



MONETARY BOARD

CENTRAL BANK OF SRI LANKA

March 2017

MICROFINANCE ACT DIRECTIONS

No. 02 of 2017

STRUCTURAL CHANGES

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

1. Structural Changes which require approval of the Monetary Board
 - 1.1. No Licensed Microfinance Company (LMFC) shall, without the prior approval in writing of the Monetary Board of the Central Bank of Sri Lanka:-
 - a) Form any subsidiary, subsidiary or associate of an approved subsidiary or associate company;
 - b) Sell whole or part of its business;
 - c) Acquire whole or part of the business of any institution or company;
 - d) Amalgamate, consolidate or merge with any institution or company;
 - e) Change the name of the company;
2. Structural Changes which require the approval of the Director
 - 2.1. No LMFC shall, without the prior approval in writing of the Director:-
 - a) Outsource of any of its functions other than Mail, Courier Services, Housekeeping and Janitorial services, Security of premises, Payroll and Secretarial functions;
 - b) Enhance or reduce its share capital;
 - c) Enhance its investment in share capital of an approved subsidiary or an associate company;
 - d) Sell whole or part of the business of an approved subsidiary or an associate company;
 - e) Change its Articles of Association;
 - f) Transfer or sell any of its assets of a book value of more than Rupees One Million (Rs.1,000,000/-), at a price less than prevailing market value;
 - g) Change the designation of any member of the board of directors and Chief Executive Officer.
 - h) Transfer or sell any of its assets for any consideration other than for a monetary consideration.

3. Resignation of any member of the Board of Directors and Chief Executive Officer/General Manager
- 3.1. No member of the board of directors and Chief Executive Officer/General Manager shall without the prior approval of the Director, resign from the company.
4. Definitions
- 4.1. In this Direction,
 - a) “Subsidiary” and “Associate” as defined in the Sri Lanka Accounting Standards.
 - b) “Prevailing market value” shall mean the estimated price determined by a licenced valuer for which an asset should exchange between a willing buyer and a willing seller in an arm’s length transaction
 - c) “Director” means the Director of the Department of Supervision of Microfinance Institutions of the Central Bank of Sri Lanka.

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