

## Have You Deposited Your Money in Institutions



## Legally Permitted to Accept Deposits?



**\* What is a deposit?** A deposit as specified in section 86 of the Banking Act is:

- A sum of money accepted by a party for the business of making such money available to others by way of lending or in other ways in the normal course of business,
- Repayable on demand or at other time as agreed by the depositor and the deposit-taker and
- Offered a return by way of interest or premium or other benefits by the deposit-taker.

**\* Deposit-taking business should be carried on only with the permission of the relevant authorities**

**\* What are the institutions permitted to accept deposits?**

- Institutions permitted by the Central Bank under the Banking Act and the Finance Companies Act.

### Licensed Commercial Banks (in Alphabetical Order)

1. Bank of Ceylon
2. Citibank, N.A.
3. Commercial Bank of Ceylon Ltd.
4. Deutsche Bank AG
5. DFCC Vardhana Bank Ltd.
6. Habib Bank Ltd.
7. Hatton National Bank Ltd.
8. ICICI Bank Ltd.
9. Indian Bank
10. Indian Overseas Bank
11. MCB Bank Ltd.
12. National Development Bank Ltd.
13. Nations Trust Bank Ltd.
14. Pan Asia Banking Corporation Ltd.
15. People's Bank
16. Public Bank Berhad
17. Sampath Bank Ltd.
18. Seylan Bank Ltd.
19. Standard Chartered Bank
20. Standard Chartered Bank (Pakistan) Ltd.
21. State Bank of India
22. The Hongkong & Shanghai Banking Corporation Ltd.
23. Union Bank of Colombo Ltd.

### Registered Finance Companies (in Alphabetical Order)

1. Alliance Finance Co. Ltd.
2. Arpico Finance Co. Ltd.
3. Asia Asset Finance Ltd.
4. Asian Finance Ltd.
5. Associated Motor Finance Co. Ltd.
6. Bartleet Finance Ltd.
7. Capital Reach Leasing Ltd.
8. Central Finance Co. Ltd.
9. Central Investments & Finance Ltd.
10. Ceylinco Investments & Realty Ltd.
11. Chilaw Finance Ltd.
12. Commercial Credit Ltd.
13. Edirisinghe Trust Investments Ltd.
14. Industrial Finance Ltd.
15. Janashakthi Finance & Investments Ltd.
16. L B Finance Ltd.
17. Lanka ORIX Finance Co. Ltd.
18. Mercantile Investments Ltd.
19. Merchant Credit of Sri Lanka Ltd.
20. Nanda Investments Ltd.
21. Senkadagala Finance Co. Ltd.
22. Seylan Merchant Leasing Ltd.
23. Silverreen Finance Co. Ltd.
24. Singer Finance (Lanka) Ltd.
25. Sinhaputra Finance Ltd.
26. Swarnamahal Financial Services Ltd.
27. The Finance & Guarantee Co. Ltd.
28. The Finance Co. Ltd.
29. The Multi Finance Co. Ltd.
30. Trade Finance & Investments Ltd.
31. Vallibel Finance Ltd.

### Licensed Specialised Banks (in Alphabetical Order)

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|--|--|
| 1. Ceylinco Savings Bank Ltd.                                | 8. Ruhuna Development Bank             |
| 2. DFCC Bank   | 9. Sabaragamuwa Development Bank       |
| 3. Housing Development Finance Corporation Bank of Sri Lanka | 10. Sanasa Development Bank Ltd.       |
| 4. Kandurata Development Bank                                | 11. S M E Bank Ltd.                    |
| 5. Lankaputhra Development Bank Ltd.                         | 12. State Mortgage and Investment Bank |
| 6. National Savings Bank                                     | 13. Uva Development Bank               |
| 7. Rajarata Development Bank                                 | 14. Wayamba Development Bank           |

**\* Other Institutions permitted**

- Co-operative societies registered under the Co-operative Societies Law and building societies incorporated under the National Housing Act.
- Any other societies or organizations established primarily not-for-profit-purpose may accept deposits from their members after obtaining the approval of the Central Bank.

**\* Others who solicit deposits do not have legal authority to do so.**

**\* What are the strategies generally used by unauthorised institutions to attract deposits?**

- Claiming to be "banks" or "finance companies"
- Displaying a certificate of registration as a company or an organisation.
- Soliciting deposits without use of the word "deposits" but calling them "investments", "placement of funds" or "savings certificates" or "in any other form".
- Offering very high rates of interest or other benefits.
- Promising loans immediately after depositing money.
- Offering jobs to young members of families who make large deposits.
- Employing such young members to visit households to canvas deposits.

**\* Can an institution use a word "bank", "banker" or "banking" in its name?**

- A word meaning "bank" can be used only with the approval of the Central Bank.

**\* What is the role of the Central Bank in protecting deposits?**

- The Central Bank regulates and supervises banks and finance companies licensed by it (see the list above) to oversee that those institutions are managed prudently for the safety and soundness.
- Requirements to maintain capital, liquid assets, provision for bad loans, etc., at prudent levels and periodical examinations are some of major regulatory and supervisory measures.
- The Board of Directors and managers of such institutions are responsible for management of these institutions with sound corporate governance principles to ensure that your money is safe.

**\* What should be the responsibility of depositors?**

- Depositors should not consider only the interest rate to make the decision in depositing or investing money.
- They should assess financial health of the institutions and be vigilant of their performances because there are inherent risks in all investment decisions. Financial information published periodically by the institutions in the newspapers or displayed at their branches should also be examined.
- They should refrain from depositing money with institutions operating without permission of the authorities.

**\* The publication of the above list of banks and finance companies should not in any way be construed as a recommendation by the Central Bank to the public to deposit or invest their money in any one of the institutions named in the list.**

## Say "No" to Easy Money. Protect Your Hard-Earned Money from Pyramid Proposals



✦ The Central Bank receives information from the public regarding pyramid-type schemes promoted by various parties.

✦ Through newspaper articles, advertisements, press releases and electronic media, the Central Bank has made the public aware of risks in participating in such schemes. Despite this campaign, the public still appears to be indulging in these fraudulent pyramid schemes.

✦ The following information is presented for the public to fully understand the risks involved in participation in pyramid schemes.

✦ **What is a pyramid scheme?**

- ✦ Pyramid Schemes are manifold. To join the scheme, participants have to:
  - ✦ buy a product such as gold coins or colourful wrist watches, or
  - ✦ pay, deposit or invest a sum of money, or
  - ✦ register to provide some services through internet or other ways, or
  - ✦ recruit others to buy the product or pay contribution to join the scheme.

✦ **How are participants lured to join pyramid schemes?**

- ✦ Through promise to give large amounts of commissions periodically or additional sums as the return or benefit for participation.
- ✦ Such return or benefit is usually tied to:
  - ✦ recruitments of new members by participants, or
  - ✦ increase in the number of participants, or
  - ✦ increase in contributions / investments made by participants.
- ✦ Where participants have to invest or pay an initial contribution of money, the initial investment or contribution is linked on various fraudulent methodologies.

✦ **Why are pyramid schemes fraudulent and deceptive?**

- ✦ Pyramid schemes connected with sale of products are fraudulent because such products are:
  - ✦ sold at an inflated price to enable the scheme to pay commissions to participants;
  - ✦ not needed for general consumption and, therefore, do not have a regular market;
  - ✦ not sold on discount basis through a network of marketing representatives.
- ✦ Some schemes are devised based on deceptive methods.
  - ✦ Since the no. of participants has to expand in a geometric progression (2, 4, 16, and so on), these schemes are bound to collapse sooner or later for want of new participants.
- ✦ The promoters are masters of group psychology. They conduct recruitment meetings effectively and convincingly by giving very promising explanations. Therefore, the prospective participants find it difficult to resist the temptation to earn easy money by way of commissions or other ways.
- ✦ The promoters and the preachers try to show that these schemes are self-employment schemes and if you have the will you will earn very good incomes. Accordingly, participants tend to become ambitious and try to rich within short span of time.
- ✦ It should be obvious that assuring unlimited or large sums of future income or returns to participants is not practical or feasible.
- ✦ There is no way for a participant to know the future expansion of participants or total contributions/ investments in the scheme or the amount of income or commission receivable on such expansion.

✦ **What are the risks in participation in pyramid schemes?**

- ✦ The scheme will collapse sooner or later. The majority of participants, mostly new comers, would not only lose anticipated commissions or incomes, but also be left with substantially overpriced products.
- ✦ Such failures will create disputes among friends and members in the societies due to loss of promised income.
- ✦ Some participants may have taken loans to pay money to pyramid schemes and when the schemes collapse there is no way to repay the debt.
- ✦ Innocent youth and school leavers jeopardize their future through such schemes.
- ✦ Schemes of pyramid nature are illegal in Sri Lanka under section 83C of the Banking Act and several offenders have already been prosecuted.
- ✦ Certain payments and transactions are offences punishable under the Exchange Control Act and Prevention of Money Laundering Act as well.

✦ **What are the legal provisions under Section 83C of the Banking Act?**

- ✦ Illegal schemes of pyramid nature are schemes where a participant is required to contribute or pay money, and the benefits earned by the participant are largely dependent on the:-
  - ✦ increase in the number of participants in the scheme; or
  - ✦ increase in the contributions made by the participants in the scheme.
- ✦ To initiate, offer, promote, advertise, conduct, finance, manage or direct such schemes directly or indirectly is illegal.
- ✦ Any person found guilty of participation in such a scheme by way of above acts will be subject to:
  - ✦ imprisonment for a term not exceeding three years or
  - ✦ a fine not exceeding rupees one million or
  - ✦ both such imprisonment and fine.
- ✦ The punishment in the case where the offence is committed wilfully or knowingly that the act will cause damage or harm to any other person will be:
  - ✦ rigorous imprisonment for a term not less than three years and not more than five years, and
  - ✦ a fine of rupees two million or twice the aggregate amount in Sri Lanka currency that has been received from the participants in the scheme, whichever is higher.

✦ **What is the responsibility of the public in fighting such illegal schemes?**

- ✦ Refrain from joining such schemes and protect their hard-earned money.
- ✦ Understand that earning easy-money to get rich through participation in pyramid schemes is only an illusion.
- ✦ inform the nearest police or the Central Bank of Sri Lanka if information on promotion classes or other activities is known.

✦ **It is better to avoid Pyramid Schemes rather than suffering the loss trying to recoup your cost.**

✦ **The public is strongly advised to stay away from such deceptive and fraudulent schemes, which are illegal in Sri Lanka.**



### Central Bank of Sri Lanka

No. 30, Janadhipathi Mawatha, Colombo 1.

Tel.: 2477100, 2477105

Fax: 2477711

E-mail : banksup@cbsl.lk

Web Site : <http://www.cbsl.gov.lk>

### For further inquiries

- ✦ **Bank Supervision Department** – Tel.: 2477100, 2477105, 2477096, 2477116 Fax: 2477711 E-mail : banksup@cbsl.lk (Regarding Licensed Commercial Banks, Licensed Specialised Banks and Pyramid Schemes)
- ✦ **Dept. of Supervision of Non-Bank Financial Institutions** – Tel.: 2477500, 2477021 Fax: 2477738 E-mail : snbfi@cbsl.lk (Regarding Registered Finance Companies)
- ✦ **Legal Department** – Tel.: 2477550, 2477547 Fax: 2477745 E-mail : legal@cbsl.lk (Regarding Laws relating to Banks and Finance Companies)