Business Operations that are/to be Outsourced as at/during the year

Name of the Bank:

	Activity/ Function/ Process Outsourced/ to be Outsourced	Name of the Service Provider	Address	Date of Commence- ment	Period	No. of persons involved/ authorised	Deliverables/ Services	Cost (per annum)
1.								
2.								
3.								
4.								

Determinations made by the Monetary Board of the Central Bank of Sri Lanka under Section 8 of the Banking Act, No. 30 of 1988, as amended.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Colombo
 8 November 2010

**BANKING ACT DETERMINATION NO. 1 OF 2010
 ANNUAL LICENCE FEE OF LICENSED COMMERCIAL BANKS**

- Citation** 1 This Determination may be cited as the Banking Act Determination No. 1 of 2010. The Sections referred to in this Determination will be those of the Banking Act, No. 30 of 1988, as amended.
- Empowerment under Section 8 of the Banking Act** 2 (i) In terms of Section 8(1) of the Banking Act, every licensed commercial bank shall pay to the Central Bank an annual licence fee as may be determined by the Monetary Board, having regard to the different classes of banking business carried on by such bank.
- (ii) In terms of Section 8(2) of the Banking Act, the Monetary Board shall inform each such licensed commercial bank the amount payable as licence fee and the manner in which such fee shall be paid.
- Annual licence fee for 2011** 3 In the exercise of powers conferred by Section 8 (1) of the Banking Act, the Monetary Board has determined that the licence fee that shall be paid by a licensed commercial bank for the year 2011 shall be based on total assets:

Total assets as at end of the previous year	Licence fee
Above Rs. 75 bn	Rs. 10 mn
Rs. 25 bn to Rs. 75 bn	Rs. 5 mn
Less than Rs. 25 bn	Rs. 2 mn

- Payment of licence fee** 4 (i) Every licensed commercial bank shall pay the licence fee applicable for the year 2011 to the Central Bank of Sri Lanka on or before 31 January 2011.
- (ii) Every licensed commercial bank licensed in 2011 shall pay the annual licence fee for 2011 before the issue of the licence.

Determinations made by the Monetary Board of the Central Bank of Sri Lanka under Section 76D(6) of the Banking Act, No. 30 of 1988, as amended.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Colombo
 8 November 2010

**BANKING ACT DETERMINATION NO. 2 OF 2010
 ANNUAL LICENCE FEE OF LICENSED SPECIALISED BANKS**

- Citation** 1 This Determination may be cited as the Banking Act Determination No. 2 of 2010. The Sections referred to in this Determination will be those of the Banking Act, No. 30 of 1988, as amended.
- Empowerment under Section 76D(6) of the Banking Act** 2 In terms of Section 76D(6) of the Banking Act, every licensed specialised bank shall pay to the Central Bank an annual licence fee as may be determined by the Monetary Board and the Monetary Board may determine different licence fees for different categories of licensed specialised banks.
- Annual licence fee for 2011** 3 In the exercise of powers conferred by Section 76D(6) of the Banking Act, the Monetary Board has determined that the licence fee that shall be paid by a licensed specialised bank for the year 2011 shall be based on total assets:

Total assets as at end of the previous year	Licence fee
Above Rs. 75 bn	Rs. 10 mn
Rs. 25 bn to Rs. 75 bn	Rs. 5 mn
Less than Rs. 25 bn	Rs. 2 mn

- Payment of licence fee** 4 (i) Every licensed specialised bank shall pay the licence fee applicable for the year 2011 to the Central Bank of Sri Lanka on or before 31 January 2011.
- (ii) Every licensed specialised bank licensed in 2011 shall pay the annual licence fee for 2011 before the issue of the licence.

Determinations made by the Monetary Board of the Central Bank of Sri Lanka under Section 44A of the Banking Act, No. 30 of 1988, as amended.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Colombo
 24 November 2010

**BANKING ACT DETERMINATION NO. 3 OF 2010
 ASSESSMENT OF FITNESS AND PROPRIETY OF
 OFFICERS PERFORMING EXECUTIVE FUNCTIONS
 IN LICENSED COMMERCIAL BANKS**

- | | | |
|--|-----|---|
| Citation | 1. | This Determination may be cited as the Banking Act Determination No. 3 of 2010. The Sections referred to in this Determination will be those of the Banking Act, No. 30 of 1988, as amended. |
| Empowerment | 2.1 | In terms of Section 44A of the Banking Act, officers of a licensed commercial bank performing executive functions as may be determined by the Monetary Board shall be fit and proper persons. Section 42(2) of the Act shall apply in determining whether officers performing executive functions are fit and proper persons. |
| | 2.2 | In addition, criteria set out in the Direction No 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka will also be applicable. |
| Officers
Performing
Executive
Functions | 3. | Officers holding following designations/positions are determined as officers performing executive functions in a licensed commercial bank: <ul style="list-style-type: none"> (i) Additional General Manager (ii) Senior Deputy General Manager (iii) Deputy General Manager (iv) Assistant General Manager (v) Chief Operating Officer (vi) Chief Risk Officer (vii) Chief Accountant (viii) Chief Financial Officer (ix) Chief Internal Auditor (x) Compliance Officer (xi) Head of Treasury (xii) Head of Legal (xiii) Head of Information Technology (xiv) Board Secretary (xv) Officers serving as consultants/advisor to the Board or bank (xvi) Any other officers falling under the definition of section 3(1)(i)(f) of the Banking Act Direction No 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka. |

Procedure to be followed in assessing the fitness and propriety

- 4.1** Fitness and propriety of such officers performing executive functions shall be assessed and decided by the Director of Bank Supervision as has been provided for in the Banking Act and be applicable to those officers:
- (i) currently in office,
 - (ii) at the time of appointment on a permanent or contract basis,
 - (iii) at the time of renewal of employment contracts, and
 - (iv) at any other time where there are supervisory concerns in respect of any officer as may be determined by the Director of Bank Supervision.
- 4.2** Each bank shall obtain from the respective officers an affidavit and a declaration as in Annex I and Annex II, respectively, and submit to the Director of Bank Supervision.
- 4.3** In addition, at the time of first appointment of an officer, a letter from the former employer immediately preceding the appointment (if the former employer is not a licensed bank in Sri Lanka) regarding the level of performance of duties assigned to him/her in the particular institution should be submitted to the Director of Bank Supervision.
- 4.4** In the case of expatriate officers appointed to branches of banks incorporated outside Sri Lanka (foreign banks), a letter obtained from the home country regulator with regard to any supervisory concerns on the suitability of such officers should be submitted.
- 4.5** With respect to officers, currently performing executive functions, banks shall obtain and submit affidavits and declarations to Director of Bank Supervision before 31 December 2010.

Annex I

Name of Bank:

Affidavit to be submitted by officers performing executive functions in Licensed Commercial Banks in terms of Section 44A of the Banking Act

I,(full name) holder of National Identity Card No./Passport No of..... (address) being a (Buddhist/Hindu do hereby solemnly, sincerely and truly declare and affirm/ Christian/Catholic/Muslim make oath and state) as follows :

1. I am the (affirmant/deponent) above named and I am the (designation) of(name of bank) which is a commercial bank licensed under the Banking Act No 30 of 1988.
2. I [affirm/state] that I possess the following academic and/or professional qualification/s:
3. I [affirm/state] that the effective experience that I possess in banking, finance, business or administration or of any other relevant discipline is as follows:

4. I [affirm/state] that there is no finding of any regulatory or supervisory authority, professional association, any Commission of Inquiry, tribunal or other body established by law in Sri Lanka or abroad, to the effect that I have committed or have been connected with the commission of, any act which involves fraud, deceit, dishonesty or any other improper conduct.
5. I [affirm/state] that I am not subject to an investigation or inquiry consequent upon being served with notice of a charge involving fraud, deceit, dishonesty or other similar criminal activity, by any regulatory authority, supervisory authority, professional association, any Commission of Inquiry, tribunal or other body established by law, in Sri Lanka or abroad.
6. I [affirm/state] that I have not been convicted by any Court in Sri Lanka or abroad in respect of a crime committed in connection with financial management or of any offence involving moral turpitude.
7. I [affirm/state] that I am not an undischarged insolvent nor have I been declared a bankrupt in Sri Lanka or abroad.
8. I [affirm/state] that I have not failed, to satisfy any judgment or order of any Court whether in Sri Lanka or abroad, or to repay a debt.
9. I [affirm/state] that I have not been declared by a Court of competent jurisdiction in Sri Lanka or abroad, to be of unsound mind.
10. I [affirm/state] that I have not been removed or suspended by an order of a regulatory or supervisory authority from serving in a licensed bank or any other financial institution or corporate body, in Sri Lanka or abroad.
11. I [affirm/state] that I have not been a director, Chief Executive Officer or held any other position of authority in any bank or financial institution –
 - (i) Whose license has been suspended or cancelled; or
 - (ii) Which has been wound up or is being wound up, or which is being compulsorily liquidated; whether in Sri Lanka or abroad.
12. I [affirm/state] that to the best of my knowledge I am a fit and proper person to hold office as(designation) of a licensed commercial bank in terms of the provisions of section 44(A) of the Banking Act.

The averments contained herein were read over to the [affirmant/deponent] who having understood the contents hereof and having accepted same as true, affirmed/swore to and placed his/her signature at Colombo on thisday of

Affix Stamps as applicable

Before me

JUSTICE OF THE PEACE

Name of Bank:

**Declaration to be submitted by officers performing executive functions in
Licensed Commercial Banks in terms of the Banking Act
(with enclosures as appropriate as of)**

1. Personal Details

- 1.1 Full name:
1.2 NIC/ Passport number:
1.3 Date of birth:
1.4 Permanent address:
1.5 Present address:

2. Appointment to the Bank

- 2.1 Date of appointment to the present position: (please attach a certified copy of the appointment letter).
2.2 Designation:
2.3 Local or expatriate:

3. Personal Details of Close Relations in terms of Section 86 of the Banking Act

- 3.1 Full name of spouse:
3.2 NIC/ Passport number:
3.3 Names of dependant children:

	Full name	NIC/ Passport number
3.3.1		
3.3.2		

4. Background and Experience

Name/s of licensed bank/s, its subsidiaries in terms of the Banking Act and associates if any, in which he/she is or has been employed as an officer performing executive functions:

Name of the institution	Period of office	Designation

5. Shareholdings in Banks and their Related Companies

Share ownerships in licensed banks, their subsidiaries and associates if any, presently held:

Name of the institution	No. of shares	Percentage holding

6. Business Transactions¹

Any business transaction the officer performing executive functions presently has with the bank and its subsidiaries and associates if any.

Name of the institution	Date of transaction	Amount as at (Rs. mn)		Classification (performing/ non- performing)	Type and value of collateral (Rs. mn)	% of Bank's regulatory capital
		Limit	Out- standing			
Accommodations						
Investments						
Deposits						

7. Appointment, Shareholdings and Business Transactions of Close Relations

7.1 Any close relations presently employed as officers performing executive functions in licensed banks their subsidiaries and associates if any.

Name of the bank	Full name of the close relation	Position held

7.2 Direct or indirect share ownership in the bank, its subsidiaries and associates if any, presently held by any close relation.

Full name of the close relation	No. of Shares		Percentage holding	
	Direct	Indirect	Direct	Indirect

7.3 Any business transaction, the close relation currently has with the bank, its subsidiaries and associates if any.

Full name of the close relation	Nature of business transaction	Date of transaction	Limit as at (Rs. mn)	Out-standing as at (Rs. mn)	Type and value of collateral (Rs. mn)	% of Bank's regulatory capital

¹ "Business Transactions" shall mean any accommodations, investments and deposits.

8. Any other explanation/information in regard to the information furnished above and other information considered relevant for assessing the suitability of the officer performing executive functions in the bank.
-

DECLARATION:

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the bank fully informed, as soon as possible, of all events, which take place subsequently, which is relevant to the information provided above.

I state that I am not prevented by any Statute from being appointed to the above post.

Date:**Signature of
Officer Performing Executive Functions in the Bank**

TO BE FILLED BY THE CHIEF EXECUTIVE OFFICER

1. Any other explanation/information in regard to the information furnished above and other information considered relevant for assessing the suitability of the person performing executive functions in the bank.
2. I confirm that, in terms of Section 44A of the Banking Act, the officer referred to above is fit and proper to carry out executive functions of the bank.

Date:**Signature of Chief Executive Officer
and the official stamp**

Determinations made by the Monetary Board of the Central Bank of Sri Lanka under Section 76H read with Section 44A of the Banking Act, No. 30 of 1988, as amended.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Colombo
 24 November 2010

**BANKING ACT DETERMINATION NO. 4 OF 2010
 ASSESSMENT OF FITNESS AND PROPRIETY OF
 OFFICERS PERFORMING EXECUTIVE FUNCTIONS
 IN LICENSED SPECIALISED BANKS**

- | | |
|--|---|
| Citation | 1. This Determination may be cited as the Banking Act Determination No. 4 of 2010. The Sections referred to in this Determination will be those of the Banking Act, No. 30 of 1988, as amended. |
| Empowerment | <p>2.1 In terms of Section 76H read with Section 44A of the Banking Act, officers of a licensed specialised bank performing executive functions as may be determined by the Monetary Board shall be fit and proper persons. Section 42(2) of the Act shall apply in determining whether officers performing executive functions are fit and proper persons.</p> <p>2.2 In addition, criteria set out in the Direction No 12 of 2007 on Corporate Governance for Licensed Specialised Banks in Sri Lanka will also be applicable.</p> |
| Officers Performing Executive Functions | <p>3. Officers holding following designations/positions are determined as officers performing executive functions in a licensed specialised bank:</p> <ul style="list-style-type: none"> (i) Additional General Manager (ii) Senior Deputy General Manager (iii) Deputy General Manager (iv) Assistant General Manager (v) Chief Operating Officer (vi) Chief Risk Officer (vii) Chief Accountant (viii) Chief Financial Officer (ix) Chief Internal Auditor (x) Compliance Officer (xi) Head of Treasury (xii) Head of Legal (xiii) Head of Information Technology (xiv) Board Secretary (xv) Officers serving as consultants/advisor to the Board or bank (xvi) Any other officers falling under the definition of section 3(1)(i)(f) of the Banking Act Direction No 12 of 2007 on Corporate Governance for Licensed Specialised Banks in Sri Lanka. |

- Procedure to be followed in assessing the fitness and propriety**
- 4.1** Fitness and propriety of such officers performing executive functions shall be assessed and decided by the Director of Bank Supervision as has been provided for in the Banking Act and be applicable to those officers:
- (i) currently in office,
 - (ii) at the time of appointment on a permanent or contract basis,
 - (iii) at the time of renewal of employment contracts, and
 - (iv) at any other time where there are supervisory concerns in respect of any officer as may be determined by the Director of Bank Supervision.
- 4.2** Each bank shall obtain from the respective officers an affidavit and a declaration as in Annex I and Annex II, respectively, and submit to the Director of Bank Supervision.
- 4.3** In addition, at the time of first appointment of an officer, a letter from the former employer immediately preceding the appointment (if the former employer is not a licensed bank in Sri Lanka) regarding the level of performance of duties assigned to him/her in the particular institution should be submitted to the Director of Bank Supervision.
- 4.4** In the case of expatriate officers appointed to branches of banks incorporated outside Sri Lanka (foreign banks), a letter obtained from the home country regulator with regard to any supervisory concerns on the suitability of such officers should be submitted.
- 4.5** With respect to officers, currently performing executive functions, banks shall obtain and submit affidavits and declarations to Director of Bank Supervision before 31 December 2010.

Annex I

Name of Bank:

**Affidavit to be submitted by officers performing executive functions in
Licensed Specialised Banks in terms of Section 76H read with Section 44A of the Banking Act**

I,(full name) holder of National Identity Card No./Passport No of..... (address) being a (Buddhist/Hindu do hereby solemnly, sincerely and truly declare and affirm/ Christian/Catholic/Muslim make oath and state) as follows :

1. I am the (affirmant/deponent) above named and I am the..... (designation) of(name of bank) which is a specialised bank licensed under the Banking Act No 30 of 1988.
2. I [affirm/state] that I possess the following academic and/or professional qualification/s:
3. I [affirm/state] that the effective experience that I possess in banking, finance, business or administration or of any other relevant discipline is as follows:

4. I [affirm/state] that there is no finding of any regulatory or supervisory authority, professional association, any Commission of Inquiry, tribunal or other body established by law in Sri Lanka or abroad, to the effect that I have committed or have been connected with the commission of, any act which involves fraud, deceit, dishonesty or any other improper conduct.
5. I [affirm/state] that I am not subject to an investigation or inquiry consequent upon being served with notice of a charge involving fraud, deceit, dishonesty or other similar criminal activity, by any regulatory authority, supervisory authority, professional association, any Commission of Inquiry, tribunal or other body established by law, in Sri Lanka or abroad.
6. I [affirm/state] that I have not been convicted by any Court in Sri Lanka or abroad in respect of a crime committed in connection with financial management or of any offence involving moral turpitude.
7. I [affirm/state] that I am not an undischarged insolvent nor have I been declared a bankrupt in Sri Lanka or abroad.
8. I [affirm/state] that I have not failed, to satisfy any judgment or order of any Court whether in Sri Lanka or abroad, or to repay a debt.
9. I [affirm/state] that I have not been declared by a Court of competent jurisdiction in Sri Lanka or abroad, to be of unsound mind.
10. I [affirm/state] that I have not been removed or suspended by an order of a regulatory or supervisory authority from serving in a licensed bank or any other financial institution or corporate body, in Sri Lanka or abroad.
11. I [affirm/state] that I have not been a director, Chief Executive Officer or held any other position of authority in any bank or financial institution –
 - (i) Whose license has been suspended or cancelled; or
 - (ii) Which has been wound up or is being wound up, or which is being compulsorily liquidated; whether in Sri Lanka or abroad.
12. I [affirm/state] that to the best of my knowledge I am a fit and proper person to hold office as(designation) of a licensed specialised bank in terms of the provisions of section 76H read with Section 44A of the Banking Act.

The averments contained herein were read over to the [affirmant/deponent] who having understood the contents hereof and having accepted same as true, affirmed/swore to and placed his/her signature at Colombo on this day of

Affix Stamps as applicable

Before me

JUSTICE OF THE PEACE

Annex II

Name of Bank:

**Declaration to be submitted by officers performing executive functions
in Licensed Specialised Banks in terms of the Banking Act
(with enclosures as appropriate as of)**

1. Personal Details

- 1.1 Full name:
1.2 NIC/ Passport number:
1.3 Date of birth:
1.4 Permanent address:
1.5 Present address:

2. Appointment to the Bank

- 2.1 Date of appointment to the present position: (please attach a certified copy of the appointment letter).
2.2 Designation:
2.3 Local or expatriate:

3. Personal Details of Close Relations in terms of Section 86 of the Banking Act

- 3.1 Full name of spouse:
3.2 NIC/ Passport number:
3.3 Names of dependant children:

	Full name	NIC/ Passport number
3.3.1		
3.3.2		

4. Background and Experience

Name/s of licensed bank/s, its subsidiaries in terms of the Banking Act and associates if any, in which he/she is or has been employed as an officer performing executive functions:

Name of the institution	Period of office	Designation

5. Shareholdings in Banks and their Related Companies

Share ownerships in licensed banks, their subsidiaries and associates if any, presently held:

Name of the institution	No. of shares	Percentage holding

6. Business Transactions¹

Any business transaction the officer performing executive functions presently has with the bank and its subsidiaries and associates if any.

Name of the institution	Date of transaction	Amount as at (Rs. mn)		Classification (performing/ non- performing)	Type and value of collateral (Rs. mn)	% of Bank's regulatory capital
		Limit	Out-standing			
Accommodations						
Investments						
Deposits						

7. Appointment, Shareholdings and Business Transactions of Close Relations

7.1 Any close relations presently employed as officers performing executive functions in licensed banks their subsidiaries and associates if any.

Name of the bank	Full name of the close relation	Position held

7.2 Direct or indirect share ownership in the bank, its subsidiaries and associates if any, presently held by any close relation.

Full name of the close relation	No. of Shares		Percentage holding	
	Direct	Indirect	Direct	Indirect

7.3 Any business transaction, the close relation currently has with the bank, its subsidiaries and associates if any.

Full name of the close relation	Nature of business transaction	Date of transaction	Limit as at (Rs. mn)	Out-standing as at (Rs. mn)	Type and value of collateral (Rs. mn)	% of Bank's regulatory capital

8. Any other explanation/information in regard to the information furnished above and other information considered relevant for assessing the suitability of the officer performing executive functions in the bank.

¹ "Business transaction" shall mean any accommodations, investments and deposits

DECLARATION:

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the bank fully informed, as soon as possible, of all events, which take place subsequently, which is relevant to the information provided above.

I state that I am not prevented by any Statute from being appointed to the above post.

Date:**Signature of
Officer Performing Executive Functions in the Bank**

To be filled by the Chief Executive Officer

1. Any other explanation/information in regard to the information furnished above and other information considered relevant for assessing the suitability of the person performing executive functions in the bank.
2. I confirm that, in terms of Section 76H read with Section 44A of the Banking Act, the officer referred to above is fit and proper to carry out executive functions of the bank.

Date:**Signature of Chief Executive Officer
and the official stamp****Ref: 02/17/550/002/003**Bank Supervision Department
24 December 2010

To : CEOs of Licensed Commercial Banks and Licensed Specialised Banks, and
Auditors conducting Bank Audits

Dear Sir/Madam,

REQUIREMENTS UNDER THE CORPORATE GOVERNANCE DIRECTION

We write to inform you that the Institute of Chartered Accountants of Sri Lanka (ICASL) has issued guidelines on the internal control mechanism and annual corporate governance report to be followed by banks in relation to Directions 3(8)(ii) b), c) and g) of the Corporate Governance Direction dated 26.12.2007 issued by the Central Bank of Sri Lanka.

Please find the guidelines in the website of the ICASL. The link is as follows:

<http://www.icasrilanka.com/Technical/Central%20Bank%20Internal%20Control%20-%20Final%20printed%20uploaded.pdf>

Yours faithfully,

N W G R D Nanayakkara
Addl. Director of Bank Supervision

cc President
Institute of Chartered Accountants of Sri Lanka
30 A Malalasekera Mawatha
Colombo 7.

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

No. 1673 / 11 – THURSDAY, SEPTEMBER 28, 2010

(Published by Authority)

PART I: SECTION (I) - GENERAL

Central Bank of Sri Lanka Notices

THE MONETARY LAW ACT

**REGULATION made by the Monetary Board under section 32E of the monetary law Act,
(Chapter 422)**

Nivard Ajith Leslie Cabraal
Chairman
Monetary Board

Central Bank of Sri Lanka,
Colombo,
27th September, 2010.

Sri Lanka Deposit Insurance Scheme Regulations

- | | | |
|---|-----|--|
| 1. Citation | 1.1 | These Regulations shall be cited as “Sri Lanka Deposit Insurance Scheme Regulations, No. 1 of 2010”. |
| 2. Objective of the Scheme & Enabling Provisions | 2.1 | In terms of section 5 of the Monetary Law Act, the Central Bank of Sri Lanka is charged with the duty of securing, as far as possible by action authorized by such Act, the two objectives, namely, (a) economic and price stability and (b) financial system stability. |
| | 2.2 | In terms of sections 32A to 32E of the Monetary Law Act, the Central Bank may establish, maintain, manage and control, as determined by the Monetary Board from time to time, a scheme for insurance of deposits held by banking institutions. |

- 2.3 In terms of sections 46(1) and 76J of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to licensed commercial banks and licensed specialized banks, regarding the manner in which any aspect of the business of such bank is to be conducted.
- 2.4 In terms of sections 27 to 29 of the Finance Companies Act, the Central Bank may operate a scheme for insurance of deposits held by registered finance companies and require such finance companies to insure their deposit liabilities under the scheme or under any other scheme as is specified by the Monetary Board.
- 2.5 Accordingly, this Deposit Insurance Scheme will be implemented in the interest of the overall financial system stability of the country, and it will initially outline a mechanism to protect small depositors from failure of financial institutions, thereby promoting the stability of financial institutions by maintaining small-depositor-confidence.
3. **Title of the Scheme and Effective Date**
- 3.1 This Scheme shall be titled Sri Lanka Deposit Insurance Scheme.
- 3.2 The Scheme shall come into effect from 1st October, 2010.
4. **Member Institutions to be governed by the Scheme**
- 4.1 All Licensed Commercial Banks, Licensed Specialised Banks and Registered Finance Companies shall be the members of the Scheme.
5. **Eligible Deposits to be insured**
- 5.1 Deposits to be insured shall include demand, time and savings deposit liabilities of member institutions and exclude all borrowing instruments.
- 5.2 The following deposit liabilities shall be excluded from the Scheme:
- (i) Deposit liabilities to member institutions.
 - (ii) Deposit liabilities to the Government of Sri Lanka inclusive of Ministries, Departments and Local Governments.
 - (iii) Deposit liabilities to shareholders, directors, key management personnel and other related parties as defined in Banking Act Direction, No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks, Banking Act Direction, No. 12 of 2007 on Corporate Governance for Licensed Specialised Banks and the Finance Companies Act(Corporate Governance) Direction, No. 3 of 2008 for Registered Finance Companies.
 - (iv) Deposit liabilities held as collateral against any accommodation granted.
 - (v) Deposits falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to the Central Bank of Sri Lanka in terms of the relevant Directions issued by the Monetary Board.
- 5.3 All eligible deposits shall be insured by member institutions.

- 6. Premium to be levied on insured deposit**
- 6.1 Member institutions shall pay a premium calculated on the total amount of deposits, excluding the deposit liabilities stated in 5.2 above, as at end of the quarter/month as may be determined by the Monetary Board from time to time, to the Deposit Insurance Fund stated in Regulation 7.
- 6.2 The calculation of premia effective until further notice shall be as follows: -
- (i) Licensed banks which maintained a capital adequacy ratio of 14 *per centum* or above at the end of the immediately preceding financial year as per its audited accounts as accepted by the Director of Bank Supervision – a premium of 0.10 *per centum* per annum payable quarterly calculated on total amount of all eligible deposits as at end of the quarter.
 - (ii) All other licensed banks – a premium of 0.125 *per centum* per annum payable quarterly calculated on total amount of all eligible deposits as at end of the quarter.
 - (iii) Registered Finance Companies – a premium of 0.15 *per centum* per annum payable monthly calculated on total amount of all eligible deposits as at end of the month.
- 6.3 Member institutions shall remit the applicable amount of the premium to the account of the Deposit Insurance Fund within a period of 15 days from the end of the respective quarter/month and submit the details of deposits and calculation of premium in a format specified by the Director of Bank Supervision.
- 6.4 In the event of a delay in the payment of the premium inclusive of instances of under-payment, a penalty will be levied at the prevailing weighted average 91 days primary Treasury bill yield rate plus 200 basis points.
- 7. Deposit Insurance Fund**
- 7.1 The Scheme shall have a fund titled “Deposit Insurance Fund” (hereafter referred to as “the Fund”), and it shall be operated and managed by the Monetary Board, which responsibility it may delegate to an officer or a Department of the Central Bank of Sri Lanka of its choice.
- Credits to the Fund shall include premia and penalties paid by member-institutions, all proceeds of profits, income and gains arising out of the investments of the moneys in the Fund, recovery of deposits paid as compensation, such sums as may be appropriated out of the abandoned property in the case of licensed banks and dormant deposits in the case of registered finance companies transferred to the Central Bank of Sri Lanka in terms Directions issued by the Monetary Board under Part IX – sections 72 and 76 of the Banking Act and sections 31(1) to 31(3) of the Finance Companies Act as applicable, borrowings and contributions from the Government and/or any other sources as may be approved by the Monetary Board.
- 7.3 Debits to the Fund shall be for Compensation payments to depositors, investments, repayment of abandoned property or dormant deposits, as the case may be, in the event of such property/dormant deposits lying in the fund and operating expenses of the Scheme as may be determined by the Monetary Board.

- 8. Investments of moneys in the Funds**
- 8.1 The moneys in the fund shall be invested as hereinafter provided:-
- (i) *Government Securities* - Government securities will include Treasury bills, Treasury bonds and other marketable securities issued by the Government of Sri Lanka.
 - (ii) Secured advances or loans to any member institution in the instance of a severe liquidity crisis in such member institution, if, in the opinion of the Monetary Board (after considering an assessment report on the liquidity position submitted by the Director of Bank Supervision in the case of a licensed bank or the Director of Department of Supervision of Non-Bank Financial Institutions in the case of a registered finance company), such an advance/loan will help avoid an imminent financial panic in the particular institution or in the financial system as a whole.
- 8.2 Such advances or loans to member institutions shall be provided on the security of re-saleable collaterals and/or Government/Central Bank of Sri Lanka Guarantees and at rates of interest as may be determined by the Monetary Board.
- 8.3 The repayment period of such loans or advances shall be as determined by the Monetary Board.
- 9. Compensation on insured deposits**
- 9.1 Compensation to depositors on insured deposits will be paid as per regulations issued by the Monetary Board from time to time, or as hereinafter provided.
- 9.2 Compensation on insured deposit liabilities of a member institution will be paid only when the licence/registration of the member institution is suspended/cancelled by the Monetary Board in terms of the relevant statutory provisions.
- 9.3 Within a week from the announcement of Monetary Board decision to suspend/cancel the licence/registration of the member institution, the Director of Bank Supervision in the case of a licensed bank or the Director of Department of Supervision of Non-Bank Financial Institutions in the case of a registered finance company, shall prepare a list of depositors with the details of deposit accounts setting out the amounts due from the institution to such depositors as at the date of the Monetary Board Order of suspension/cancellation.
- 9.4 The compensation within the limits as specified will be paid within six months from the date of the suspension/cancellation. No interest will be paid in the ensuing period.
- 9.5 The compensation payable in respect of insured deposits of a member institution will be computed on a "per-depositor" basis, consolidating all insured deposit liabilities to each depositor inclusive of any interest accrued and net of any dues from the depositor to the member institution as at the date of the suspension/cancellation of licence/registration.

- 9.6 The amount of compensation payable to a depositor shall be limited to the total insured deposits computed as above, subject to a maximum of Rs 200,000 or its equivalent in the case of foreign currency deposits, if such amount exceeds Rs 200,000.
- 9.7 Any compensation paid to depositors of a member institution by the Deposit Insurance Fund shall be accounted in the books of the member institution as its deposit liability to the Deposit Insurance Scheme, while redeeming the deposit liabilities due to the respective depositors by an equivalent amount.
- 9.8 In the event that any depositor is unable to receive the entitled compensation at the time of payment of compensation, the legal beneficiaries of the depositor shall be paid the compensation in terms of the applicable legal provisions and procedures.
- 9.9 The payment of compensation shall not be a liability of the Monetary Board or the Central Bank of Sri Lanka, and shall be limited to funds available or raised in the Deposit Insurance Fund including any borrowings permitted and contributions received. The Monetary Board and the Central Bank of Sri Lanka shall not be responsible for any liability that exceeds the total amount lying to the credit of the Fund.
- 9.10 The payment of compensation shall come into effect in the case of a suspension/cancellation as ordered by the Monetary Board on or after 1st January, 2012.
- 10. Books and Accounts of the Scheme**
- 10.1 There shall be an established Deposit Insurance Unit in the Bank Supervision Department (The Unit) which shall be responsible for the operational and management arrangements, under the instructions and supervision of the Director of Bank Supervision in terms of Directions/Regulations and policies as approved by the Monetary Board from time to time.
- 10.2 The Unit shall maintain books, accounts and statements relating to financial transactions of the Scheme in terms of the applicable Sri Lanka Accounting Standards.
- 10.3 The financial year of the Scheme shall be the calendar year and the Auditor General shall be the Auditor.
- 10.4 The Unit shall prepare financial statements on income and expenses, assets and liabilities, cash flows and investments for each financial year and submit the audited financial statements to the Monetary Board on or before 31st March of the following year and disclose such statements for the information of the member institutions and the public.
- 10.5 The financial statements of the Sri Lanka Deposit Insurance Scheme shall be distinctly separate from the financial statements of the Central Bank of Sri Lanka and accordingly, no consolidation of the Unit's financial statements shall be made with that of the Central Bank of Sri Lanka.

- 11. Repeal of Regulations dated 27 February, 1987 and Gazette, No. 443/17 dated 6 March, 1987**
- 11.1 Deposit Insurance Scheme Regulations/No. 1 of 1987 dated 27th February, 1987 and Gazette, No. 443/17 dated 6th March, 1987 issued under section 32E of the Monetary Law Act, (Chapter 422) and subsequent amendments shall be repealed and cease to operate with effect from 1st October, 2010 and the Deposit Insurance Fund operated under these Regulations as at 30th September, 2010 shall be vested with the Sri Lanka Deposit Insurance Scheme with effect from 1st October, 2010.
- 11.2 As such, all commitments or contingencies arising from the Scheme operated under Deposit Insurance Scheme Regulations, No. 1 of 1987 as at 30th September, 2010 shall be extinguished as on 1st October, 2010.

Circular No. : 01/2010

Bank Supervision Department
15 October 2010

To: CEOs of all Member Institutions of Sri Lanka Deposit Insurance Scheme

Dear Sir/Madam,

SRI LANKA DEPOSIT INSURANCE SCHEME – PREMIUM TO BE LEVIED ON INSURED DEPOSIT

In terms of Regulation 10.1 of the Sri Lanka Deposit Insurance Scheme Regulations No. 01 of 2010 dated 27 September, we write to inform you of the following.

1. The premium on deposits in terms of Regulation No. 6 of the Regulations should be paid to “Sri Lanka Deposit Insurance Fund” through RTGS, specially mentioning the account name as “Sri Lanka Deposit Insurance Fund - Account Number 4681” or drawing a cheque in favor the said account.
2. In terms of Regulation No. 6.3 of the Regulations, all members of the scheme are required to e-mail the details of the ‘calculation of premium’ as per Annex I to the Director of Bank Supervision (e-mail addresses: dbsd@cbsl.lk, anuradha@cbsl.lk and sumithi@cbsl.lk) along with the payment of premia.
3. All Member Institutions should maintain a proper system of information to support the accuracy of calculation of premium.

Yours faithfully,

(Mrs) T M J Y P Fernando
Director of Bank Supervision

Encl:

Annex 1

**Sri Lanka Deposit Insurance Scheme
Payment of Premium**

1. **Name of the Member Institution** :
2. **Capital Adequacy Ratio (At the end of the immediately preceding financial year as per its audited accounts)** :
3. **Quarter/Month** :
4. **Premium to be Paid** :

(Rs. '000)

Total deposit liability as per the general ledger (a)	XXX
Less: Total excluded deposits	(XX)
Total eligible deposits	XXX
Applicable annual insurance premium rate (%) (b)	XX
Total insurance premium to be paid for the quarter/month (c)	XXX

- (a) Deposit liability as at end of the quarter in the case of licensed banks and as at end of the month in the case of registered finance companies.
- (b) Rate of Premium
- (i) Licensed banks which maintained a capital adequacy ratio of 14% or above at the end of the immediately previous financial year as per its audited accounts as accepted by the Director of Bank Supervision- a premium of 0.10 per cent per annum, payable quarterly.
- (ii) All other licensed banks- a premium of 0.125 per cent per annum, payable quarterly.
- (iii) Registered Finance Companies- a premium of 0.15 per cent per annum, payable monthly calculated on total amount of all eligible deposits as at end of the month.
- (c) Premium should be paid within 15 days from the end of the quarter/month.

	Prepared by	Checked by	Authorised by
Name of the officer:
Designation of the officer:	Head of Finance	Chief Executive Officer
Date:

This return should be sent to the Director of Bank Supervision.
 Telephone: 0112477100, 0112398602 and 0112477169. Fax: 0112477711.
 E-mail: dbsd@cbsl.lk, anuradha@cbsl.lk and sumithi@cbsl.lk.

Circular No. : 02/2010

Bank Supervision Department
9 December 2010

To: CEOs of all Member Institutions of Sri Lanka Deposit Insurance Scheme

Dear Sir/Madam,

SRI LANKA DEPOSIT INSURANCE SCHEME – OPERATING INSTRUCTIONS

All member institutions are requested to adhere to the following instructions.

1. **Conversion rates for foreign currency deposit liabilities:** The daily indicative exchange rates issued by International Operations Department of the Central Bank in the Central Bank web site (<http://www.cbsl.gov.lk>) should be used to convert the foreign currency liabilities in the local accounting requirements.
2. **Deposits held as collaterals against any accommodation granted:** The deposits held as collateral to the of actual usage of the credit facilities as of the reporting date should be excluded for calculation of insurance premium. In the case of a deposit taken as an additional collateral, the deposit balance or the outstanding balance of the accommodation, which ever is lower, should be excluded.
3. **Deposit liability calculation:** The outstanding balance of depositors' accounts eligible for insurance as at the end of each month/quarter should be treated as the deposit liability.
4. **Eligibility of deposits:**
 - (a) Certificates of deposits shall be considered as eligible deposits.
 - (b) Vostro accounts of entities in the member institution's group entity shall not be considered as eligible deposits.
 - (c) Deposits at Off-shore Banking Unit and overseas branches shall not be considered as eligible deposits.
5. **Reporting on depositor wise details:** Member institutions shall submit depositor wise details of eligible deposits to the Deposit Insurance Unit of the Central Bank of Sri Lanka in the annexed format in an electronic form, along with a covering letter duly signed by the Chief Executive Officer and the Chief Financial Officer, commencing from 31 December 2011.

Yours faithfully,

N W G R D Nanayakkara
Acting Director of Bank Supervision

Copy: Director of Supervision of Non Bank Financial Institutions
Central Bank of Sri Lanka

Form No: SLDIS/02/2010/01

CONFIDENTIAL

..... (Name of the Member Institution)

Return on Depositor wise details of eligible deposits

As at (dd/mm/yyyy)

Account No.	Name of Depositor/(s)	NIC No. or any other Identity No.	Eligible Deposit Balance

Note: In case of joint accounts, Names and NIC numbers of joint account holders and the total deposit balances shall be reported.

.....
CFO/ Chief Financial Officer

.....
CEO/ Chief Executive Officer

.....
Name

.....
Name

Ref. : 12/02/008/002/001

Currency Department
29 July 2010

To : All Commercial Banks

A NEW SERIES OF CIRCULATION NOTES

The Central Bank of Sri Lanka (CBSL) is planning to issue a new series of circulation notes during the second quarter of 2011. The new series will be launched as the eleventh series after nineteen years since 1991 when the existing series which was the tenth series of circulation notes was introduced by CBSL. The main difference between the existing series and the new series is in the dimensions of the notes. In contrast to the existing note series where both the width and the length of the notes are different across all denominations, the width of all notes in the new series is the same for all denominations, while only the length increases with the denomination of the note. Comparative information of the existing series and the new series is given below for the banks to make preliminary adjustments in the systems to handle the new notes. Detail information of the new notes series will be provided after the planned launch in the second quarter of 2011.

Existing Note Series - 1991		New Note Series - 2010	
Theme: Sri Lanka Heritage		Theme: Development, Prosperity and Sri Lanka Dancers	
Denominations	Dimensions	Denominations	Dimensions
Rs. 2000	164 x 82 mm	Rs. 5000	153 x 67 mm
Rs. 1000	157 x 78.5 mm	Rs. 1000	148 x 67 mm
Rs. 500	150 x 75 mm	Rs. 500	143 x 67 mm
Rs. 100	143 x 71.5 mm	Rs. 100	138 x 67 mm
Rs. 50	136 x 68 mm	Rs. 50	133 x 67 mm
Rs. 20	129 x 64mm	Rs. 20	128 x 67 mm
Rs. 10	122 x 61 mm		

Superintendent of Currency

Ref. : 06/04/01//2010

11 March 2010

Directions to Authorized Dealers

Dear Sir/Madam,

SECURITIES INVESTMENT ACCOUNTS (SIA)

In view of the further relaxation of foreign exchange transactions, it has been decided to introduce a new Direction for the investments by eligible investors in Government securities and equity capital of companies incorporated in Sri Lanka and units of unit trusts in Sri Lanka.

2. Accordingly, Authorized Dealers are hereby informed that Share Investment External Rupee Accounts (SIERA), Treasury bond Investment External Rupee Accounts (TIERA), Treasury bill Investment External Rupee Accounts (TIERA 2) and Treasury bonds/bills Investment External Rupee Accounts – Deshabhimani (TIERA-D) will be renamed as Securities Investment Accounts (SIA) with effect from 11/03/2010.

3. Eligible investors:

- i) Foreign institutional investors such as country funds, regional funds or mutual funds,
- ii) Corporate bodies incorporated outside Sri Lanka,
- iii) Citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka,
- iv) Non-resident Sri Lankans,
- v) Sri Lankan professionals living in Sri Lanka who receive inward remittances, and
- vi) Dual citizens who receive inward remittances.

4. (a) Permitted Credits:

- i) Inward remittances received from abroad through banking system,
- ii) Transfer of funds from NRFC/FCBU/RNNFC accounts of the same account holder,
- iii) Sale proceeds realized out of sale or transfer or maturity of T-bonds/T-bills or any income realized by way of capital gain thereof,
- iv) Sale proceeds of shares supported by documentary evidence (Broker's Contract Notes and evidence of payments of tax etc.) and dividends,
- v) Dividend income on units of unit trusts net of tax supported by documentary evidence,
- vi) Proceeds on redemption of units net of tax supported by documentary evidence,
- vii) Commissions relating to share transactions with supporting evidence,
- viii) Liquidation proceeds of companies,
- ix) Interest received on T-bonds, and
- x) Other all credits permitted on shares in terms of Operating Instructions No.06/02/12/2001 dated 06.11.2001 in respect of Stock Borrowings and Lending (SBL) transactions

(b) Permitted Debits:

- i) Payments for investment in shares/units of unit trusts /T-bonds/T-bills,
- ii) Outward remittances of sale/redemption/maturity or liquidation proceeds of shares/units/ T-bonds/ T-bills and dividends of shares or units,
- iii) Payments to brokers, primary dealers, lead managers, management company of a unit trust and bank charges,
- iv) Payments for local expenses of the account holder,
- v) Transfer of funds to the accounts maintained by the account holder at FCBU, and
- vi) All debits permitted in our Operating Instructions No. 06/02/12/2001 of 06.11.2001 in respect of SBL transactions on shares.

5. Transfer of funds between SIA of the same account holder shall be permitted.
6. SIA may be held jointly by eligible investors.
7. Approval of the Securities and Exchange Commission of Sri Lanka is required for the foreign institutional investors for the purpose of investing in shares.
8. Eligible investors are permitted to purchase Treasury bonds (T-bonds) and Treasury bills (T-bills) through both primary and secondary markets provided that all such investments in aggregate do not exceed 10% of the outstanding T-bonds or T-bills stock at any given point of time. However, this limit will not be applicable for T-bonds and T-bills held by eligible investors under category 3 (v) and resident Sri Lankans under category 3 (vi).
9. Further, eligible investors who invest in T-bonds and T-bills are also permitted to enter into Repurchase/ Reverse Repurchase transactions using T-bonds/ T-bills purchased under this scheme as collaterals.

10. Reporting requirements:

Authorized Dealers are required to furnish the details of SIA to this Department on daily basis via on- line system.

Yours faithfully,

P. H .O. Chandrawansa
Controller of Exchange

The Gazette of the Democratic Socialist Republic of Sri Lanka**EXTRAORDINARY**

No. 1644 / 26 – THURSDAY, MARCH 11, 2010

(Published by Authority)

PART I: SECTION (I) - GENERAL**Government Notifications****NOTICE UNDER EXCHANGE CONTROL ACT (CHAPTER 423 OF THE CLE)****Permission for Opening and Maintaining Accounts with Banks outside Sri Lanka**

IN the exercise of powers conferred by Section 6AA and sub-section (1) of Section 8 read with Section 48 of the Exchange Control Act, general permission is hereby granted to persons in or resident in Sri Lanka and companies or firms registered in Sri Lanka to open and maintain and operate foreign currency accounts with any bank outside Sri Lanka or close such accounts as specified below.

Persons permitted to open and maintain accounts

1. (i) A person resident in Sri Lanka who has proceeded outside Sri Lanka temporarily for business, studies or for medical purposes;
- (ii) An individual or a company or a firm registered in Sri Lanka who provide professional or vocational services outside Sri Lanka while being a resident in Sri Lanka;
- (iii) An individual or a company or a firm registered in Sri Lanka who has been permitted by the Minister of Finance to invest outside Sri Lanka;
- (iv) An individual or a company or a firm registered in Sri Lanka who has been permitted by the Central Bank of Sri Lanka to lend foreign currency abroad and
- (v) An exporter of merchandise goods.

Credits to the accounts

2. These accounts may be credited with foreign currency received or acquired legally outside Sri Lanka or obtained from an authorized dealer or authorized person in Sri Lanka for a permissible foreign exchange transaction of the account holder, in terms of provisions of the Exchange Control Act or the regulations, notifications or directions made or issued under the Act.

Debits to the accounts

3. Funds in these accounts may be utilized towards any foreign exchange transaction of the account holder permissible for a person resident in Sri Lanka in terms of provisions of the Exchange Control Act or the regulations, notifications or directions made or issued under the Act.

Closing of accounts

4. Where an account opened and maintained with a foreign bank in accordance with the permission granted hereunder is closed, the balance in the account shall be repatriated to Sri Lanka through banking channels, within a month of such closure of the account.
5. In this notice, unless the context otherwise requires-
 - (i) "authorized dealer" means, a commercial bank for the time being authorized under Section 4 of the Exchange Control Act for the purposes of the Act as an authorized dealer in relation to gold or any foreign currency;
 - (ii) "authorized person" means, any person for the time being authorized by the Central Bank under Section 5 of the Exchange Control Act;
 - (iii) "foreign currency" shall have the same meaning as given in the Exchange Control Act;
 - (iv) "currency" shall have the same meaning as given in the Exchange Control Act;
 - (v) "person resident in Sri Lanka" or a "person resident outside Sri Lanka" shall have the same meaning as given in the Direction issued by the Minister of Finance under Section 37(1) of the Exchange Control Act and published in the *Government Gazette*, No.15 007 dated 21st April, 1972.

Department of Exchange Control,
Central Bank of Sri Lanka,
Colombo,
11th day of March, 2010.
03-895

P. H .O. Chandrawansa
Controller of Exchange

Ref. : 06/04/02/2010

11 March 2010

Directions to Authorized Dealers

Dear Sir/Madam,

FORWARD CONTRACTS IN FOREIGN CURRENCIES

Authorized Dealers are hereby informed that they may enter into forward contracts with their customers to hedge an exposure to exchange risk in respect of a transaction for which sale and or purchase of foreign exchange is permitted under the Exchange Control Act or the regulations, notifications or directions made or issued under the

Act subject to following terms and conditions-

- (i) The maturity of the contract does not exceed the underlying transaction. If the contract period is shorter than the underlying transaction, contract may be rolled over to match the underlying payments/receipts.
- (ii) The Authorized Dealer is satisfied about genuineness of the underlying exposure.
- (iii) The currency of the forward contract should be limited to designated foreign currencies.
- (iv) The tenor of the contract may be at the option of the customer.
- (v) Forward contracts in respect of foreign currency loans should be with prior permission of Exchange Control Department.
- (vi) Contracts involving Sri Lanka Rupees once cancelled shall not be rebooked but may be rolled over at prevailing rates on or before maturity.

Yours faithfully,

P. H .O. Chandrawansa
Controller of Exchange

Ref. : 06/04/03/2010

11 March 2010

Directions to Authorized Dealers

Dear Sir/Madam,

SPECIAL FOREIGN INVESTMENT DEPOSIT ACCOUNTS (SFIDA)

We draw your attention to our Directions bearing Ref. No. 06/04/05/2008 and 06/04/09/2008 dated 02/06/2008 and 03/07/2008 respectively on the above subject.

Authorized Dealers are hereby informed that transfer of funds between Special Foreign Investment Deposit Accounts (SFIDA) of a non-resident and accounts maintained in Off-Shore Units in Sri Lanka by such non-resident shall be permitted with effect from 11/03/2010.

Yours faithfully,

P. H .O. Chandrawansa
Controller of Exchange

Ref. : 06/04/04/2010

11 March 2010

Direction to Licensed Commercial Banks appointed as Authorized Dealers

Dear Sir/Madam,

**MARGIN REQUIREMENTS FOR IMPORTS MADE ON
ADVANCE PAYMENT TERMS**

Licensed commercial banks appointed as authorized dealers are hereby informed that the Operating Instruction bearing Ref. No. 06/04/20/2008 dated 08/12/2008 on the above subject are hereby rescinded.

Yours faithfully,

P. H. O. Chandrawansa
Controller of Exchange

Director of Bank Supervision

Ref. : 06/04/05/2010

7 May 2010

Directions to Authorized Dealers

Dear Sir/ Madam,

**FOREIGN CURRENCY ACCOUNTS FOR INTERNATIONAL SERVICES PROVIDERS AND THEIR
EMPLOYEES (FCAISPE)**

Authorized Dealers are hereby granted permission to open and maintain in their domestic banking units, "Foreign Currency Accounts for International Services Providers and their Employees (FCAISPE)" subject to following procedure.

2. Eligible Services Providers

- (i) Any resident company or partnership registered in Sri Lanka or any individual resident in Sri Lanka rendering services while based in Sri Lanka to any person resident outside Sri Lanka in the course of carrying on any profession or occupation listed in schedule 1 of this Direction, and
- (ii) Individuals employed by the eligible services providers referred to in sub-paragraph (i) above on permanent or contractual basis and entered into agreements with such services providers to be remunerated on part or entirety in foreign currency for the services rendered to such employer while carrying on any profession or occupation listed in Schedule 1.

3. Opening of Accounts

Accounts may be opened in the form of current, savings or term deposits in designated foreign currency upon submission of following documentary evidence.

(i) Employer

A letter from the Commissioner General of Inland Revenue confirming that the employer is qualified for income tax exemptions under Inland Revenue Act No.10 of 2006 as amended.

(ii) Employee

A letter from an employer that the employee is directly involved in projects carried out by the employer which are exempt under the Inland Revenue Act No.10 of 2006 (hereinafter referred to as "Exempt Projects") and is paid for his services in foreign currency received from those projects.

4. Permitted Credits

- i. Proceeds on international services received from abroad through banking channels in designated foreign currency.
- ii. Employment income paid out of foreign currency received by an employer for Exempt Projects.
- iii. Interest accruing on the funds held in the account.

5. Permitted Debits

- i. Payments in foreign currency in the form of bank transfers to employees directly involved in Exempt Projects carried out by the employer.
- ii. Payments in foreign currency outside Sri Lanka for transactions permitted to persons resident in Sri Lanka.
- iii. Withdrawal in Sri Lanka Rupees.

6. Reporting

Transactions in "Foreign Currency Accounts for International Services Providers and their Employees" shall be reported to the Exchange Control Department on monthly basis as per the format specified in the schedule II not later than 15th day of the following month.

Yours faithfully,

P. H .O. Chandrawansa
Controller of Exchange

Schedule I

Professional Services for the Purpose of the Directions Ref: No.06/04/05/2010

1. Services rendered by any individual as a member of an organized profession with a recognized standard of ability enforced before such person entering to it and recognized standard of conduct enforced while practicing in it;
2. Accounting, book keeping or auditing;
3. Tax advisory services;
4. Services of a draftsman;
5. Engineering services;
6. Software development, data processing, data base development or system designing;
7. Advertising outside Sri Lanka;
8. Research work and Report writing;
9. Photography;
10. Publishing outside Sri Lanka;
11. Beauty culture, hairdressing or modelling outside Sri Lanka;
12. Services of a sports person or an artist;
13. Services of a valuer or Auctioneer;
14. Services of a plumber, mason or carpenter;
15. Quantity surveying;
16. Health care services;
17. Management of any agricultural property situated outside Sri Lanka.

Schedule II

Monthly Statement of**Foreign Currency Accounts for International Services Providers and their Employees**

As at the end of.....

Name of the Authorized Dealer:

No.	Item/Currency	No./Amount
01.	No. of Accounts	
	USD	
	Sterling Pounds	
	Euro	
	Other (Please specify)	
02.	Total Balance Outstanding as at end of previous month 000'	
	USD	

	Sterling Pounds	
	Euro	
	Other (Please specify)	
03.	Total Credits during the current month 000'	
	USD	
	Sterling Pounds	
	Euro	
	Other (Please specify)	
04.	Total Debits during the current month 000'	
	USD	
	Sterling Pounds	
	Euro	
	Other (Please specify)	
05.	Total Balance Outstanding as at end of current month 000'	
	USD	
	Sterling Pounds	
	Euro	
	Other (Please specify)	

Authorized Officer :

Ref. : 06/04/06/2010

02 June 2010

Directions to Authorized Dealers

Dear Sir/Madam,

ISSUANCE OF FOREIGN CURRENCY NOTES TO SRI LANKANS TRAVELLING ABROAD

It has been decided to increase the issuance of foreign currency notes as a part of the travel allowance for Sri Lankans travelling abroad from its present level of US\$ 2000 to US\$ 2500 or its equivalent in any other convertible foreign currency. However, Authorized Dealers are instructed to exercise due diligence and discretion after satisfying the bona fides of the request when issuing such foreign currencies.

Direction previously issued under Ref. No. 06/04/12/2008 dated 11.07.2008 on the above subject is hereby rescinded.

Yours faithfully,

P. H .O. Chandrawansa
Controller of Exchange

The Gazette of the Democratic Socialist Republic of Sri Lanka**EXTRAORDINARY**

No. 1673 / 43 – FRIDAY, OCTOBER 01, 2010
(Published by Authority)

PART 1: SECTION (1) – GENERAL
Central Bank of Sri Lanka Notices**NOTICE UNDER THE EXCHANGE CONTROL ACT (CHAPTER 423 OF CLE)**

WHEREAS Permission has been granted in terms of section 10 of the Exchange Control Act, No. 24 of 1953 (ECA) to Urban Development Authority to issue Rupee Denominated debentures (hereinafter referred to as debentures) to foreign institutional investors, corporate bodies incorporated outside Sri Lanka and individuals resident outside Sri Lanka (inclusive of Sri Lankans resident outside Sri Lanka).

Now hereby –

1. Permission is granted by virtue of the powers conferred by Section 7 and 11 of ECA, subject to the conditions specified in paragraph 2, for the following :-
 - (i) To make any payment by a person in or resident in Sri Lanka to or for the credit of a person resident outside Sri Lanka in respect of transactions in debentures issued by Urban Development Authority.
 - (ii) To transfer debentures between persons resident in Sri Lanka and persons resident outside Sri Lanka and among persons resident outside Sri Lanka.
2. **Conditions:**
 - (i) The payments in respect of the transactions of persons resident outside Sri Lanka in debentures shall be made only out of or into a “Securities Investment Account” (SIA) opened and maintained in a licensed commercial bank in Sri Lanka in accordance with directions given by the Controller of Exchange in that behalf to the commercial banks.
 - (ii) A commercial bank or any other person entrusted with the payment of capital moneys, coupon, interests and commissions in respect of the transactions of persons resident outside Sri Lanka in debentures shall make such payments only into or out of a SIA referred to in paragraph 2 (i) above.
3. **Interpretation – For purposes of this order –**

“Persons resident in Sri Lanka and persons resident outside Sri Lanka” shall have the same meaning as in order published under the Exchange Control Act in *Gazette*, No. 15007 dated 21st April 1972.

Department of Exchange Control,
Central Bank of Sri Lanka,
Colombo.
01st day of October, 2010.

P. H .O. Chandrawansa
Controller of Exchange

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

No. 1681/10 – MONDAY, NOVEMBER 22, 2010

(Published by Authority)

PART 1: SECTION (1) - GENERAL

Government Notifications NOTICE UNDER THE EXCHANGE CONTROL ACT (Chapter 423 of the CLE)

IN exercise of powers conferred by section 29C and sub-section (5) of section 30 read with section 48 of the Exchange Control Act amended by Law No.13 of 1977, permission is hereby granted for a company incorporated outside Sri Lanka and registered as an “overseas company” under the Companies Act No. 7 of 2007, to carry on business in Sri Lanka subject to terms and conditions as specified below:

1. Activities which may be carried on by an overseas company

An overseas company registered under the Companies Act may carry on in Sri Lanka:

- (a) Any commercial, trading, or industrial activity other than those specified in Schedule I, provided prior permission has been obtained from the Controller of Exchange for any such activity specified in Schedule II.
- (b) Any non-commercial, non-trading or non-industrial activity such as the activities undertaken or carried on by a liaison office, representative office, regional office or other similar office, provided such activities do not provide any income directly or indirectly to the company.

2. Financing of activities carried on by an overseas company

2.1 An overseas company registered under the Companies Act to undertake or carry on any activity specified in sub-paragraph (a) of paragraph 1 above through a place of business in Sri Lanka such as branch office, project office or other similar office, shall :

- (a) Invest a minimum of United States Dollars (USD) 200,000 or equivalent amount in other designated foreign currencies, out of remittances received from abroad and channeled through a special rupee account designated as “Inward Investment Account” (IIA) opened in a commercial bank in Sri Lanka in accordance with directions given by the Controller of Exchange in that regard to commercial banks;
- (b) Provide evidence of remittance of a minimum total of USD 200,000 or equivalent amount in other designated foreign currencies, to the Registrar of Companies, within 30 days of registration; and
- (c) Record the funds remitted as per (a) above in the Company’s books as an investment and maintain such record in the company until the company ceases its business in Sri Lanka.

2.2 A place of business such as liaison office, representative office or other similar office shall remit the funds required for the maintenance of such place of business from abroad in designated foreign currency via IIA .

3. Remittance of profits, surplus funds, royalty, franchise or other similar payments by an overseas company

- 3.1 An overseas company registered under the Companies Act may remit out of Sri Lanka, their profit, royalty, franchise or other similar payments or surplus funds net of tax through IIA on production of the following documents to the Authorized Dealer.
- 3.2 In the case of remitting profit:
- (a) A certified copy of the audited balance sheet and profit and loss account for the relevant year prepared as per the Sri Lanka Accounting Standards.
 - (b) A confirmation by the company's auditors in Sri Lanka that the profit has been earned by carrying on the permitted activities.
- 3.3 In the case of remitting royalty, franchise or other similar payments:
- (a) A certified copy of the agreement and commercial invoice; and
 - (b) A certificate from the company's auditors in Sri Lanka certifying the manner of arriving at the remittable amount.
- 3.4 In the case of remitting surplus funds, before a termination of the registration:
- (a) A certificate from the company's auditors in Sri Lanka certifying the manner of arriving at the remittable surplus, and
 - (b) A confirmation by the company's auditors in Sri Lanka that sufficient funds have been set aside by the company in order to meet all income tax and other statutory obligations.
- 3.5 In the case of remitting surplus funds at the time of termination of the registration:
- (a) A certified copy of the final audited financial statements,
 - (b) A tax clearance certificate issued by the Department of Inland Revenue confirming the settlement of all income and other applicable taxes,
 - (c) A certificate from the company's auditors in Sri Lanka certifying the manner of arriving at the remittable surplus, and
 - (d) A certificate from the company's auditors in Sri Lanka confirming that there are no statutory liabilities outstanding in respect of the activities undertaken, and that all known liabilities have been settled.
4. Nothing contained in this Notice shall be construed as affecting or having a bearing on the provisions of any other written law.
5. For the purposes of this Notice-
- (a) "Overseas Company" shall have the meaning as given in the Companies Act No. 7, of 2007.
 - (b) "Branch Office" shall mean, any establishment described as a branch of a foreign company or establishment carrying on the same business or substantially the same business as that carried on by the parent or Head Office.
 - (c) "Project Office" shall mean, a place of business established in Sri Lanka to represent the interest of a foreign company to execute a project in Sri Lanka.

- (d) "Liaison Office" shall mean an office of a foreign company established in Sri Lanka to act as a channel of communication between the foreign company or its Head Office or Group.
- (e) "Representative Office" shall mean an office established in Sri Lanka by a foreign company engaged in international trading of goods or providing international services to report on business movements in Sri Lanka to the Head Office or to provide advice, information etc., to clients in Sri Lanka concerning goods or services sold in Sri Lanka.

Colombo,
22nd November, 2010.

P. H. O. Chandrawansa
Controller of Exchange

SCHEDULE I

COMMERCIAL, TRADING OR INDUSTRIAL ACTIVITIES THAT ARE NOT PERMITTED FOR OVERSEAS COMPANIES

- (i) Money lending
- (ii) Pawn broking
- (iii) Retail trade with a capital of less than two million US Dollars
- (iv) Coastal fishing
- (v) Growing and primary processing of tea, rubber, coconut and rice
- (vi) Mining and primary processing of non-renewable national resources
- (vii) Freight Forwarding
- (viii) Shipping agency business
- (ix) Mechanized mining of gems
- (x) Lotteries
- (xi) Security Services including security management, assessment and consulting to individuals or private organizations

SCHEDULE II

ACTIVITIES WHICH REQUIRE THE PRIOR PERMISSION OF THE CONTROLLER OF EXCHANGE

- (i) Production of goods where Sri Lanka's exports are subject to internationally determined quota restrictions
- (ii) Growing and primary processing of sugar, cocoa and spices
- (iii) Timber based industries using local timber
- (iv) Deep sea fishing
- (v) Mass communication
- (vi) Education
- (vii) Outbound travel agency business
- (viii) Local air transportation
- (ix) Coastal shipping
- (x) Any industry manufacturing or producing:-

- (a) Arms, ammunitions, explosives, military vehicles and equipment, aircraft and other military hardware.
- (b) Poisons, narcotics, alcohols, dangerous drugs and toxic, hazardous or carcinogenic materials.
- (c) Currency, coins or security documents.

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

No. 1681/11 – MONDAY, NOVEMBER 22, 2010

(Published by Authority)

PART 1: SECTION (1) – GENERAL

Government Notifications

NOTICE UNDER THE EXCHANGE CONTROL ACT (CHAPTER 423 OF THE CLE)

Permission for issue and transfer of debentures of companies incorporated in Sri Lanka to foreign investors

Permission is hereby granted in terms of sections 10, 11, 15 and sub section 5 of section 30 as applicable of the Exchange Control Act (Chapter 423 of the CLE), for the issue and transfer of convertible or non-convertible, redeemable or non-redeemable debentures denominated in Sri Lankan Rupees in a company classified as a specified business enterprise in terms of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995, to foreign institutional investors, corporate bodies incorporated outside Sri Lanka, individuals resident outside Sri Lanka and Sri Lankans resident outside Sri Lanka, subject to the following terms and conditions.

1. Terms and Conditions Applicable to Debentures :

- 1.1 All debentures issued under this Notice shall be listed in the Colombo Stock Exchange, while such issue may be made either by private placement or initial public offer.
- 1.2 The period of redemption or conversion to ordinary shares, of the debentures issued under this Notice shall not be less than five years and such conversion should be subject to the exclusions and limitations stipulated in the Government *Gazette* Notification No.1232/14 dated 19th April 2002.
- 1.3 The debentures issued shall have a current credit rating from a local rating agency or international rating agency acceptable to the Securities and Exchange Commission of Sri Lanka.
- 1.4 The rate of interest on the debentures shall not exceed the five year secondary market Treasury bond rate published by the Central Bank of Sri Lanka plus 200 basis points at the date of issuance of the debentures.

2. Terms and Conditions applicable to the Debenture-Issuing Company :

- 2.1 The Board of Directors of the debenture-issuing company (hereinafter referred to as the 'company') shall ensure that cash inflows of its business operations are adequate to service the repayment of interest payments on the debentures, so as to prevent any material liquidity risk to the company.
- 2.2 The Board of Directors of the company shall establish a risk management process that ensures

- the company addresses the possible risks arising from the foreign investment in the debentures of the company and/or the contagion risk of any default and the other risks to the company in the case of such an eventuality.
- 2.3 The company shall make appropriate sinking fund arrangements for the orderly repayment of debentures on the maturity date and these arrangements shall be reviewed by the company's auditors.
 - 2.4 Funds for the investment in debentures and the payment for debentures by the non-resident investor shall be made only out of funds received as inward remittances through a "Securities Investment Account" (hereinafter referred to as SIA), or funds available to the credit of a SIA of the foreign investor, opened and maintained in a licensed commercial bank in Sri Lanka in accordance with directions given by the Controller of Exchange to commercial banks.
 - 2.5 A commercial bank or any other person entrusted with the payment of the capital amount, coupon, interests and commissions in respect of any transaction permitted hereunder shall make such payments only into or out of a SIA referred to in paragraph 2.4 above.
 - 2.6 The company shall furnish a report to the Exchange Control Department within 30 days of receipt of remittances for investment in debentures providing the following details:-
 - (a) The total amount received through SIAs.
 - (b) The names and addresses of the Authorized Dealers through whom the remittances were received.
 - (c) A certificate from the Company Secretary confirming that the provisions of the Exchange Control Act and the directions issued under the Act with regard to the issuance of debentures have been duly complied with.
3. Foreign institutional investors, corporate bodies incorporated outside Sri Lanka, individuals resident outside Sri Lanka and Sri Lankans resident outside Sri Lanka shall be permitted under section 11 of the Exchange Control Act to transfer the debentures acquired by them in terms of paragraph 2.
 4. Permission is also hereby granted under section 7 of the Exchange Control Act for the making of any payment to or for the credit of a person resident outside Sri Lanka in respect of transactions permitted hereunder.
 5. Nothing contained in this Notice shall be construed as affecting or having a bearing on:-
 - (a) Enterprises as defined in the Board of Investment of Sri Lanka Law No. 4 of 1978 in respect of which exemption has been granted from the Exchange Control Act, to the extent of such exemption.
 - (b) The provisions of any other law.
 6. For the purposes of this Notice "Persons resident outside Sri Lanka" shall have the same meaning as in the Notice published under the Exchange Control Act in Gazette No. 15007 dated 21.04.1972.

P. H. O. Chandrawansa
Controller of Exchange

Colombo,
22nd November, 2010.
12-201

Ref. : 06/04/09/2010

November 22, 2010

Directions to Authorized Dealers

Dear Sir/Madam,

**PERMISSION FOR ADDITIONAL DEBITS AND CREDITS TO
SECURITIES INVESTMENT ACCOUNTS (SIA)**

This Direction is issued further to the Direction No: 06/04/01/2010 dated 11.03.2010 issued by the Exchange Control Department on Securities Investment Accounts (SIA).

Permission has been granted for the issue and transfer of debentures denominated in Sri Lankan Rupees in a company incorporated in Sri Lanka by the Gazette Extraordinary No: 1681/11 dated 22.11.2010 for foreign institutional investors, corporate bodies incorporated outside Sri Lanka, individuals resident outside Sri Lanka and Sri Lankans resident outside Sri Lanka, subject to certain conditions.

Accordingly, Authorized Dealers are hereby informed that the permission is hereby granted to make the following further credits and debits to the Securities Investment Accounts (SIA).

4. (a) Permitted Credits:-

- xi. Inward remittances for investments in debentures.
- xii. Proceeds realized out of sale or transfer or maturity of debentures.
- xiii. Interest accrued on debentures.

(b) Permitted Debits:-

- vii. Payments for investments in debentures.

Yours faithfully

P. H. O. Chandrawansa
Controller of Exchange

Ref. : 06/04/10/2010

22 November 2010

Directions to Authorized Dealers

Dear Sir/ Madam,

INWARD INVESTMENT ACCOUNT (IIA)

Permission has been granted by Gazette Extraordinary No.1681/10 dated 22.11.2010 for companies incorporated outside Sri Lanka and registered as overseas companies under Companies Act No. 07 of 2007 to carry on business in Sri Lanka through a place of business such as Branch, Project, Liaison, Representative Office or similar office.

Authorized Dealers are hereby informed that such an overseas company may open and operate an IIA for its business operations in Sri Lanka, subject to the following guidelines:-

1. An account may be initially opened in the name of the parent company incorporated outside Sri Lanka on production of certified copies of the Certificate of Incorporation and Memorandum and Articles of Association of the said company.
2. After the said parent company is registered as an overseas company by the Registrar General of Companies, the account shall be re-designated in the name of the company registered in Sri Lanka, upon submission of a certified copy of the Certificate of Registration.
3. The operation of the IIA shall be subject to the following conditions:-
 - 3.1 Credits:
 - (a) Rupee proceeds of inward remittances received in convertible foreign currencies;
 - (b) Local revenue of overseas company;
 - 3.2 Debits:
 - (a) Profit, Royalty, Franchise or other similar payments or surplus funds net of tax subject to submission of documents specified in paragraph 3 of the Gazette Notification referred to in paragraph 1 above.
 - (b) Local expenses of the overseas company
 - 3.3 All other debits and credits to this account shall require the prior approval of the Controller of Exchange.
 - 3.4 This account shall not be overdrawn under any circumstances.
4. Authorized Dealers are required to furnish quarterly statements to this Department, indicating the total monthly cumulative credits and debits made to these accounts, within two weeks after the end of each quarter.
5. Operating Instructions previously issued under Ref. No EC/54/93 (C&F) dated 25.06.1993 on the above subject is hereby rescinded.

Yours faithfully,

P. H .O. Chandrawansa
Controller of Exchange

Ref. : 06/04/11/2010

22 November 2010

Directions to Authorized Dealers

Dear Sir/Madam,

**FOREIGN CURRENCY AND RUPEE ACCOUNTS FOR FOREIGN DIPLOMATIC MISSIONS,
DIPLOMATIC PERSONNEL AND THEIR FAMILY MEMBERS IN SRI LANKA**

Authorized Dealers are hereby permitted to open and maintain Diplomatic Foreign Currency Account (DFA) and Diplomatic Rupee Account (DRA) in accordance with the directions specified below:

2. Eligible persons

Foreign diplomatic missions, diplomatic personnel and their family members in Sri Lanka.

3. Type of Account permitted:

- 3.1 Current, savings/or term deposit accounts.
- 3.2 In the case of diplomatic personnel and their family members accounts may be held jointly.
- 3.3 Transfer of funds between one DFA to another DFA and between one DRA to another DRA may be made without reference to the Controller of Exchange.
- 3.4 Transfer of funds between one DFA to a FCBU account of the account holder or between one DFA to a FCBU account of the Diplomatic Mission may be made without reference to the Controller of Exchange.

4. Credits and debits to DFAs shall be limited to the following:-**4.1 Credits**

- a) Proceeds of inward remittances of designated foreign currency received from outside Sri Lanka through banking channels.
- b) Designated foreign currency brought into the country by the account holder on declaration to Sri Lanka Customs where applicable, and tendered to the Authorized Dealer.
- c) Interest payable in foreign currency on funds held in the Account.

4.2 Debits

- a) Repatriation outside Sri Lanka without reference to the Controller of Exchange.
- b) Withdrawal in foreign currency or in rupees for local expenses of the account holder.
- c) Transfer to DRAs converted into Sri Lanka Rupees.

5. Credits and Debits to DRAs shall be confined to the following:-**5.1 Credits**

- a) Transfers from DFAs converted into Sri Lanka Rupees.

- b) Interest payable in rupees on funds held in the Account.
- c) Refunds, reimbursements and payments due to the account holder(s) from any person or institution in Sri Lanka.

5.2 Debits

- a) Local expenses of the account holder(s).
 - b) Any other transaction approved by the Ministry of Foreign Affairs.
 - c) Remittance outside Sri Lanka with the prior approval of the Controller of Exchange.
6. Transfer of funds from DRAs to DFAs shall not be permitted unless with the permission of the Controller of Exchange.
7. The remittance of funds out of Sri Lanka or any other payment involving foreign exchange by a foreign diplomatic missions or diplomatic personnel and/or their family members in Sri Lanka shall not be permitted other than through their respective DFAs or FCBU accounts.
8. Operating Instructions Ref. No. ED/35/64(E), dated 15th September, 1964 by which External and Internal Accounts facilities were granted to foreign diplomatic and other missions are hereby withdrawn. At the same time, the balances in the External Accounts may be converted into foreign currency and be credited to the respective DFAs while the balances in the Internal Accounts may be credited to DRAs to be opened in terms of the directions contained herein.
9. For purposes of these directions:
- (i) "Diplomatic mission" shall refer to an embassy, high commission, consulate, permanent mission of United Nations or EU delegation of the European Commission,
 - (ii) "Diplomatic personnel" shall refer to citizens of a foreign country represented by the diplomatic mission.

Yours faithfully,

P. H .O. Chandrawansa
Controller of Exchange

Ref. : 06/04/12/2010

22 November 2010

Directions to Authorized Dealers

Dear Sir/Madam,

NON-RESIDENT NON-NATIONAL FOREIGN CURRENCY ACCOUNT (NRNNFA)

Authorized Dealers are hereby informed that they are permitted to open and maintain Non-Resident Non-National Foreign Currency Accounts (NRNNFA) in the Domestic Banking Unit (DBU) in designated foreign currencies, in accordance with the credit and debit instructions set out below:

2) Eligible persons

Non-nationals either on temporary visit to Sri Lanka or intending to visit Sri Lanka.

3) Type of Account

These accounts may be opened only in the form of current or savings accounts.

4) Permitted Credits

- i. Inward Remittances received in favour of the account holder.
- ii. Foreign currency in the form of travellers' cheques, bank draft or designated foreign currency notes brought into the country by the account holder on declaration to Sri Lanka Customs as applicable during the visitor's temporary visits to Sri Lanka and tendered in person to the Authorized Dealer, provided that the travellers' cheques have been issued outside Sri Lanka and the bank drafts endorsed in the name of the account holder.
- iii. Interest accruing on the funds held in the account.
- iv. Transfers from FCBU account of the account holder or the company on whose behalf temporary visit to Sri Lanka is undertaken.

5) Permitted Debits

- i. Withdrawals in Sri Lanka Rupees for local disbursements.
- ii. Withdrawals in foreign currency.
- iii. Outward remittances.

6) Reporting

Authorized Dealers shall furnish monthly reports on or before the 15th day of the following month to the Exchange Control Department in respect of NRNNFA held by them in the manner specified in the Annex hereto.

Yours faithfully,

P. H .O. Chandrawansa
Controller of Exchange

Annex

Monthly Statement of Non-Resident Non-National Foreign Currency Account (NRNFA)

Name of the Bank :

For the month of

Currency	No of Accounts	Opening Balance as at the beginning of the month	Total Credits during the month	Total Debits during the month		Closing Balance as at the end of the Month
				F/C.	Rs.	

Ref: 06/04/13/2010

22 November 2010

Directions to Authorized Dealers

Dear Sir/Madam,

FOREIGN CURRENCY ACCOUNTS FOR GEM AND JEWELLERY DEALERS

As a measure to facilitating the policy objective of making Sri Lanka a center for manufacturing, trading and retailing of gem and jewellery, it has been decided to extend the foreign currency account facilities available to indirect and direct exporters of gem and/or jewellery to importers of gem and/or jewellery.

Accordingly, the Authorized Dealers are hereby permitted to open and maintain in their domestic units, "Foreign Currency Accounts for Gem and Jewellery Dealers" subject to terms and conditions specified below.

2. Eligible persons

Individuals, firms and companies engage in:-

- (a) export of gem and/or jewellery
- (b) import of gem and /or jewellery
- (c) supply of finished or unfinished gem and/or jewellery to exporters

3. Type of account permitted

Non-chequeable, savings or fixed deposit account

4. Opening of accounts

A certificate should be obtained from the National Gem and Jewellery Authority confirming that the individual, firm or company is a licensed gem and/or jewellery dealer.

5. Permitted Credits

- (a) Export proceeds of gems and/or jewellery received through the banking system in designated foreign currency.
- (b) Proceeds of gem and/or jewellery sold abroad and brought into the country, declared to the Sri Lanka Customs as applicable and tendered by the account holder in person to an authorized dealer.
- (c) Local receipts in foreign exchange by importers of gem and/or jewellery in the form of bank draft or bank transfer received in respect of supply of raw materials to indirect and/ or direct exporters of gem and/or jewellery.
- (d) Local receipts in foreign exchange by indirect exporters of gem and/or jewellery in the form of bank draft or bank transfer received in respect of supply of raw materials to direct exporters of gem and/or jewellery; and
- (e) Interest accrued on the funds held in the account.

6. Permitted Debits

- (a) Payments in foreign exchange for import of cut and polished or rough gem stones and other raw materials, provided that imports of gem stones and other raw materials are made in conformity with the provisions of Regulations made under Imports and Exports (Control) Act, No. 1 of 1969 and published in the Government Gazette No. 1022/6 dated April 08, 1998;
- (b) Withdrawals in foreign currency notes not exceeding US\$ 50,000 at a time for purchasing cut and polished or rough gem stones and other raw materials abroad;
- (c) Withdrawals in Sri Lanka Rupees for local disbursements are freely permitted. However, such withdrawals shall not be eligible for conversion into foreign currency and for re-crediting to the account;
- (d) Payments in foreign currency to a local supplier of cut and polished or rough gem stones or jewellery which should be in the form of bank transfer or bank draft.

7. Minimum Balance Requirement

An account under this scheme should be maintained with a minimum balance of at least US\$ 1000.

8. Reporting Requirement

Authorized Dealers are required to furnish details of each account as per attached format to the Exchange Control Department quarterly within 15 days after ending the quarter.

- 9. Operating instructions No.06/04/04/2008 dated 29th May 2008 is hereby rescinded and the accounts opened under the said scheme should be renamed as Foreign Currency Account for Gem and Jewellery Dealers.

Yours faithfully,

P. H .O. Chandrawansa
Controller of Exchange

Annex

Name of the Bank :

For the quarter of

Foreign Currency Account for Gem & Jewellery Exporters

Account No.	Name of the Account Holder	Currency	Opening Balance	Total Credits	Total Debits	Closing Balance

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

No. 1685 / 2 – TUESDAY, DECEMBER 21, 2010

(Published by Authority)

PART 1: SECTION (1) – GENERAL

Government Notifications

NOTICE UNDER THE EXCHANGE CONTROL ACT (CHAPTER 423 OF THE CLE)

Permission in terms of sections 7, 10, 11, 15 and 30 (5) of the Exchange Control Act

THE notice under the Exchange Control Act published in the *Government Gazette (Extraordinary)* No. 1232 / 14 of 19th April 2002, as last amended by *Government Gazette (Extraordinary)* No. 1248 / 19 of 08th August 2002 is further amended as follows: -

- (i) By the insertion immediately after the item (iv) of paragraph 2, of the following new item; “(v) Provision of Security services including security management, assessment and consulting to individuals or private organizations”
- (ii) By the substitution in sub paragraphs (b) and (c) of paragraph 4 for the words “Share Investment External Rupee Account” of the words “Securities Investment Account”

P. H. O. Chandrawansa
Controller of Exchange

Colombo,
21st December, 2010.
01-17

Credit Card Guidelines No : 01/2010

To: Chief Executive Officers of Service Providers Engaged in Credit Card Industry

CREDIT CARD OPERATIONAL GUIDELINES**1. Introduction to the Guidelines**

Over the past few years, the usage of Cards as a payment instrument for purchasing goods and services and/or cash withdrawals has increased significantly mainly due to the growing preference of the general public to use Credit Cards for their day to day transactions. The increase has been driven by customer convenience and transaction security. This is further evidenced by high increase in the volume of electronic Point Of Sales (POS) outlets, and reward schemes and incentives offered by Credit Card issuers, to promote Credit Card usage.

Central Bank of Sri Lanka (CBSL) through the Payment and Settlement Systems Act No. 28 of 2005 is entrusted with a legislative mandate to implement the national payment system policy and oversee the payment and settlement systems in the country to ensure safety, efficiency, competitiveness and stability. Having considered the timely requirement of improving the electronic payment mechanisms and at the same time ensuring customer protection, the CBSL took steps to execute the Service Providers of Payment Cards Regulations No. 1 of 2009 on 31 July, 2009. Following guidelines on operations of Credit Cards are issued by the CBSL, in order to ensure safe, secure and efficient operations when Credit Cards are used as a payment instrument.

These operational guidelines for Credit Cards which are based on the above mentioned Regulations shall apply to all Service Providers engaged in Credit Card business and shall come into force with effect from 01 March, 2010.

In these guidelines words denoting or importing the singular number shall include the plural number and vice versa and words denoting or importing the masculine gender shall include the feminine.

2. Marketing of Credit Cards

Any institution (hereinafter referred to as 'Card Issuer') enters into a contractual relationship with a Cardholder (hereinafter referred to as 'the Customer') through the issue of a Credit Card shall ensure that marketing strategies of the Credit Card operations are designed and undertaken in accordance with the following guidelines.

- 2.1. Marketing staff shall disclose their official identity at promotional campaigns before or during the meeting with prospective and/or existing Customer.
- 2.2. Benefits, incentives, rewards or reduction of any charges / fees which are offered by the Card Issuers in any promotional campaign or any event with regard to Credit Card operations shall be clearly communicated to the Customers in legible writing (electronically or document form).
- 2.3. The terms and conditions relating to the Credit Card shall be clearly communicated to the Customers and the same shall be provided in writing in the preferred language of communication, on request. The terms and conditions shall be displayed in the Card Issuers' web sites.
- 2.4. Card Issuers shall disclose their Code of Conduct/Institutional Policy on Credit Card operations to the

Customers throughout the marketing process and the same shall be published in Card Issuers' official websites.

- 2.5. Marketing personnel of Card Issuers shall provide complete information on features, benefits and drawbacks to the Customers and shall not make false claims on any features / benefits which Card Issuers do not offer.
- 2.6. Misleading and unethical information/advertisements shall not be conveyed/ published by Card Issuers.
- 2.7. Card Issuers shall not engage in aggressive and hard selling marketing practices during working/office hours or inconvenient hours for the Customers, except with prior appointments.
- 2.8. Regular training and awareness sessions shall be conducted by Card Issuers for their marketing staff covering all aspects of Credit Card operations including charges to be paid by the Customers, safety measures, complaint/dispute resolution mechanisms etc.

3. Issue of Credit Cards

(a) Issue of Principal Credit Cards

- 3.1. Credit Card shall be issued only to an individual who has following eligibilities -
 - a citizen or a resident of Sri Lanka who is above 18 years of age on the date of the application and has independent financial means;
 - a non-resident provided that he has a Non Resident Foreign Currency Account/Resident Foreign Currency Account/Resident Non National Foreign Currency Account or Off Shore Banking Unit Account and all dues of the Credit Card are settled in foreign currency through such accounts.
- 3.2. Card Issuers shall be solely responsible for fulfillment of all "Know Your Customer" (KYC) requirements and such documents shall be maintained under safe custody.
- 3.3. Card Issuers shall not accept funds as deposits from the Customers at any time, in any way that contravene the provisions of the Banking Act and the Finance Companies Act.
- 3.4. Credit Card shall be issued by a Card Issuer on receipt of duly filled and signed application form from a prospective Customer, supported with necessary documents. Pre-approved cards shall be activated only after receiving of Customer's signed acceptance. Unsolicited cards shall not be issued.
- 3.5. Card Issuer shall take utmost care in ascertaining credit worthiness of Customers. Credit risks shall be assessed independently, before issuing a Credit Card, taking all reasonable steps and using reliable modes to assess the creditworthiness of the Customer. Card Issuer shall obtain information available at the Credit Information Bureau (CRIB) to ascertain the creditworthiness of the Customer.
- 3.6. Card Issuer shall not issue a Credit Card to any Customer who has already obtained a Credit Card from same/any other Card Issuer by providing the same income particulars, without obtaining the aggregate credit outstanding liabilities of the Customer.

- 3.7. Card Issuer shall determine the credit limit for the Customer considering the cumulative limits enjoyed by the Customer from other Credit Cards on the basis of Customer's self declaration and credit information obtained from the CRIB.
- 3.8. The prevailing credit limit may be increased temporarily subject to a maximum time limit of 6 months on the request of the Customer, based on the nature of the requirement. However, Card Issuer should be satisfied with the Customer's ability to settle all the liabilities incurred on such extended facility.
- 3.9. Card Issuer shall not unilaterally upgrade or/and enhance Credit Card type/limit without informing the Customer in writing.
- 3.10. At the time of issuing a Credit Card to a Customer, applicable terms and conditions relating to the Credit Card shall be clearly communicated and same shall be provided in legible font size to the Customer in the preferred language of the Customer, even though such details have already been provided during the marketing campaign.
- 3.11. Any stipulation, caveat, clause or provision in terms and conditions of the agreement/contract, which may result in an unreasonable curtailment of rights of the Customers, shall not be included.
- 3.12. Card Issuer shall notify the following details in simple language to Customers, in writing (electronically or in document form) and same shall be published in the websites maintained by Card Issuer:
 - i. Benefits / services provided to the Customers;
 - ii. Terms and conditions as well as important information that the Customers shall be aware of in using the card and the consequences and risks;
 - iii. Rights, liabilities and obligations of the Principal Customers and Supplementary Customers;
 - iv. Joining fees, annual fees, administrative and handling fees or any other fees which the Customers are required to pay;
 - v. Cash advance limit and fee as appropriate;
 - vi. Interest free (grace) period;
 - vii. Calculation method of minimum payment ;
 - viii. Calculation methods of overdue interest regarding both revolving credit (amount outstanding after paying the minimum payment) and cash advance, applicable annualized interest rates and penalties/fees which have to be borne by the Customers. The calculation method of overdue interest shall be expressed clearly using examples;
 - ix. The late payment charges and the method of calculation of such charges with examples;
 - x. Method of computation of interest when partial payments exceeding the minimum payment due is paid by the Customer, with examples;
 - xi. The procedure for handling lost, stolen or destroyed Credit Cards and other complaints, and the time period required for dealing with such complaints;
 - xii. Contact numbers of dedicated telephone lines for handling complaints;
 - xiii. The rights and liabilities arising out of unauthorized third party use of a Credit Card;
 - xiv. The procedure to be followed in the event of a discrepancy/dispute regarding a Credit Card transaction;
 - xv. Disadvantages for the Customers if they default i.e. Reporting procedures to CRIB etc.;
 - xvi. Procedure for cancellation of the Credit Card.
- 3.13. Card Issuers shall not encourage/ induce the Customers to use Credit Cards to acquire land or any

other property, payment of monthly installments of any property acquired by the Customers or any third party, and/or any capital account transaction specified in the Exchange Control Act, Regulations, Directions or Guidelines issued by the relevant authorities.

- 3.14. Card Issuer shall state in the terms and conditions that Credit Cards are not to be used for any unlawful activity deemed as an offence under Sri Lankan Law. If any Customer is found to have used the Credit Card for such unlawful activity, Card Issuer shall immediately terminate the card facility and inform details of such transaction to the CBSL.

(b) Issue of Supplementary Credit Cards

- 3.15. Card Issuers shall give clear instructions to Principal/Supplementary/Add-on Customers on their responsibilities for liabilities incurred on the cards issued. The Principal Customer shall also be formed that they are ultimately liable for all the liabilities incurred by the Supplementary/Add-on Customer.
- 3.16. Card Issuer shall not issue a supplementary, add-on or subsidiary card to any individual who is below eighteen (18) years of age except to students who are between 16 - 18 years of age and for educational purposes. Such exceptions shall be granted only for students who are direct dependents of the Principal Customer.

4. Interest Rates and Other Charges

- 4.1. Card Issuer shall quote interest rates and service charges separately on an annual basis, for purchase of goods or services and cash advance.
- 4.2. Card Issuer shall not charge any amount that was not explicitly indicated to the Customers at the time of issue of the Credit Card without prior notice to the Customer. However, this consideration will not apply for charges such as taxes, etc., levied by the government or any other statutory authority, time to time.
- 4.3. Prior notice shall be given to the Customers before offering any new charged service.
- 4.4. Any revisions in the schedule of charges/fees, interest rates, or terms and conditions and revision of any incentives, shall be communicated to all active Customers in legible writing/electronic means, at least ten (10) days before the effective date of the revision, if it was not communicated at the time of issue.

5. Billing Process

- 5.1. Card Issuer shall dispatch a billing statement on Credit Card transactions to each active Customer in writing or through electronic means at the end of each billing cycle (period). The billing statements shall fully disclose the following details:
- i. Transaction date, merchant name, type of currency and amount billed;
 - ii. Date from which interest accrues;
 - iii. The calculation method regarding charges to be borne by the Customer;
 - iv. Amount of minimum payment to be made by the Customer;
 - v. Due date of minimum payment;
 - vi. Annualized percentage rate of interest for purchase of goods/ services and cash advances.

- (The said charges shall be included separately);
- vii. Amount of penalty and interest charges for late payments;
 - viii. Acceptable modes of payment (i.e. through cash, direct debit, cheques, account transfer facility);
 - ix. Expected number of days a particular mode of payment may take for clearing and handling charges if any;
 - x. In the case of foreign currency transactions foreign currency amount and billed amount in LKR.

Format of the billing statement shall be published in the Card Issuers' website in all three languages.

- 5.2. Card Issuers are required to dispatch the billing statement at the end of each billing period to all active Customers at least fourteen (14) days before the payment due date.
- 5.3. If the Customer lodges a complaint regarding non-receipt of current billing statement of account, a copy of the statement shall be dispatched to the Customer free of charge, within ten (10) calendar days from the date of complaint.
- 5.4. Card Issuer shall make comprehensive and convenient arrangements in line with the business plan and requirements of the Customers for the collection of bill payments through designated branches, collection centers, cheque collecting boxes or other electronic channels provided by the Card Issuer.
- 5.5. Card Issuer shall inform the Customers about the status of the unrealized cheques within seven (7) working days from the date of receipt of unpaid cheques. Customer shall not be penalized for cheques submitted within the time prescribed by the Card Issuer but cleared after due date.
- 5.6. Card Issuer shall ensure that "due date" for payment does not fall on Saturday, Sunday or any other public/bank holiday(s) published/ gazetted by the CBSL/Government at the beginning of each year. However, if a Card Issuer is unable to adhere to this condition, the date payable has to be clearly mentioned in the statement, when the due date falls on a holiday.

6. Collection /Recovery Mechanism

- 6.1. Card Issuer shall ensure that collection of any dues against Credit Card transactions by Card Issuer are conducted prudently. Card Issuer shall not engage in any activity which is against the public interest in handling collections and shall exercise its rights using the principles of honesty and good faith.
- 6.2. Card Issuer shall ensure that recovery letters are issued to the last known address of the Customer and such letters should bear the designation, contact number(s) and office address of the concerned official.
- 6.3. Card Issuer shall ensure that the recovery process shall not resort to any verbal or physical harassment or threats to the Customers, their family members, referees or friends.
- 6.4. Card Issuer shall respond to the queries arising out of the recovery letters within a reasonable time period. The time period must be specifically defined in their Code of Conduct and shall be communicated properly to the Customers.
- 6.5. Procedure followed by the Card Issuer when recovering default payments shall be properly communicated to Customers, at the time of issuance of Credit Card. Card Issuers shall not divulge information regarding Credit Card defaults to third parties.

7. Confidentiality and Protection of Customer Rights

- 7.1. Card Issuer shall maintain the confidentiality of Customer information and shall be responsible for all such information used by marketing personnel, debt recovery agents or any other third party in the business process.
- 7.2. Card Issuer shall not reveal any information/contact details relating to Customers, obtained at the time of opening/issuing the Credit Card to any other person or organization without obtaining prior consent of the Customer. Card Issuer should satisfy themselves, based on specific legal advice, that the information being sought from third parties will not violate the provisions of the laws relating to secrecy in the transactions.
- 7.3. Unsolicited loans or other credit facilities shall not be offered to the Customers based on the Credit Card.

8. Dispute Resolution

- 8.1. Card Issuer shall have an appropriate dispute resolution mechanism and service procedures in place, commensurate with the volume of complaints and shall resolve the same within a minimum period.
- 8.2. Credit Card dispute resolution mechanism shall be disclosed on the official website of the Card Issuer. Card Issuer may also arrange online complaint registration procedure. Card Issuers shall develop a mechanism for tracing a complaint and same shall be communicated to the Customer.
- 8.3. Card Issuer shall resolve the disputed transactions of the Customer promptly and as per the franchise rules of VISA, MasterCard, AMEX or any other international card company/association, taking into account the nature of the transaction, distances, time zones, etc.
- 8.4. Card Issuer shall clearly communicate to the Customers, whether they would be allowed to use the Credit Card during the investigation period in the event of a dispute.
- 8.5. Card Issuer shall reverse interest and other charges on disputed transactions if the dispute is settled in favour of the Customer and accumulated interest shall be recovered only when the dispute is settled in favour of the Card Issuer.
- 8.6. Card Issuer shall provide related evidence regarding disputed transactions to the Customer without any charges, if complaint is settled in favor of the Customer.

9. Outsourcing of Marketing/Recovery Functions and Other Operations

- 9.1. Card issuer may outsource marketing, recovery, and other operations such as card embossing, processing of applications and courier service to third party service providers.
- 9.2. Card Issuer shall clearly define the responsibilities and liabilities of the outsourced service providers.
- 9.3. Card issuer shall ensure the maintenance of confidentiality and secrecy of the customer information by outsourced service providers.
- 9.4. Card issuer shall ensure that the outsourced service providers adhere to the guidelines given in Section 2 and 6 above with regard to marketing and collection/recovery mechanisms respectively.

- 9.5. Card Issuer shall ensure that employees of outsourced service providers are properly educated and trained on their responsibilities such as soliciting customers, convenient hours for calling, conveying the correct terms and conditions applicable to Credit Card operations.
- 9.6. Card issuer shall have an exit mechanism for outsourced activities, if it is observed that an outsourced service provider is unable to continue the service.

10. Rights to Impose Non-compliance Charges

Under the provisions of the Payment Card Service Providers Regulations No. 1 of 2009, CBSL reserves the right to impose non-compliance charges on Card Issuers on any violation of these guidelines.

11. Legal Provisions

- 11.1. Card Issuer shall have sound legal basis for Credit Card operations together with appropriate rules and procedures.
- 11.2. Appropriate processes shall be in place to ensure that rules and procedures as well as the contractual relationships with relevant parties (e.g. financial acquirers and card issuers, merchants and cardholders) shall be valid and enforceable. Where applicable, this shall be consisted of clear rules and procedures to regulate authorization and clearing and settlement of both domestic and cross-border transactions.

12. Business Continuity, Internal Control and Compliance

- 12.1 Card Issuer shall have sound and prudent management, administrative, accounting and control procedures to minimize financial and non-financial risks to which the Card Issuer may be exposed.
- 12.2 Card Issuer shall conduct risk analysis and feasibility study on new products/services. In addition, when there is a change of relevant circumstances, Card Issuer shall perform a review on the risk profile of existing products/services to assess risks relating to security and continuity of the product/service.
- 12.3 Card Issuer shall ensure to have an adequate number of properly trained and competent personnel to operate systems at an appropriate level.
- 12.4 Card Issuer shall provide Customers and relevant merchants with information the Card Issuer reasonably considers relevant to fraud awareness in the context of Credit Card operations and proper use or processing of cards to reduce the risk of fraud.
- 12.5 Card Issuer shall have comprehensive, rigorous and well-documented operational and technical procedures to address reasonable operational reliability, integrity of network and timeliness of transactions in case of malfunctions, system interruption and transmission failures or delays. Card Issuer shall also have in place a reasonable, effective, well-documented and regularly-tested business contingency plan to be used in the event of unforeseen interruption.
- 12.6 Card Issuer shall have a thorough due diligence and oversight process for managing outsourced relationships, if the Card Issuer considers that it may affect the operation of the Credit Card system.
- 12.7 Card Issuer shall design technical systems for Credit Card processing with sufficient capacity to continue ongoing operations, which shall be monitored periodically and upgraded when the Card Issuer considers reasonably necessary.

- 12.8 Card Issuer shall have sufficient clearing and settlement arrangements to enable efficient, reliable and secured operation of the Credit Card system.
- 12.9 Card Issuer shall review the security objectives, policies and operational services periodically.
- 12.10 Card Issuer shall ensure to perform an annual self-assessment of the Card Issuers compliance with the Regulations, Guidelines and Code of Conduct. Internal auditors, internal compliance officer or ppointed independent assessor shall perform this self-assessment as part of their on-going functions.
- 12.11 Card Issuer shall have clearly defined and documented organizational arrangements, such as ownership and management structure and shall operate as the Card Issuer deems fit, with appropriate segregation of duties and internal control arrangements so as to reduce the likelihood of mismanagement and frauds.
- 12.12 Card Issuer shall have reasonably effective measures and controls to ensure compliance with these guidelines and their Code of Conduct.

13. General Conditions

- 13.1 The clearing of International Credit Cards issued and used in Sri Lanka shall be made in Sri Lankan rupees. The clearing of International Credit Cards issued in Sri Lanka and used in foreign countries or issued in foreign countries and used in Sri Lanka shall be made in the relevant foreign currency authorized by the respective principals.

Signed by: Mr. P D J Fernando
Deputy Governor

Appendix

Most Important Terms (MITs)

- a. "Cardholder" means any person authorized to use a Credit Card issued by a Card Issuer;
- b. "Card Issuer" means an institution which issues a Credit Card and thereby enters into a contractual relationship with a Cardholder;
- c. "Central Bank of Sri Lanka (CBSL)" means the Central Bank of Sri Lanka established under the Monetary Law Act, No. 58 of 1949 (Chapter 422);
- d. "Credit Card" means a payment card which indicates a line of credit granted by the Issuer to the Cardholder and where the Cardholder may settle the credit utilized in full or in part, before a specified date. Any amount of the credit utilized by the Card holder and not settled in full on or before the specified date, may be subject to interest, profit or other charges;
- e. "Day" means a calendar day;
- f. "Direct Dependent" is a child of a Principal Cardholder or a child whose guardian is the Principal Cardholder;

- g. "Licensed Commercial Bank (LCB)" means a company or a body corporate licensed under the provisions of the Banking Act, No. 30 of 1988 to carry on banking business in Sri Lanka;
- h. "Licensed Specialized Bank (LSB)" means any company or a body corporate which has been issued with license under the provisions of the Banking Act, No. 30 of 1988 to carry on the business of accepting deposit money and investing and lending such money;
- i. "Principal" is a person, who is the sole owner of brand rights of the Credit Card;
- j. "Unsolicited cards" means a Credit Card issued without obtaining signed acceptance from the Cardholder;
- k. "Unsolicited Loans" means loans granted without obtaining signed acceptance from the Customer.

Ref No. : 34/07/029/0001/001

20 January 2010

Circular No. : RTGS/01/2010

To : All Participants of LankaSettle System

RESTRICTION OF BUSINESS HOURS OF LANKASETTLE SYSTEM ON JANUARY 26, 2010

The Central Bank of Sri Lanka, having considered the restricted business hours of participating institutions of LankaSettle System on January 26, 2010, the Presidential Election Day, has decided to restrict business hours of the LankaSettle System on January 26, 2010 from 8.00 a.m. to 3.00 p.m. Accordingly, the events after 12.00 noon of the Operating Schedule of LankaSettle System for January 26, 2010 will be revised as follows:-

Event	Revised Time
OMO-Repo (Auction) settlement	12.45 p.m.
MLNS-Settlement Clearing, Rupee Draft Clearing and Adjustment Clearing	2.00 p.m.
Cut-off time for third party payments	2.15 p.m.
OMO-Repo (Standing Facility) settlement	2.30 p.m.
ILF Reversal and Reverse Repo settlement	2.45 p.m.
Close for business	3.00 p.m.
System shut down	3.30 p.m.

C.J.P. Siriwardena
Superintendent of Public Debt

Ranjani Weerasinghe
Addl. Director,
Payments and Settlements

Circular No. : RTGS/02/2010

21 January 2010

To: All Participants of LankaSettle System

OPENING OF LANKASETTLE SYSTEM FOR BUSINESS TO CONDUCT A LIVE TRIAL

This is to inform you that the LankaSettle System (RTGS and SSSS) will be opened on Saturday 30 January, 2010 for the limited purpose of testing the new version (Ver. 3.5) in a live environment. However, any related interface applications (OMO etc.) to LankaSettle System will not be available on the aforementioned day for settlement of any transaction.

Therefore, please note that the LankaSettle System will be opened on the aforementioned day only for the test transactions specified by the Information Technology Department of the Central Bank of Sri Lanka. (ITD, CBSL).

Therefore, you are kindly requested:

- (1) Not to send any forward dated SWIFT messages with the value date 30 January, 2010. If any messages are received with the value date of 30 January 2010 other than on the day of the live trial, such messages will not be considered as valid transactions for settlement;
- (2) Not to enter any forward dated transactions on Saturday 30 January, 2010, as such entries will be deleted from the system at the end of the live trial;
- (3) To disregard all inbound SWIFT messages which will have the value date of 30 January, 2010 generated by CBCELKLAXXX, CBCELKLSXXX and CBCELKLXXXX; and
- (4) To move all securities in your Intraday Liquidity Facility (ILF) Account to 'OWN' account after ILF reversal at 4.15 p.m. on 28 January, 2010 and ensure having a zero balance in your ILF account by 4.30 p.m. on the same day.

Participants who wish to obtain ILF at the beginning of the next business day (01 February, 2010), can place the relevant security quantities in their ILF accounts and use the participant managed ILF granting facility available in the participant browser, to obtain the required funds.

Note: Starting time of the live trial is **10.30 a.m.** on Saturday 30 January, 2010 and the required test guide will be directly e-mailed to each participant by ITD, CBSL before 30 January, 2010.

C J P Siriwardana
Superintendent of Public Debt

K B Dissakaruna
Director of Payments and Settlements

Circular No. : RTGS/03/2010

25 January 2010

To: All Participants of LankaSettle System

DECLARATION OF SPECIAL BANK HOLIDAY ON 27.01.2010

This is to inform you that LankaSettle System will not be open for business on 27.01.2010 (Wednesday) due to the special bank holiday declared by the Government. All participants are hereby requested to refrain from entering any transaction to the system with value on 27.01.2010. If you have already entered transactions with value date on 27.01.2010, such transactions are required to be changed before closing business on 26.01.2010.

C.J.P. Siriwardena
Superintendent of Public Debt

K.B. Dissakaruna
Director, Payments and Settlements

Circular No. : RTGS/04/2010

26 January 2010

To: All Participants of LankaSettle System

POSTPONEMENT OF THE PROPOSED LIVE TRIAL OF THE LANKASETTLE SYSTEM

This is to inform you that the above mentioned Live Trial which was scheduled to be held on 30 January, 2010 has been postponed. Therefore the LankaSettle System will not be opened on Saturday 30 January 2010 for the above purpose.

You will be notified the next date for the Live Trial in due course.

C.J.P. Siriwardena
Superintendent of Public Debt

K.B. Dissakaruna
Director of Payments and Settlements Dept.

Ref. No. : 34/07/029/0001/001

10 February 2010

Circular No. : RTGS/05/2010

To: All Participants of LankaSettle System

OPENING OF LANKASETTLE SYSTEM FOR BUSINESS TO CONDUCT A LIVE TRIAL

This is to inform you that the LankaSettle System (RTGS and SSSS) will be opened on **Sunday 21 February, 2010** for the limited purpose of testing the new version (Ver. 3.5) in a live environment. However, any related interface applications (OMO etc.) to LankaSettle System will not be available on the aforementioned day for settlement of any transaction.

Accordingly, the LankaSettle System will be opened on the aforementioned day only for the test transactions specified by the Information Technology Department of the Central Bank of Sri Lanka (ITD, CBSL).

Therefore, you are kindly requested:

- (1) Not to send any forward dated SWIFT messages with the value date 21 February, 2010. If any messages are received with the value date of 21 February, 2010 other than on the day of the live trial, such messages will not be considered as valid transactions for settlement;
- (2) Not to enter any forward dated transactions on Sunday 21 February, 2010, as such entries will be deleted from the system at the end of the live trial;
- (3) To disregard all inbound SWIFT messages which will have the value date of 21 February, 2010 generated by CBCELKLAXXX, CBCELKLSXXX and CBCELKLXXX; and
- (4) To move all securities in your Intraday Liquidity Facility (ILF) Account to 'OWN' account after ILF reversal at 4.15 p.m. on 19 February, 2010 and ensure having a zero balance in your ILF account by 4.30 p.m. on the same day.

Participants who wish to obtain ILF at the beginning of the next business day (Monday 22 February, 2010), can place the relevant security quantities in their ILF accounts and use the participant managed ILF granting facility available in the participant browser, to obtain the required funds.

Note: Starting time of the live trial is **10.30 a.m.** on Sunday 21 February, 2010 and the amended test guide will be directly e-mailed to each participant by ITD, CBSL before 21 February, 2010.

C N Wijayasekera
Acting Superintendent of Public Debt

K B Dissakaruna
Director of Payments and Settlements

Ref No. : 34/07/029/0001/001

17 February 2010

Circular No. : RTGS/06/2010

To: All Participants of LankaSettle System

RESTRICTION OF BUSINESS HOURS OF LANKASETTLE SYSTEM ON FEBRUARY 26, 2010

The Central Bank of Sri Lanka, having considered the restricted business hours of participating institutions of LankaSettle System on February 26, 2010, a declared half-holiday in lieu of Milad-Un-Nabi (Holy Prophet's Birthday) falling on Saturday has decided to restrict business hours of the LankaSettle System on February 26, 2010 from 8.00 a.m. to 3.00 p.m. Accordingly, the events after 12.00 noon of the Operating Schedule of LankaSettle System for February 26, 2010 will be revised as follows:-

Event	Revised Time
OMO-Repo (Auction) settlement	12.45 p.m.
MLNS-Settlement Clearing, Rupee Draft Clearing and Adjustment Clearing	2.00 p.m.
Cut-off time for third party payments	2.15 p.m.
OMO-Repo (Standing Facility) settlement	2.30 p.m.
ILF Reversal and Reverse Repo settlement	2.45 p.m.
Close for business	3.00 p.m.
System shut down	3.30 p.m.

C J P Siriwardena
Superintendent of Public Debt

K B Dissakaruna
Director of Payments and Settlements

Ref. : 34/07/029/0001/001

30 March 2010

Circular No.: RTGS/07/2010

To: All Participants of LankaSettle System

REVISION OF RTGS/SSSS FEES AND CHARGES IN LANKASETTLE SYSTEM

All participants of the LankaSettle System are hereby informed that as per the Rule 8 in Volume 4 of the LankaSettle System Rules issued in August, 2003 (as amended) and the Section 4 of the Mandate Agreement, the fees and charges on RTGS/SSSS transactions will be revised with effect from 01 May 2010 as per the schedule in Annex I.

K B Dissakaruna
Director/Payments & Settlements

C J P Siriwardena
Superintendent/Public Debt

Encl: Annex I – Schedule of LankaSettle Fees and Charges

Annex I

SCHEDULE OF LANKASETTLE FEES AND CHARGES

The Central Bank of Sri Lanka will charge all LankaSettle participants all inclusive per transaction fee of LKR 420/- with effect from 1st May, 2010.

For the purposes of fees and charges a “transaction” is defined as:

- (1) Any settled debits to their own accounts initiated by participants within LankaSettle through the use of the following messages:
 - (a) MT 102 – Multiple Customer Credit Transfer
 - (b) MT 103 – Single Customer Credit Transfer
 - (c) MT 202 – General Financial Institution Transfer
 - (d) MT 205 – Financial Institution Transfer Execution
 - (e) MT 541 – Receive Against Payment
- (2) Any settled securities transactions initiated by participants within LankaSettle through the use of MT 540 – Receive Free message.

In addition to the transaction fees stated above, the participants will have to bear SWIFT messaging related charges. These will be independently billed by SWIFT and will have to be paid by the participants to SWIFT directly.

Ref No. : 34/07/029/0001/001

05 April 2010

Circular No. : RTGS/08/2010

To: All Participants of LankaSettle System

RESTRICTION OF BUSINESS HOURS OF LANKASETTLE SYSTEM ON APRIL 08, 2010

The Central Bank of Sri Lanka, having considered the restricted business hours of participating institutions of LankaSettle System on April 08, 2010, due to the Parliamentary Elections, has decided to restrict business hours of the LankaSettle System on April 08, 2010 from 8.00 a.m. to 3.00 p.m. Accordingly, the events after 12.00 noon of the Operating Schedule of LankaSettle System for April 08, 2010 will be revised as follows:-

Event	Revised Time
OMO-Repo (Auction) settlement	12.45 p.m.
MLNS-Settlement Clearing, Rupee Draft Clearing and Adjustment Clearing	2.00 p.m.
Cut-off time for third party payments	2.15 p.m.
OMO-Repo (Standing Facility) settlement	2.30 p.m.
ILF Reversal and Reverse Repo settlement	2.45 p.m.
Close for business	3.00 p.m.
System shut down	3.30 p.m.

C J P Siriwardena
Superintendent of Public Debt

K B Dissakaruna
Director of Payments and Settlements

Circular No. : RTGS/09/2010

06 April 2010

To: All Participants of LankaSettle System

DECLARATION OF SPECIAL BANK HOLIDAY ON APRIL 09, 2010

This is to inform you that LankaSettle System will not be open for business on 09 April 2010 (Friday) due to the special bank holiday declared by the Government. All participants are hereby requested to refrain from entering any transaction to the system with value on 09 April 2010. If you have already entered transactions with value date on 09 April 2010, such transactions are required to be changed before closing business on 08 April 2010.

C.J.P. Siriwardena
Superintendent of Public Debt

K.B. Dissakaruna
Director of Payments and Settlements

Ref No. : 34/07/029/0001/001

23 April 2010

Circular No. : RTGS/10/2010

To: All Participants of LankaSettle System

RESTRICTION OF BUSINESS HOURS OF LANKASETTLE SYSTEM ON APRIL 30, 2010

The Central Bank of Sri Lanka, having considered the restricted business hours of participating institutions of LankaSettle System on April 30, 2010, (a declared half-holiday in lieu of May Day falling on Saturday) has decided to restrict business hours of the LankaSettle System on April 30, 2010 from 8.00 a.m. to 3.00 p.m. Accordingly, the events after 12.00 noon of the Operating Schedule of LankaSettle System for April 30, 2010 will be revised as follows:-

Event	Revised Time
OMO-Repo (Auction) settlement	12.45 p.m.
MLNS-Settlement Clearing, Rupee Draft Clearing and Adjustment Clearing	2.00 p.m.
Cut-off time for third party payments	2.15 p.m.
OMO-Repo (Standing Facility) settlement	2.30 p.m.
ILF Reversal and Reverse Repo settlement	2.45 p.m.
Close for business	3.00 p.m.
System shut down	3.30 p.m.

C N Wijayasekera
Additional Superintendent of Public Debt

K B Dissakaruna
Director of Payments and Settlements

Ref. : 34/07/029/0001/001

10 May 2010

Circular No. : RTGS/11/2010

To: All Participants of the LankaSettle System

**LIVE OPERATIONS OF LANKASETTLE SYSTEM FROM ITS BACKUP SITE
ON FRIDAY MAY 14, 2010**

This is to inform you that the Central Bank of Sri Lanka will conduct operations of the LankaSettle (RTGS and LankaSecure System) and related Systems from its backup site on Friday May 14, 2010 for the purpose of testing the business continuity arrangements. Contact details at the backup site will be informed to each participant in due course.

C J P Siriwardena
Superintendent of Public Debt

Ranjani Weerasinghe
Addl. Director/Payments and Settlements

Circular No. : RTGS/12/2010

17 June 2010

To: All Participants of LankaSettle System

**CHANGES TO THE DAILY OPERATIONAL SCHEDULE OF THE LANKASETTLE SYSTEM ON 21 JUNE,
2010**

As per the section 4.8.2 of LankaSettle System Rules, the Central Bank of Sri Lanka has decided to change the daily operational schedule of the LankaSettle System on 21 June, 2010, in order to accommodate transactions of 18 June, 2010, which has been declared as a Public and Special Bank Holiday.

You are kindly requested to follow the operational schedules attached herewith on 21 June, 2010 in order to execute the settlements for both value dates - 18 June, 2010 and 21 June, 2010 respectively.

Operational Schedule under the Value Date of 18 June, 2010

TIME	EVENT	ACTIVITIES/TRANSACTIONS
6.30 a.m.	System start-up	Start-up of RTGS/SSS applications.
7.30 a.m. to 8.00 a.m.	Start of day processing	Update official prices (18 June,2010) of securities, earmarking securities for ILF.
8.00 a.m.	LankaSettle System opens for business	System opens for effecting transactions.
8.00 a.m.	ILF/auto reversal of Repos	Grant ILF and settle second leg of Repos of OMO.
8.15 a.m.	Maturities/interest payments, start of the day (SOD) file	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties.

TIME	EVENT	ACTIVITIES/TRANSACTIONS
8.30 a.m	Multilateral Net Settlement Batch from LankaClear	Main Clearing (17 June Net Figures)
10.00 a.m.	Closure of Primary Auction settlement/ Customer Repositioning	Settlement of securities under Primary Auction/ Settlement of Customer Repositioning Transactions entered through CBSL WAN.
10.05 a.m.	If required Repo/ Reverse Repos (Standing)	Settlement of first leg of Repo/ Reverse Repos under OMO.
10.20 a.m.	ILF Repayment	Repayment of ILF.
10.30 a.m.	Final cut-off time Close for business	No further inputs are accepted. With the closure of system for business, queue/settlement processing will cease and any transactions still in queues will be rejected.
10.30 a.m. to 11.00 a.m.	EOD processing	End-of-day (EOD) processes, e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
11.00 a.m.	System shut down	Commence shutting down of RTGS/SSSS application software, obtain off line backups.

Operational Schedule under the Value Date of 21 June, 2010

TIME	EVENT	ACTIVITIES/TRANSACTIONS
11.45 a.m.	System start-up	Start-up of RTGS/SSS applications.
12.00 noon to 12.15 p.m.	Start of day processing	Update official prices of securities, earmarking securities for ILF (21st June prices).
12.15 p.m.	LankaSettle System opens for business	System opens for effecting transactions.
12.15 p.m.	ILF/auto reversal of Repos	Grant ILF and settle second leg of Repo/Reverse Repos of OMO.
12.20 p.m	Multilateral Net Settlement Batch from LankaClear	SLIPS (17 June Net Figures)
12.30 p.m.	Maturities/interest payments	Settlement of maturity proceeds/coupon payments of securities
2.00 p.m.	Customer Repositioning	Settlement of Customer Repositioning Transactions entered through CBSL WAN
2.30 p.m.	Repos (Auction)	Settlement of first leg of Repos under OMO.
2.30 p.m.	Multilateral Net Settlement Batch from LankaClear	Rupee Draft Clearing.
2.45 p.m.	Multilateral Net Settlement Batch from LankaClear	Settlement Clearing and Adjustment Clearing for 17th June 2010.

TIME	EVENT	ACTIVITIES/TRANSACTIONS
3.30 p.m.	Primary cut-off time for third party transactions / Primary Auction Settlement	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series) / Settlement of securities under Primary Auction.
4.00 p.m.	Repos (Standing) / Customer Repositioning	Settlement of first leg of Repos under OMO / Settlement of Customer Repositioning Transactions entered through CBSL WAN.
4.15 p.m.	Reverse Repos (Standing)	Settlement of first leg of Reverse Repos under OMO.
4.15 p.m.	ILF Repayment	Repayment of ILF.
4.30 p.m.	Final cut-off time Close for business	No further inputs are accepted. With the closure of system for business, queue/settlement processing will cease and any transactions still in queues will be rejected.
4.30 p.m. to 5.00 p.m.	EOD processing	End-of-day (EOD) processes, e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
5.00 p.m.	System shut down	Commence shutting down of RTGS/SSSS application software, obtain off line backups.

Participants are advised to monitor their settlement accounts through the browser workstation and ensure sufficient funds in their settlement accounts to facilitate smooth settlement of all transactions according to scheduled times.

C. N. Wijayasekera
Addl. Superintendent of Public Debt

K.B. Dissakaruna
Director/Payments and Settlements

Circular No. : RTGS/13/2010

16 September 2010

To: All Participants of LankaSettle System

AMENDMENT TO LANKASETTLE SYSTEM RULES VERSION 2.0 – AUGUST, 2009 DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM

The new SLIPS application of LankaClear (Pvt) Ltd. is planned to go-live from 20th September 2010.

The enhanced functionality of this application will be implemented in two phases as follows:

- Phase 1 comprising a single clearing cycle (Session 1) commences on 20th September 2010, with the RTGS settlement at 8.30 a.m., as per the current operations.
- Phase 2 comprising two clearing cycles i.e. Session 1 and Session 2, commences on 27th September 2010, with the RTGS settlements at 8.30 a.m. and 3.00 p.m., respectively. Phase 2 will include the facility for T+0 settlement (excluding salary payments) during clearing cycle of Session 2, in addition to T+ 1 to T+ 14 settlements accommodated during Session 1.

The participants should also note that the maximum value per SLIPS transaction is set at Rs.1 (one) million and T+0 credit transactions could only be sent to LankaClear (Pvt.) Ltd. after the implementation of Phase 2 on 27th September, 2010.

The operational guidelines on the above mentioned new SLIPS application could be obtained from LankaClear (Pvt.) Ltd.

2. Accordingly, you are hereby informed that the table in the Clause 1.2 of Volume 4 of LankaSettle System Rules Version 2 – August 2009 on Daily Operating Schedule **will be amended to read as follows, with effect from September 27, 2010.**

TIME	EVENT	ACTIVITIES/TRANSACTIONS
6.30 a.m.	System start-up	Start-up of RTGS/SSS applications.
7.30 a.m. to 8.00 a.m.	Start of day processing	Update official prices of securities, earmarking securities for ILF.
8.00 a.m.	LankaSettle System opens for business	System opens for effecting transactions.
8.00 a.m.	ILF/auto reversal of Repos	Grant ILF and settle second leg of Repos of OMO.
8.15 a.m.	Maturities/interest payments, start of the day (SOD) file	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties.
8.30 a.m.	Multilateral Net Settlement Batch from LankaClear	SLIPS (Session 1)/Main Clearing.
8.30 a.m.	Outright sales/purchases	Settle OMO outright sales and purchases.
11.00 a.m.	Reversal of Reverse Repos	Settlement of second leg of Reverse Repos under OMO.
11.45 a.m.	Reverse Repos (Auction)	Settlement of first leg of Reverse Repos under OMO.
12.45 p.m.	Repos (Auction)	Settlement of first leg of Repos under OMO.
1.00 p.m.	Closure of Primary Auction settlement	Settlement of securities under Primary Auction.
2.15 p.m.	Multilateral Net Settlement Batch from LankaClear	Rupee Draft Clearing.
2.45 p.m.	Multilateral Net Settlement Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
3.00 p.m.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series).
3.00 p.m.	Multilateral Net Settlement Batch from LankaClear	SLIPS (Session 2)
4.00 p.m.	Repos (Standing)	Settlement of first leg of Repos under OMO
4.15 p.m.	Reverse Repos (Standing)	Settlement of first leg of Reverse Repos under OMO.
4.15 p.m.	ILF Repayment	Repayment of ILF.
4.30 p.m.	Final cut-off time Close for business	No further inputs are accepted. With the closure of system for business, queue/settlement processing will cease and any transactions still in queues will be rejected.

TIME	EVENT	ACTIVITIES/TRANSACTIONS
4.30 p.m. to 5.00 p.m.	EOD processing	End-of-day (EOD) processes, e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
5.00 p.m.	System shut down	Commence shutting down of RTGS/SSSS application software, obtain off line backups.

3. Participants are advised to monitor their settlement accounts through browser workstations and assure to keep sufficient funds in their settlement accounts at the times of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

I.H.M.S. Herath
Actg. Superintendent of Public Debt

Ranjani Weerasinghe
Actg. Director/Payments and Settlements

Ref. : 34/07/029/0001/001

27 October 2010

Circular No. : RTGS/14/2010

To: All Participants of the LankaSettle System

LIVE OPERATIONS OF LANKASETTLE SYSTEM FROM ITS BACKUP SITE ON FRIDAY NOVEMBER 12, 2010

This is to inform you that the Central Bank of Sri Lanka will conduct operations of the LankaSettle (RTGS and LankaSecure System) and related Systems from its backup site on **Friday November 12, 2010** for the purpose of testing the business continuity arrangements. The required User Guide including technical and contact details will be directly e-mailed to each participant in due course.

C N Wijayasekera
Actg. Superintendent of Public Debt

Ranjani Weerasinghe
Actg. Director/Payments and Settlements

Circular No. : RTGS/15/2010

11 November 2010

To: All Participants of LankaSettle System

POSTPONEMENT OF THE PROPOSED LIVE OPERATION OF THE LANKASETTLE SYSTEM FROM ITS BACKUP SITE.**Reference: Circular No.** RTGS/14/2010 dated 27 October, 2010

This is to inform you that the live operation of LankaSettle System from its backup site which was scheduled to be held on 12 November, 2010 (Friday) has been postponed due to an unavoidable circumstance. Therefore, the LankaSettle System will be opened for business on November 12, 2010 as usual from its original operational site at the Central Bank of Sri Lanka.

You will be notified the next date for the Live Operation of LankaSettle System from its backup site in due course.

S S Rathnayake
Superintendent of Public Debt

Ranjani Weerasinghe
Director, Payments and Settlements

Ref. : 34/07/029/0001/001

15 November 2010

Circular No. : RTGS/16/2010

To: All Participants of the LankaSettle System

OPERATIONS OF LANKASETTLE SYSTEM ON NOVEMBER 19, 2010

This is to inform you that the Central Bank of Sri Lanka will conduct the normal daily operations of the LankaSettle System on **November 19, 2010 (Friday)**, from its backup site. The required user guide including technical and contact details has already been e-mailed to each participant.

S S Ratnayake
Superintendent of Public Debt

B M A Denzil
Actg. Director / Payments and Settlements

Ref. : 34/07/029/0001/001

03 December 2010

Circular No. : RTGS/17/2010

To: All Participants of the LankaSettle System

RESTRICTION OF BUSINESS HOURS OF THE LANKASETTLE SYSTEM ON DECEMBER 24, 2010

The Central Bank of Sri Lanka, having considered the restricted business hours of participating institutions of the LankaSettle System on December 24, 2010, (a declared half-holiday in lieu of Christmas Day falling on Saturday) has decided to restrict business hours of the LankaSettle System on December 24, 2010 from 8.00 a.m. to 3.00 p.m. Accordingly, the events after 12.00 noon of the Operating Schedule of the LankaSettle System for December 24, 2010 will be revised as follows:

Event	Revised Time
OMO-Repo (Auction) Settlement	12.45 p.m.
MLNS-Rupee Draft Clearing, Adjustment Clearing and Settlement Clearing	2.00 p.m.
Cut-off time for third party transactions	2.15 p.m.
MLNS-SLIPS (Session 2)	2.15 p.m.
OMO-Repo (Standing Facility) settlement	2.30 p.m.
ILF Reversal and Reverse Repo settlement	2.45 p.m.
Close for business	3.00 p.m.
System shut down	3.30 p.m.

S S Ratnayake
Superintendent of Public Debt

Ranjani Weerasinghe
Director, Payments and Settlements

Circular No. : SSSS/01/2010

31 March 2010

To: All Participants of LankaSettle System

AMALGAMATION OF SEYLAN BANK ASSET MANAGEMENT LTD (SAM) WITH SEYLAN BANK PLC (SBK)

Seylan Bank Asset Management Ltd of No 90, Galle Road, Colombo 3 has been permitted by the Monetary Board of the Central Bank of Sri Lanka (CBSL) to amalgamate with Seylan Bank PLC (Dealer Direct Participant) of the same address which will be appointed as a Primary Dealer with effect from March 31, 2010.

Accordingly, we wish to inform you that with effect from March 31, 2010 Seylan Bank Asset Management Ltd will cease to be a primary dealer.

Consequently, SWIFT User Identification Code (BIC) SBAELKXXXX and RTGS Settlement Account Number SBAEL-KLXXXX010004557 of Seylan Bank Asset Management Ltd will cease to be operative with effect from March 31, 2010. The following current SWIFT User Identification Code (BIC) and RTGS Settlement Account Number of Seylan Bank PLC will be used for all Primary Dealer operations of Seylan Bank Asset Management Ltd.

Further, the static data of LankaSettle system under Seylan Bank Asset Management Ltd will be transferred to respective RTGS/SSSS account of Seylan Bank PLC with effect from March 31, 2010.

SWIFT User ID Code (BIC) : SEYBLKXXXX

RTGS Settlement Account : SEYBLKXXXX010004419

C.J.P. Siriwardena
Superintendent of Public Debt

Ranjani Weerasinghe
Addl. Director/Payments and Settlements

**FINANCE COMPANIES ACT, NO. 78 OF 1988
AS AMENDED BY ACT NO. 23 OF 1991**

The Direction given by the Monetary Board of the Central Bank of Sri Lanka under section 9 of the Finance Companies Act, No. 78 of 1988 as amended by Act No. 23 of 1991.

Nivard Ajith Leslie Cabraal
Chairman
Monetary Board of the Central Bank of Sri Lanka

Colombo.
1st January, 2010

FINANCE COMPANIES (INTEREST) DIRECTION NO. 1 OF 2010

1. This Direction may be cited as the Finance Companies (Interest) Direction No. 1 of 2010 and shall apply to every finance company registered in terms of section 2 of the Finance Companies Act No.78 of 1988 as amended by Act No.23 of 1991 and shall come into operation with immediate effect.
2. (a) The maximum annual rate of interest which may be paid by a finance company on a time deposit accepted or renewed during any quarter commencing after 1st January 2010, shall not exceed :-
 - (i) the weighted average yield applicable to 364-day Treasury Bills issued during the immediately preceding quarter increased by 4 percentage points, if such deposit carries a maturity period of 12 months or less;

- (ii) the weighted average yield applicable to 364-day Treasury Bills issued during the immediately preceding quarter increased by 5 percentage points, if such deposit carries a maturity period of more than 12 months.

Provided however, that in the case where a time deposit is accepted from or renewed by a person who is over sixty (60) years of age at the time of making such deposit or renewal of such deposit (hereinafter referred to as a "Senior Citizen"), under (i) or (ii) of this paragraph, a finance company may pay an additional interest of one percentage point above the rates of interest as per (i) or (ii) of this paragraph.

- (b) The maximum rate of discount which may be allowed by a finance company on the issue of a certificate of deposit, during any quarter commencing after 1st January 2010, of which the price is less than the redeemable value at maturity shall be such that the maximum annual yield on the instrument shall not exceed:-
 - (i) the weighted average yield applicable to 364-day Treasury Bills issued during the immediately preceding quarter increased by 4 percentage points if such certificate of deposit carries a period of maturity of 12 months or less;
 - (ii) the weighted average yield applicable to 364-day Treasury Bills issued during the immediately preceding quarter increased by 5 percentage points if such certificate of deposit carries a maturity period of more than 12 months.
3. The maximum annual rate of interest, which may be paid by a finance company on any savings deposit during any quarter commencing after 1st January 2010, shall not exceed the weighted average yield applicable on 91-day Treasury Bills issued during the immediately preceding quarter.

Provided however, that in the case where a savings deposit is maintained by a Senior Citizen, a finance company may pay an additional interest of one percentage point above the weighted average yield applicable on 91-day Treasury Bills issued during the immediately preceding quarter.

4. Every finance company shall furnish a statement to the Director containing the details of the rates of interest paid and discounts applied for certificates of deposit by such finance company in each month, on or before the 7th day of the following month.
5. In this Direction,
- i) "time deposit" shall have the same meaning as in the Finance Companies (Deposits) Direction No.1 of 2005; and
 - ii) "Director" means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.
6. The Finance Companies (Interest) Direction No.4 of 2009 is hereby revoked.

Directions issued by the Monetary Board in terms of Section 27 of the Finance Companies Act, No. 78 of 1988, as amended.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board/
 Governor of the Central Bank of Sri Lanka**

Colombo
 27th September 2010

FINANCE COMPANIES (INSURANCE OF DEPOSIT LIABILITIES) DIRECTION NO. 2 OF 2010

In the exercise of the powers conferred by Section 27 of the Finance Companies Act, No. 78 of 1988, as amended, the Monetary Board hereby issues these Directions to Registered Finance Companies to be effective from 1 October, 2010.

- | | |
|---|---|
| 1. Citation | 1.1 These Directions shall be cited as the Finance Companies (Insurance of Deposit Liabilities) Directions No. 2 of 2010. |
| 2. Enabling Statutory Provisions | 2.1 Under Section 27 of the Finance Companies Act, the Central Bank of Sri Lanka may establish, maintain, manage and control a scheme for the insurance of deposits held by finance companies registered under the Act or require such companies to insure such deposits under any scheme established by any institution as is specified by the Monetary Board. |
| 3. The Objective of Directions | 3.1 In terms of statutory provisions and best practices in finance business, accepting deposits is a core business that requires effective risk management measures as it critically depends on the public confidence in Registered Finance Companies. As such, insurance of deposits is a well-accepted safety net measure that will protect and promote the public confidence and stability of Registered Finance Companies. |
| 4. Insurance of Deposits | <p>4.1 As such, all Registered Finance Companies shall insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No. 1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1 October, 2010.</p> <p>4.2 All Registered Finance Companies shall also disclose to the public, in their advertisements soliciting deposits, the fact that eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance Scheme implemented by the Monetary Board on payment of the applicable premium for compensation up to a maximum of Rs. 200,000 per depositor.</p> |

FINANCE COMPANIES ACT, NO.78 OF 1988

The Rule made by the Monetary Board of the Central Bank of Sri Lanka under section 33 of the Finance Companies Act, No. 78 of 1988.

Nivard Ajith Leslie Cabraal
Chairman
Monetary Board of the Central Bank of Sri Lanka

Colombo.
 6th October, 2010

FINANCE COMPANIES (REGISTRATION AND LICENSING - AMENDMENT) RULE NO.1 OF 2010

1. This Rule may be cited as the Finance Companies (Registration and Licensing - Amendment) Rule No. 1 of 2010 and shall apply to every finance company registered in terms of section 2 of the Finance Companies Act, No. 78 of 1988 and shall come into operation with immediate effect.
2. Clauses 5 and 6 of the Finance Companies (Registration and Licensing) Rule No.1 of 2005 are hereby repealed and the following clauses are substituted therefor :-

“5. The licence fee payable by a finance company for the year of first registration shall be Rs.500,000/- from 1st January 2011 and shall be paid to the Central Bank of Sri Lanka on or before the date of registration.”

“6. Every finance company registered under the Finance Companies Act, No. 78 of 1988 shall pay, within 30 days prior to the end of the preceding calendar year, to the Central Bank of Sri Lanka the annual licence fee as set out below based on the total assets as shown in the balance sheet as at end of the preceding financial year;

Total Asset	Annual Licence Fee, Rs.
Rs.1 billion or below	150,000/-
Above Rs.1 billion up to Rs.10 billion	250,000/-
Over Rs.10 billion	500,000/-

FINANCE LEASING ACT, NO. 56 OF 2000

Direction issued under section 34 of the Finance Leasing Act, No. 56 of 2000.

K M A N Daulagala

Director

**Department of Supervision of Non- Bank Financial Institutions
Central Bank of Sri Lanka**

On this 9th day of December, 2010

**FINANCE LEASING (MINIMUM CORE CAPITAL)
DIRECTION NO. 1 OF 2010**

- Citation 1. This Direction may be cited as the Finance Leasing (Minimum Core Capital) Direction No.1 of 2010 and shall apply to every registered finance leasing establishment which is a public company referred to in paragraph (c) of section 3 of the Finance Leasing Act, No. 56 of 2000 (hereinafter referred to as 'specialised leasing company') with immediate effect.
- Minimum Core Capital Requirement for next five years 2. Every specialised leasing company shall maintain an unimpaired core capital not below the amounts as set out below;

Minimum Core Capital Requirement (Rs mn)	Effective Date
100	From 01.01.2012
150	From 01.01.2013
200	From 01.01.2014
250	From 01.01.2015
300	From 01.01.2016

- Definition of Core Capital 3. "Core capital" shall mean the aggregate of the following-

(a) Issued and Paid –up Ordinary Shares

Issued and fully paid up ordinary shares / common stocks excluding any shares issued against reserves or surpluses or retained profits and, in the case of partly paid shares or stocks, the paid up amount;

(b) Non-Cumulative, Non-Redeemable Preference Shares

Issued and fully paid non-cumulative and non-redeemable preference shares where the payment of dividends could be reduced or waived off permanently in the event of profitability being inadequate to support such payment in part or full;

(c) Share Premium

The excess of issue price over the par value of the ordinary shares, common stock or non-cumulative and non-redeemable preference shares, if applicable;

(d) Statutory Reserve Fund

Amount lying to the credit of the Reserve Fund maintain under the Finance Leasing (Reserve Fund) Direction No.5 of 2006;

(e) General or other Free Reserves

Disclosed reserves in the form of general or other reserves created or increased by appropriation of retained earnings, share premium or other realised surpluses as per last audited financial statement;

(f) Published Retained Profits/(Accumulated Losses)

Balance in the profit / (loss) account brought forward from the previous financial years and as reported in the last audited financial statement excluding surpluses arising from the revaluation of investment properties;

(g) Unpublished Current Year's Profits/(Losses)

Current year's profits/ (losses) (excluding any surplus/loss after tax, arising from the sale of fixed and long term investments) earned/incurred since the closing date of the last audited financial statement;

(h) Surplus/loss after tax, arising from the sale of Fixed and Long Term Investments

Any surplus/(loss) after tax, arising from the sale of fixed and long term investments since the closing date of the audited financial statement.

Revocation of the
Direction No 1 of 2006

4. Finance Leasing (Minimum Capital) Direction No.1 of 2006 is hereby revoked.

FINANCE LEASING ACT, NO. 56 OF 2000

Direction issued under section 34 of the Finance Leasing Act, No. 56 of 2000.

K.M.A.N.Daulagala

Director

Department of Supervision of Non-Bank Financial Institutions
Central Bank of Sri Lanka

On this 9th day of December, 2010

**FINANCE LEASING (REPORTING REQUIREMENTS)
DIRECTION NO. 2 OF 2010**

Citation

1. This Direction may be cited as the Finance Leasing (Reporting Requirements) Direction No.2 of 2010 and shall apply to every registered finance leasing establishment, which is a public company referred to in paragraph (c) of section 3 of the Finance Leasing Act No. 56 of 2000, (hereinafter referred to as 'specialised leasing company') with immediate effect.
2. Every specialised leasing company shall submit information in the following periodical returns to the Director through the web-based data transmission system provided by the Central Bank Financial Information System by the due dates specified.

Returns to be furnished

Return	Periodicity	Due Date
NBL-MF-01-SB (Statements of Borrowings)	Monthly	By 7 th of the following month
NBL-MF-02-PL (Profit & Loss)	Monthly	By 15 th of the following month
NBL- MF-03-BS (Balance Sheet)	Monthly	
NBL-QF-04-MG (Maturity Gap Analysis)	Quarterly	
NBL-QF-05-CA (Classification of Accommodations)	Quarterly	
NBL-QF-06-AG (Accommodations Granted & Outstanding)	Quarterly	Within 7 days from the date of granting
NBL-QF-07-AD (Accommodations Granted to Directors, Holding/Subsidiary companies)	Monthly	
NBL-QF-08-AI (Repossessed Assets)	Quarterly	By 15 th of the following month
NBL-QF- 09-SA (Sector wise Credit Exposure)	Quarterly	
NBL-QF-10-AR (Accommodations (repaid in fixed ins.) arrears 3 months or more)	Quarterly	

NBL-QF-11-AC (Accommodations (not repaid in fixed ins.) arrears 3 months or more)	Quarterly	By 15 th of the following month
NBL-QF-12-OL (Operating Leases in arrears for 3 months or more)	Quarterly	
NBL-MF- 14- AG (Accommodations granted & outstanding in excess of 10% of capital funds)	Quarterly	
Audited Financial Statements (Balance Sheet /Profit & Loss Account)	Annually	Within six months after the end of each financial year (by 30 th September)
A certified copy of the auditor's confidential letter to the Board of Directors of the company	Annually	

Repeal of sections of other Directions

3. The time periods and the format numbers relating to submission of information stated in following Directions and instructions issued under the Act are hereby repealed.

- a) Paragraph 8 and 9 of the Finance Leasing (Provision for Bad and Doubtful Accommodations) Direction No. 2 of 2006
- b) Paragraph 5 and 7 of the Finance Leasing (Single Borrower Limit) Direction No. 3 of 2006
- c) Paragraph 6 of the Finance Leasing (Gearing Ratio) Direction No. 4 of 2006
- d) Paragraph 2 of Instructions given by the letter issued by the Director dated 07.06.2007 (reference No 24/07/0002/0004/002)

Revocation of the Direction No. 6 of 2006

4. Finance Leasing (Financial Statements) Direction No. 6 of 2006 is hereby revoked.

FINANCE LEASING ACT, NO. 56 OF 2000

Direction issued under section 34 of the Finance Leasing Act, No. 56 of 2000.

K M A N Daulagala

Director

**Department of Supervision of Non-Bank Financial Institutions
Central Bank of Sri Lanka**

On this 9th day of December, 2010

FINANCE LEASING (OPENING/SHIFTING/CLOSURE OF BRANCHES/BUSINESS PLACES) DIRECTION NO 3 OF 2010

- | | |
|--------------------------------|--|
| Citation | <ol style="list-style-type: none"> 1. This Direction may be cited as the Finance Leasing (Opening/Shifting/Closure of Branches/ Business Places) Direction No 3 of 2010 and shall apply to every registered finance leasing establishment, which is a public company referred to in paragraph (c) of Section 3 of the Finance Leasing Act (hereinafter referred to as 'specialised leasing company') with immediate effect. 2. No specialised leasing company shall open, change the location or close any of its branches/Business Places without the prior approval in writing of the Director. Business Places shall mean offices, window offices, service centres or any other outlets operated by the specialised leasing company. |
| Assessment
Criteria | <ol style="list-style-type: none"> 3. The evaluating criteria of the specialised leasing company when assessing a request for approval for a new branch or a Business Places are as follows. <ol style="list-style-type: none"> a. Core capital as per last audited financial statements; b. The level of compliance with the Regulations/Directions/Instructions issued under the Finance Leasing Act, No. 56 of 2000; c. The business / financial profile and profitability; d. Assets quality ; e. The level of liquidity; f. The availability of qualified and experienced staff at all levels ; g. Convenience of the proposed location to the customers ; and h. Strength of Information Technology; |
| Issuing of debt
instruments | <ol style="list-style-type: none"> 4. Issuing of debt instruments may be carried out only by the head office or a branch, of a specialised leasing company. |
| Applications | <ol style="list-style-type: none"> 5. The specialized leasing company shall use the following formats of application for seeking approval. <ol style="list-style-type: none"> i. Form "A" for an opening of a new branch / Business Place; ii. Form "B" for closure of existing branch / Business Place; iii. Form "C" for shifting of a branch / Business Place. |
| Validity period | <ol style="list-style-type: none"> 6. Validity period of approval shall be six months from the date of approval. |
| Business
Hours | <ol style="list-style-type: none"> 7. No specialized leasing company shall close its any of branches / business places for business on any day , which is not a holiday declared by the Ceylon Chamber of Commerce, without the prior approval in writing of the Director. |

FORM A

APPLICATION FOR OPENING OF A BRANCH / BUSINESS PLACE

1. Name of the specialized leasing company:
2. Category : head office/ branch/window office/service centres/any other outlets
3. Core Capital [as shown in the last audited balance sheet]:
4. Address of the proposed location:
5. Details of the existing places of business belonging to the company or its related companies in the administrative district where the branch/business place is proposed to be established.

A. Applicant Company:

Rs 000'

Location of the place of business	Date of establishment	Type of business	As per last audited financial statements				
			Total Accommodations	Finance Leasing	Borrowings by issuing debt instruments	Total Assets	Profit/(loss) for the financial year

B. Other entities belonging to the same group of companies operating in the administrative district where the branch / business place is proposed to be located:

Name of the Entity	Address of the place of business	Type of business	Relationship to the Company

6. Names of other specialized leasing companies in the town / village where the proposed branch / business place is to be located :
7. Names of commercial banks and registered finance companies in the town / village where the proposed branch / business place is to be located :
8. The main types of business of the proposed branch / business place :
9. Estimated capital expenditure in respect of opening of a new branch / business place:
 - (a) Land & building / rent paid in advance
 - (b) Furniture, fittings and fixtures
 - (c) Office equipment
 - (d) Other fixed assets
 - (e) Other
10. Means of communication / flow of information (i.e., messenger / courier / facsimile / on-line systems) and the frequency of flow of information (i.e., daily / weekly / monthly) between the proposed branch / business place and the head office :

11. Projections for the first three years of operations of the proposed branch / business place:

	1st Year	2nd Year	3rd Year
(a) Accommodation :
Finance Leasing
Term Loans
Hire purchase
Factoring
Real estate
Other
(b) Borrowings:
Promissory Notes
Commercial Papers
(c) Income:			
Interest income from:			
Finance Leasing
Term Loans
Hire purchase
Factoring
Real estate
Other
Non-interest income:
(d) Expenses:			
Interest on debt instruments
Salaries & wages
Rent
Depreciation
Other expenses
(e) Profit / (Loss) :

12. Names, qualifications and experience of the officers who will be posted as manager (officer in charge) and second officer to the proposed branch / business place and details of support staff:

13. Whether necessary approval has been obtained from the relevant local authority to establish a branch / Business Place at the proposed location:

I certify that the above information is true and correct.

Name of the officer :

Designation :

Signature :

Date :

FORM B

APPLICATION FOR CLOSURE OF A BRANCH / BUSINESS PLACE

1. Name of the specialized leasing company:
2. Category : head office/ branch/window office/service centres/any other outlets
3. Address of the location to be closed:
4. Details of the branch /business place to be closed as follows:

Type	As per the latest financial statements Rs 000'
Total Core Capital	
Total Accommodation	
Finance Leasing (including no of contract)	
Hire Purchase	
Total borrowings	
Promissory notes borrowings	
Commercial paper borrowings	
Others	
Total Assets	
Profit/(loss)	
No of investors on debt instruments	

5. Whether necessary approval has been obtained from the relevant local authority to close the branch / business place:
6. Action to be taken on investors of debt instruments holders:
7. Justifying reasons for the closure of branches/ business place:

I certify that the above information is true and correct.

Name of the officer :

Designation :

Signature :

Date :

FORM C

APPLICATION FOR SHIFTING OF A BRANCH / BUSINESS PLACE

1. Name of the specialized leasing company:
2. Category : head office/ branch/window office/service centres/any other outlets
3. Address of the current location:
4. Address of the proposed location:
5. Details of the branch /business place to be shifted as follows:

Type	As per the latest financial statements Rs 000'
Total Core Capital	
Total Accommodation	
Finance Leasing (including no of contract)	
Hire Purchase	
Total borrowings	
Promissory notes borrowings	
Commercial paper borrowings	
Others	
Total Assets	
Profit/(loss)	
No of investors on debt instruments	

6. Whether necessary approval has been obtained from the relevant local authority to shift the branch / business place to the proposed location from the existing location
7. Justifying reasons for the shifting of branch/ business place:

I certify that the above information is true and correct.

Name of the officer :

Designation :

Signature :

Date :

FINANCE LEASING ACT NO. 56 OF 2000

REGULATIONS made by the President and Minister-in-Charge of the subject of Finance and Planning, under section 35 read with sections 3(C), 4(1) and 6 of the Finance Leasing Act, No. 56 of 2000.

Sgd: Mahinda Rajapaksa
President and Minister of Finance and Planning
Colombo.

On this 27th day of December, 2010

REGULATIONS

- | | |
|---|--|
| Citation | 1. These Regulations may be cited as the Finance Leasing (Registration and Annual Licence Fees) Regulations, No. 1 of 2010 and shall come into operation with immediate effect. |
| Minimum issued and paid up capital of a public company applying for licence | 2. For the purpose of section 3 (C) of Finance Leasing Act, No. 56 of 2000 (the Act), the minimum issued and paid-up capital of a public company applying for licence under the Act shall be as follows. |

Minimum issued and paid up capital (Rs Mn)	Effective Date
100	From 01/01/ 2011
150	From 01/01/ 2012
200	From 01/01/ 2013
250	From 01/01/ 2014
300	From 01/01/ 2015

Provided however, issued ordinary shares and issued non-cumulative, non redeemable preference shares shall be considered as paid up only if they are issued for cash consideration

- | | |
|----------------------------------|--|
| Application Fee for registration | 3. For the purpose of section 4(1) (e) of the Act, the application fee for registration shall be – <ul style="list-style-type: none"> (a) Rs.25,000/- for a licensed commercial bank, licensed specialized bank or a finance company; (b) Rs.50, 000/- for any other public company. |
| Registration Fee | 4. The registration fee applicable for obtaining registration under section 3 of the Act is Rs 250,000/- (for the calendar year of registration) which shall be paid to the Central Bank of Sri Lanka on or before the date of registration. |

- Annual licence fee 5. For the purpose of section 6 of the Act, every finance leasing establishment registered under the Section 3 of the Act shall pay an annual licence fee within two months of the end of the preceding calendar year, to the Central Bank of Sri Lanka as set out below based on the total assets as shown in the audited balance sheet as at end of the preceding financial year.

Total Assets of the Establishment	Annual Licence Fee (Rs.)
Rs.1 billion or below	150,000/-
above Rs.1 billion but less or equal to Rs.10 billion	250,000/-
over Rs.10 billion	500,000/-

- Revocation Regulation No 1 of 2001 6. Finance Leasing (Fee) Regulation No.1 of 2001 is hereby revoked.