



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

27 October, 2016

MICROFINANCE ACT DIRECTIONS

NO. 02 OF 2016

STATUTORY RESERVE

Issued under Section 11 of the Microfinance Act, No. 6 of 2016.

1. Statutory Reserve 1.1. Every Licensed Microfinance Company (LMFC) shall maintain a statutory reserve and shall, out of the net profits after the payment of tax of each year, before any dividend is declared, transfer to such reserve fund—
- a) a sum equivalent to not less than Five percent (5%) of such profits until the amount of the said statutory reserve is equal to fifty percent (50%) of the stated capital of such LMFC; and
 - b) a further sum equivalent to not less than Two point Five percent (2.5%) of such profits until the amount of the said statutory reserve is equal to the stated capital of such LMFC.
2. Interpretation 2.1. Stated capital in relation to a company means the total of all amounts received by the company or due and payable to the company —
- a) in respect of the issue of shares; and
 - b) in respect of calls on shares,
- as contained in the definition in the Section 58 of the Companies Act, No. 07 of 2007.

Indrajit Coomaraswamy
**Chairman of the Monetary Board
Governor of the Central Bank of Sri Lanka**