

## **Guidelines on Opening of New Finance Companies in Sri Lanka**

### **1. Introduction**

**1.1. Purpose:** This ‘Guidelines on Opening of New Finance Companies in Sri Lanka’ is intended to provide the regulatory framework applicable for the licensing of new finance companies and guidance for the prospective applicants on the procedures for obtaining a licence to carry on finance business in Sri Lanka.

**1.2. Applicability of the guidelines:** These guidelines are applicable with regard to the applications made to the Central Bank of Sri Lanka (CBSL) to establish Licensed Finance Companies. These guidelines are for guidance and are not binding.

**1.3. Applicable laws:** These Guidelines shall be read together with the Finance Business Act, No. 42 of 2011, the Monetary Law Act, No. 58 of 1949 and the Companies Act, No. 7 of 2007, as amended from time to time, and the Directions, Circulars and other regulations issued by the Central Bank of Sri Lanka from time to time. The Finance Business Act, Directions, Circulars and other regulations can be downloaded from the CBSL web site [www.cbsl.gov.lk](http://www.cbsl.gov.lk).

**1.4. Correspondence:** All correspondence relating to such applications should be addressed to:

The Director

Department of Supervision of Non-Bank Financial Institutions

Central Bank of Sri Lanka

PO Box 590, No. 30, Janadhipathi Mawatha

Colombo 1

Sri Lanka

Tel: 94 11 2477100

Fax: 94 11 2477711

Email: [dsnbfi@cbsl.lk](mailto:dsnbfi@cbsl.lk) 2

## **2. Licensing Procedure:**

**2.1. Applicable provisions of the Finance Business Act:** The licensing procedure is contained in section 4, 5 and 6 of the Finance Business Act.

**2.2. Format of the application:** An application for a licence shall be made in writing to the Monetary Board of the CBSL on the basis of a specimen given at Annex I.

### **2.3. Documents/information to be submitted with the application:**

- a) A certified copy of the Certificate of Incorporation
- b) Confirmation from the Auditors on the availability of core capital.
- c) Articles of Association of the company or Memorandum and Articles of Association of the company.
- d) Certified copy of each of the latest forms filed with the Registrar of Companies regarding the registered address, list of directors, and the annual return. ( Forms 13,15,20)
- e) Affidavits and declarations of the directors as per Forms SNBFI/A1, SNBFI/D1, SNBFI/A2 and SNBFI/D2
- f) Organization Chart of the applicant company
- g) A copy of the Manual of Operations of the applicant company
- h) A feasibility report on carrying on finance business.
- i) Projections of deposits, lending and other operations and profit and loss for the first 03 years of operation after obtaining licence.
- j) Board of Directors' assessment of the company's ability to comply with the Directions issued and Rules made under the Finance Companies Act No. 78 of 1988 and Finance Business Act No.42 of 2011.
- k) Audited financial statements for the last three financial years and financial statements as at end of the month immediately preceding the month in which the application is made.
- l) A certified copy of the auditor's confidential letter to the board of directors at the completion of their audit for the last financial year.
- m) Tax clearance certificate issued by the Inland Revenue Department.

**If an existing company acts as the promoter of the applicant company, the format given at SNBFI/LFC/P is needed to be submitted along with the following additional documents.**

- a) Articles of Association of the promoting company.
- b) Resolution passed by the Board of Directors to form a new company for the purpose of carrying on finance business, with an issued and paid up share capital of not less than the minimum required core capital.
- a) Audited annual accounts of the promoting company for the last 3 years.

On receipt of the application Director of the Department of Supervision of Non-Bank Financial Institutions may, where deemed necessary, require the applicant to furnish such other documents, information or other particulars.

**2.4.** An applicant should fulfill the following to be granted a licence under the FBA:

- a) The applicant company should be a public company or a public quoted company ( Sec 2(3) of the FBA)
- b) The applicant company has a core capital of not less than Rs. 400 million, (The core capital in terms of the definition given in section 74 a of the FBA). Therefore, issued ordinary shares and issued preference shares shall be considered as paid up only if they are issued for cash,
- c) The applicant company has the ability to comply with the Directions and rules applicable to finance companies, and
- d) The issuing of a licence to such company will not be detrimental to the interest of the creditors and other stakeholders.

**2.5.** After consideration of the documents and other investigations, if the Monetary Board is satisfied, the application may be approved in principle, the Board may issue a Provisional Approval stating conditions to be fulfilled by the applicant company. This will be valid for the period stated by the Monetary Board, which shall not exceed a period of eighteen months. During this period the applicant should take all necessary preliminary measures specified therein.

The applicant company shall not commence finance business and shall not state the fact that it has been granted provisional approval in any prospectus or notice issued or any advertisement or other publication made by such company unless such disclosure is required under any written law.

- 2.6.** Upon successful completion of the said requirements the Monetary Board may decide to grant a licence to the applicant company.
- 2.7.** A licensed finance company should commence business within nine months of the issue of the licence.
- 2.8.** Licensing fee of Rs. 1,000,000 will be obtained as per Finance Companies (Annual Licence Fees) Rule No. 01 of 2013 on or before the date the licence is issued.